

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015 Bonds. See "TAX MATTERS."

\$183,380,000

**SACRAMENTO CITY FINANCING AUTHORITY
2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)**

Dated: Date of Delivery

Due: December 1, as shown on inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the "**2015 Bonds**") are being issued by the Sacramento City Financing Authority (the "**Authority**") for the purpose of providing funds (i) together with other available funds and certain proceeds of the Tax Allocation Bonds (as defined herein), to refund certain of the Authority's outstanding bonds as more particularly described herein (the "**Prior Bonds**"), and (ii) to pay costs of issuance of the 2015 Bonds, including costs of the Policy (defined herein) and a debt service reserve insurance policy (as more particularly described herein, the "**Reserve Policy**"). See "THE PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2015 Bonds are being issued pursuant to an Indenture, dated as of October 1, 2015 (the "**2015 Indenture**"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "**Trustee**"). The 2015 Bonds are limited obligations of the Authority and are payable solely from Revenues, which consist primarily of 2015 Base Rental Payments paid by the City of Sacramento (the "**City**") under a Tenth Amendment to Master Project Lease as described herein, and certain amounts on deposit with the Trustee (together with certain investment earnings). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" herein. The City's obligation to make Base Rental Payments, including the 2015 Base Rental Payments, under the Master Project Lease (as defined herein) is subject to abatement during any period in which, by reason of material damage or destruction or condemnation there is substantial interference with the use and possession by the City of any portion of the Master Leased Project (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — Abatement" herein.

The 2015 Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository for the 2015 Bonds. Individual purchases of the 2015 Bonds will be made in book-entry form only. Interest on the 2015 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2015. Payments of principal, premium, if any and interest on the 2015 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2015 Bonds.

The 2015 Bonds are subject to optional and extraordinary redemption prior to maturity as described herein.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED AS TO THE PAYMENT THEREOF SOLELY FROM THE REVENUES AND THE OTHER FUNDS PROVIDED IN THE 2015 INDENTURE FOR THEIR PAYMENT. THE 2015 BONDS ARE NOT A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY), AND NEITHER THE CITY NOR THE STATE OF CALIFORNIA NOR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) IS LIABLE THEREFOR.

Maturities and principal amount of, and interest rates and yields on the 2015 Bonds are set forth on the inside cover.

Concurrently with the issuance of the 2015 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy (the "Policy") for the 2015 Bonds maturing on December 1 of the years 2021 through 2036, inclusive (collectively, the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY." See "BOND INSURANCE."



The 2015 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the Sacramento City Attorney and Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Jones Hall, A Professional Law Corporation. It is expected that the 2015 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about October 14, 2015.

**Morgan Stanley
BofA Merrill Lynch**

**Stifel
Goldman, Sachs & Co.**

Maturity Schedule

\$183,380,000

SACRAMENTO CITY FINANCING AUTHORITY 2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)

<i>Maturity Date</i>		<i>Interest</i>			<i>CUSIP[†]</i>
<i>December 1</i>	<i>Amount</i>	<i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>Number</i>
2016	\$16,680,000	4.000%	0.400%	104.056%	785849VX5
2017	3,370,000	3.000	0.860	104.507	785849VY3
2017	12,960,000	5.000	0.860	108.720	785849WU0
2018	7,560,000	4.000	1.150	108.737	785849VZ0
2018	8,000,000	5.000	1.150	111.803	785849WV8
2019	15,335,000	5.000	1.420	114.311	785849WW6
2020	7,900,000	4.000	1.690	111.305	785849WB2
2020	8,000,000	5.000	1.690	116.199	785849WX4
2021*	6,390,000	3.000	1.860	106.574	785849WC0
2021*	8,745,000	5.000	1.860	118.111	785849WY2
2022*	5,880,000	5.000	2.060	119.401	785849WD8
2023*	6,175,000	5.000	2.310	119.833	785849WE6
2024*	6,495,000	5.000	2.480	120.474	785849WF3
2025*	6,800,000	5.000	2.640	120.854	785849WG1
2026*	7,155,000	5.000	2.800	119.285 C	785849WH9
2027*	2,145,000	3.000	3.100	98.993	785849WJ5
2027*	5,360,000	5.000	2.940	117.931 C	785849WZ9
2028*	7,855,000	5.000	3.070	116.691 C	785849WK2
2029*	8,190,000	3.375	3.430	99.385	785849WL0
2030*	4,395,000	5.000	3.240	115.092 C	785849WM8
2031*	4,610,000	5.000	3.330	114.256 C	785849WN6
2032*	4,385,000	5.000	3.390	113.703 C	785849WP1
2033*	4,600,000	5.000	3.440	113.244 C	785849WQ9
2034*	4,575,000	5.000	3.470	112.970 C	785849WR7
2035*	4,800,000	5.000	3.510	112.606 C	785849WS5
2036*	5,020,000	4.000	3.940	100.493 C	785849WT3

* Insured Bonds

C = Priced to the optional par redemption date of December 1, 2025.

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All information for investors regarding the Authority, the City and the 2015 Bonds is contained in this Official Statement. While the City maintains an internet website for various purposes, none of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2015 Bonds or any other bonds or obligations of the City. No dealer, broker, salesperson or other person has been authorized by the City to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and the 2015 Bonds may not be sold by a person in any jurisdiction in which it is unlawful for that person to make such an offer, solicitation, or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Bonds. Statements in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from the City and certain other sources. The information set forth in this Official Statement that has been obtained from third-party sources is believed to be reliable, but the City does not guarantee its accuracy or completeness. The information and expressions of opinion are subject to change without notice; and neither delivery of this Official Statement nor any sale of the 2015 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or in any matters expressed herein since the date of this Official Statement. All summaries of the 2015 Indenture or other documents are made subject to the provisions of those documents and do not purport to be complete statements of any or all of those provisions.

The Underwriters have provided the following sentence for inclusion in this Official Statement: “The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.”

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” and other similar words.

Build America Mutual Assurance Company (“**BAM**”) makes no representation regarding the 2015 Bonds or the advisability of investing in the 2015 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “APPENDIX H – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” and APPENDIX I – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY”.

The achievement of certain results or other expectations contained in the forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. While the City has agreed to provide certain on-going financial and operating data for a limited time (see “CONTINUING DISCLOSURE” and Appendix F hereto), it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or the events, conditions, or circumstances on which statements are based change.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2015 Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public-

offering prices stated on the inside front cover page hereof, and the public offering prices may be changed from time to time by the Underwriters.

The 2015 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in that act. The 2015 Bonds have not been registered or qualified under the securities laws of any state.

SACRAMENTO CITY FINANCING AUTHORITY

CITY OF SACRAMENTO

Authority Governing Board and City Council

Kevin Johnson – *Authority Chair, Mayor*
Angelique Ashby – *Authority Board Member, Councilmember & Mayor Pro Tem*
Allen Wayne Warren – *Authority Board Member, Councilmember & Vice Mayor*
Jeff Harris – *Authority Board Member, Councilmember*
Steve Hansen – *Authority Board Member, Councilmember*
Jay Schenirer – *Authority Board Member, Councilmember*
Eric Guerra – *Authority Board Member, Councilmember*
Rick Jennings, II, *Authority Board Member, Councilmember*
Larry Carr – *Authority Board Member, Councilmember*

Chief Authority and City Administrative Personnel

John F. Shirey <i>City Manager</i>	Russell T. Fehr <i>Authority Treasurer, City Treasurer</i>
James Sanchez <i>Authority Legal Counsel, City Attorney</i>	Leyne Milstein <i>Authority Controller, City Finance Director</i>
Shirley Concolino <i>Authority Clerk, City Clerk</i>	

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation

Financial Advisor

First Southwest Company, LLC
Oakland, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Verification Agent

Causey Demgen Moore, P.C.
Denver, Colorado

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OFFICIAL STATEMENT

\$183,380,000

SACRAMENTO CITY FINANCING AUTHORITY 2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2015 Bonds (defined below) being offered and a brief description of the Official Statement (which includes the cover page and Appendices hereto). All statements in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “**State**”) and any documents referred to herein do not purport to be complete, and those references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given them in the 2015 Indenture or the Master Project Lease (as each term is defined below). See APPENDIX D—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Purpose

The purpose of this Official Statement, including the cover page and Appendices hereto, is to provide certain information concerning the issuance by the Sacramento City Financing Authority (the “**Authority**”) of its 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “**2015 Bonds**”) in the aggregate principal amount of \$183,380,000. The 2015 Bonds are being issued to provide funds (a) to, together with other available funds and certain proceeds of the Tax Allocation Bonds (as defined herein), refund the Prior Bonds (as defined below), and (b) to pay costs of issuance of the 2015 Bonds, including costs of the Policy (defined herein) and a debt service reserve insurance policy (as more particularly described herein, the “**Reserve Policy**”). The Prior Bonds consist of the following:

- \$6,710,000 aggregate principal amount of the Sacramento City Financing Authority 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) (the “**2002 Bonds**”)
- \$15,395,000 aggregate principal amount of the Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects) (the “**2003 Bonds**”)
- \$139,180,000 aggregate principal amount of the Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) (the “**2005 Bonds**”)
- \$70,740,000 aggregate principal amount of the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) (the “**2006A Bonds**”)
- \$25,605,000 aggregate principal amount of the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C (300 Richard Boulevard Building Acquisition) (the “**2006C Bonds**”)

See “THE PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Authority for Issuance

The 2015 Bonds are being issued under the State’s Marks Roos Local Bond Pooling Act of 1985 (Government Code §§ 6584–6599.3) (the “**Marks Roos Act**”) and an Indenture, dated as of October 1, 2015 (the “**2015 Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The City will enter into the Tenth Amendment to Master Project Lease (as described herein) under and in accordance with its charter, applicable laws of the State and the resolutions of the City and the Authority.

The City of Sacramento

The City is a municipal corporation and charter city of the State. See “THE CITY,” “CITY FINANCIAL INFORMATION,” “CITY FINANCIAL PRESSURES,” and APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.”

The Authority

The Authority is a joint-exercise-of-powers authority organized under the laws of the State and composed of the City and the Housing Authority of the City of Sacramento (the “**Housing Authority**”). The Authority was created primarily to provide financing of public capital improvements and the purchase by the Authority of local obligations within the meaning of the Act.

Security for the 2015 Bonds

The 2015 Bonds are limited obligations of the Authority, payable solely from Revenues and secured as to the payment of the principal thereof and the interest thereon solely from Revenues. Revenues consist of the 2015 Base Rental Payments paid by the City under the Program Obligation described below, all moneys in the funds and accounts under the 2015 Indenture (other than the Rebate Fund), and all investment income with respect to any money held by the Trustee (other than moneys on deposit in the Rebate Fund).

The Program Obligation and the Master Project Lease

The Program Obligation, payment of which secures repayment of the 2015 Bonds, consists of a Tenth Amendment to Master Project Lease, dated as of October 1, 2015 (the “**Tenth Amendment**”), between the Authority and the City. The Tenth Amendment amends a Master Project Lease, dated as of December 1, 1999, as amended (the “**Master Project Lease**”) between the Authority and the City, under which the City leases various real properties and improvements thereon from the Authority (the “**Master Leased Project**”). See APPENDIX C — “THE MASTER LEASED PROJECT.” The Tenth Amendment requires the City to make scheduled base rental payments (the “**2015 Base Rental Payments**”) as part of the aggregate payments required to be made by the City to the Authority under the Master Project Lease (the “**Base Rental Payments**”). The 2015 Base Rental Payments are calculated to be equal to the scheduled debt service on the 2015 Bonds.

Other Obligations Secured by Master Project Lease

The Base Rental Payments under the Master Project Lease secure several series of bonds issued by the Authority, as listed in the table appearing under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — Master Project Lease — General.” Each series of bonds secured by Base Rental Payments, including the 2015 Bonds, is referred to herein as “**Master Lease Bonds**.” All of the Base Rental Payments are payable June 1 and December 1, and, except to the extent Base Rental

Payments are abated under the Master Project Lease, the failure of the City to pay any Base Rental Payments when due will constitute an Event of Default under the Master Project Lease.

Abatement

Base Rental Payments, including the 2015 Base Rental Payments, may be abated during any period in which, by reason of material damage or destruction or condemnation, there is substantial interference with the use and possession by the City of the Master Leased Project. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — Master Project Lease,” “RISK FACTORS — Abatement” and APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease” for a discussion of certain provisions of the Master Project Lease.

The Master Site Lease

The real properties leased by the Authority to the City under the Master Project Lease are leased to the Authority by the City pursuant to a Master Site Lease, dated as of December 1, 1999, as amended, including as amended by a Ninth Amendment to Master Site Lease, dated as of October 1, 2015 (the “**Master Site Lease**”). The property leased by the City to the Authority under the Master Site Lease constitutes the “**Master Site**.”

Additional Master Lease Bonds

As described herein, the Master Project Lease secures several series of outstanding Master Lease Bonds. The Authority may not issue additional bonds under the 2015 Indenture. However, the City may, under the terms of the Master Project Lease, enter into additional amendments to the Master Project Lease to secure additional Master Lease Bonds that are issued under separate indentures. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — Master Project Lease — General” and APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease.”

Bond Insurance

Concurrently with the issuance of the 2015 Bonds, Build America Mutual Assurance Company (“**BAM**”) will issue its Municipal Bond Insurance Policy (the “**Policy**”) for the 2015 Bonds maturing on December 1 of the years 2021 through 2036, inclusive (collectively, the “**Insured Bonds**”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Reserve Account

Pursuant to the 2015 Indenture, a 2015 Reserve Account for the 2015 Bonds is established in the Revenue Fund in an amount equal to the Reserve Requirement for the 2015 Bonds. The City is satisfying the Reserve Requirement through the use of the Reserve Policy to be provided by BAM concurrently with the issuance of the 2015 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Reserve Account,” “BOND INSURANCE” and APPENDIX I – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

Continuing Disclosure

The City has covenanted for the benefit of the Holders and Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data by not later than the end of the ninth month

following the end of the City's Fiscal Year (which as of the date of this Official Statement is June 30) (the "**Annual Report**"), commencing with the Annual Report for Fiscal Year 2014-15, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its EMMA website. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. This covenant has been made in order to assist the underwriters of the 2015 Bonds (the "**Underwriters**") in complying with S.E.C. Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" for additional information, including information regarding the City's history of compliance with previous continuing-disclosure undertakings.

Certain Risk Factors

See "RISK FACTORS" for a description of certain risks associated with an investment in the 2015 Bonds.

Other Matters

Copies of the 2015 Indenture, the Master Site Lease, and the Master Project Lease will be available for inspection at the City's offices in Sacramento, California, and will be available from the Trustee upon request after payment of duplication costs.

THE PLAN OF REFUNDING

A portion of the proceeds of the 2015 Bonds is expected to be applied to the refunding of the Prior Bonds, as more particularly set forth in the following tables.

A portion of the proceeds of bonds (the "**Tax Allocation Bonds**," or "**TABs**") that will be issued by the Redevelopment Agency Successor Agency to the dissolved Redevelopment Agency of the City (the "**Successor Agency**") contemporaneously with the issuance of the 2015 Bonds will also be applied to the refunding of certain of the Prior Bonds, as more particularly set forth in the following table. (Issuance of the TABs is a condition precedent to the issuance of the 2015 Bonds.) The Tax Allocation Bonds will be secured solely by the tax-allocation revenues and other amounts pledged therefor under the indenture pursuant to which the Tax Allocation Bonds will be issued. The Tax Allocation Bonds will not be secured by payments required to be made by the City under the Master Project Lease.

The summary table below shows the aggregate principal amount of the Prior Bonds to be refunded and the respective redemption dates and redemption prices.

Sacramento City Financing Authority Bonds to Be Refunded

Series of Prior Bonds	Series Name	Outstanding Principal	Redemption Date	Redemption Price
2002 Bonds	2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects)	\$ 6,710,000	Dec. 1, 2015	100%
2003 Bonds	2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects)	15,395,000	Dec. 1, 2015	100%
2005 Bonds	2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities)	139,180,000	Dec. 1, 2015	100%
2006A Bonds	2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program)	70,740,000	Dec. 1, 2016	100%
2006C Bonds	2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition)	25,605,000	Dec. 1, 2016	100%
	Total	\$257,630,000		

The tables on the following pages set forth the currently outstanding par amount and maturities of the Prior Bonds, the particular maturities and principal amounts to be refunded with the proceeds of the 2015 Bonds and the proceeds of the Tax Allocation Bonds, and other information.

**Sacramento City Financing Authority 2002 Revenue Bonds, Series A
(City Hall and Redevelopment Projects)**

Maturity Date (December 1)	CUSIP[†] 785849	Principal Amount Outstanding of Prior Bonds	Principal Amount Being Refunded by 2015 Bonds	Principal Amount Being Refunded by TABs	Unrefunded Principal Amount
2015	JL5	\$ 250,000	\$ 165,000	\$ 85,000	\$0
2015	PB0	1,720,000	0	1,720,000	0
2016	JN1	250,000	160,000	90,000	0
2016	PC8	1,810,000	0	1,810,000	0
2017	JQ4	775,000	680,000	95,000	0
2017	PD6	1,905,000	0	1,905,000	0
Total		\$6,710,000	\$1,005,000	\$5,705,000	\$0

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**Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds
(911 Call Center and Other Municipal Projects)**

Maturity Date (December 1)	CUSIP† 785849	Principal Amount Outstanding of Prior Bonds	Principal Amount Being Refunded by 2015 Bonds	Principal Amount Being Refunded by TABs	Unrefunded Principal Amount
2015	LJ7	\$2,115,000	\$ 2,115,000	\$0	\$0
2016	LK4	2,245,000	2,245,000	0	0
2017	LL2	2,385,000	2,385,000	0	0
2018	LM0	2,610,000	2,610,000	0	0
2019	LN8	1,800,000	1,800,000	0	0
2020	LP3	1,550,000	1,550,000	0	0
2021	VP2	150,000	150,000	0	0
2022	VQ0	155,000	155,000	0	0
2023	VR8	165,000	165,000	0	0
2024	VS6	165,000	165,000	0	0
2027	VT4	555,000	555,000	0	0
2033	VU1	1,500,000	1,500,000	0	0
Total		\$15,395,000	\$15,395,000	\$0	\$0

**Sacramento City Financing Authority 2005 Refunding Revenue Bonds
(Solid Waste, Redevelopment and Master Lease Program Facilities)**

Maturity Date (December 1)	CUSIP† 785849	Principal Amount Outstanding of Prior Bonds	Principal Amount Being Refunded by 2015 Bonds	Principal Amount Being Refunded by TABs	Unrefunded Principal Amount
2015	MD9	\$ 15,080,000	\$ 11,540,000	\$ 3,540,000	\$0
2016	ME7	15,830,000	12,115,000	3,715,000	0
2017	MF4	16,110,000	12,205,000	3,905,000	0
2018	MG2	13,375,000	11,780,000	1,595,000	0
2019	MH0	13,935,000	12,270,000	1,665,000	0
2020	MJ6	13,670,000	13,045,000	625,000	0
2021	MK3	14,235,000	13,590,000	645,000	0
2023	ML1	8,135,000	6,880,000	1,255,000	0
2024	MM9	4,290,000	3,690,000	600,000	0
2026	MN7	9,130,000	7,855,000	1,275,000	0
2029	MP2	15,390,000	13,240,000	2,150,000	0
Total		\$139,180,000	\$118,210,000	\$20,970,000	\$0

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**Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A
(Community Reinvestment Capital Improvement Program)**

Maturity Date (December 1)	CUSIP [†] 785849	Principal Amount Outstanding of Prior Bonds	Principal Amount Being Refunded by 2015 Bonds	Principal Amount Being Refunded by TABs	Unrefunded Principal Amount
2015	SL5	\$ 3,360,000	\$ 3,140,000	\$ 220,000	0
2016	SM3	3,510,000	3,280,000	230,000	0
2017	SN1	2,060,000	1,820,000	240,000	0
2018	SP6	2,150,000	1,900,000	250,000	0
2019	SQ4	2,240,000	1,980,000	260,000	0
2020	SR2	2,355,000	2,080,000	275,000	0
2021	SS0	2,445,000	2,165,000	280,000	0
2022	ST8	2,555,000	2,260,000	295,000	0
2023	SU5	2,680,000	2,370,000	310,000	0
2024	SV3	2,820,000	2,490,000	330,000	0
2025	SW1	2,960,000	2,615,000	345,000	0
2026	SX9	3,105,000	2,745,000	360,000	0
2031	SY7	18,045,000	15,940,000	2,105,000	0
2036	SZ4	20,455,000	17,765,000	2,690,000	0
Total		\$70,740,000	\$62,550,000	\$8,190,000	\$0

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**Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C
(300 Richards Boulevard Building Acquisition)**

Maturity Date (December 1)	CUSIP [†] 785849	Principal Amount Outstanding of Prior Bonds	Principal Amount Being Refunded by 2015 Bonds	Principal Amount Being Refunded by TABs	Unrefunded Principal Amount
2016	UA6	\$245,000	\$245,000	\$0	\$0
2017	UB4	755,000	755,000	0	0
2018	UC2	795,000	795,000	0	0
2019	UD0	835,000	835,000	0	0
2020	UE8	880,000	880,000	0	0
2021	UF5	925,000	925,000	0	0
2022	UG3	970,000	970,000	0	0
2023	UH1	1,020,000	1,020,000	0	0
2024	UJ7	1,075,000	1,075,000	0	0
2025	UK4	1,130,000	1,130,000	0	0
2026	UL2	1,185,000	1,185,000	0	0
2031	UM0	6,915,000	6,915,000	0	0
2036	UN8	8,875,000	8,875,000	0	0
Total		\$25,605,000	\$25,605,000	\$0	\$0

Under an escrow agreement relating to the Prior Bonds, dated as of October 1, 2015 (the “**Escrow Agreement**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”), a portion of the proceeds of the 2015 Bonds, a portion of the proceeds of the Tax Allocation Bonds, and other available moneys will be deposited into separate escrow accounts relating to each series of the Prior Bonds and will be held by the Escrow Agent. Amounts deposited into each escrow account will either be held in cash or applied to purchase certain direct noncallable United States Treasury obligations, the principal of and interest on which will be sufficient, together with moneys on deposit in the applicable escrow account, to pay the principal on, or redemption price of and interest on, the applicable series of Prior Bonds as they become due and payable. Upon the deposit, the Prior Bonds will no longer be deemed to be outstanding except as to the rights of the owners of the Prior Bonds to receive payments from the applicable escrow account held under the Escrow Agreement. Amounts on deposit under the Escrow Agreement will not be available for payment of the 2015 Bonds.

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the 2015 Bonds are set forth in the table below. (The table does not reflect the application of certain portions of the Tax Allocation Bonds proceeds which will also be deposited into the escrow funds for the Prior Bonds as a condition of the issuance of the 2015 Bonds.)

Sources:

Principal Amount	\$183,380,000.00
Net Original Issue Premium	22,397,975.55
Amounts Available from Prior Bond Accounts	8,204,765.79
City Contribution	<u>19,960,000.00</u>
Total Sources	\$233,942,741.34

Uses:

Deposit to Escrow Funds	\$231,927,250.43
Costs of Issuance ⁽¹⁾	<u>2,015,490.91</u>
Total Uses	\$233,942,741.34

⁽¹⁾ Includes fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, and the Trustee; costs of the Policy and the Reserve Policy; the Underwriters' discount; consulting fees; rating agency fees; printing costs; and certain miscellaneous expenses.

THE 2015 BONDS

General

The 2015 Bonds will be dated the date of their delivery and will bear interest from such date payable on December 1, 2015, and semi-annually thereafter on each June 1 and December 1. Interest on the 2015 Bonds will be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The 2015 Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal, premium (if any), and interest on the 2015 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit the principal, premium (if any), and interest on the 2015 Bonds to its DTC Participants for subsequent disbursement to the beneficial owners of the 2015 Bonds. So long as Cede & Co. is the registered owner of the 2015 Bonds, as nominee of DTC, references herein to the Holders of the 2015 Bonds refer to Cede & Co. rather than the beneficial owners of the 2015 Bonds. See APPENDIX G — "BOOK ENTRY ONLY SYSTEM" herein for a further description of DTC and its book-entry system.

Redemption

Optional Redemption. The 2015 Bonds maturing on or after December 1, 2026, are subject to optional redemption by the Authority before their stated maturity dates as a whole or in part on any date on or after December 1, 2025, from any source of available funds, at a redemption price equal to the principal amount of the 2015 Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

Extraordinary Redemption. The 2015 Bonds are subject to extraordinary redemption in part by the Authority on any date before their stated maturity dates in integral multiples of \$5,000 principal amount so that the annual amounts of the interest and principal of the 2015 Bonds that are allocable to the payment of the 2015 Base Rental Payments and are payable after the redemption date will be as nearly proportional as practicable to the annual amounts of the interest and principal then payable on all Master Lease Bonds then Outstanding (as that term is defined in each of the indentures providing for the issuance of the Authority Bonds) that are payable from the Base Rental Payments, from prepaid Base Rental Payments made by the City, or from eminent-domain proceeds or net insurance proceeds received under the Master Project Lease, under the circumstances and upon the conditions and terms prescribed therein, at a redemption price equal to the principal amount of the 2015 Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

Selection of Bonds for Redemption. If less than all of the 2015 Bonds are to be redeemed at the option of the Authority at any one time, the Treasurer will select the maturity date or dates of the 2015 Bonds to be redeemed, and if less than all of the 2015 Bonds of any one maturity are to be redeemed by the Authority at any one time, the Trustee will select the 2015 Bonds or portions thereof of the maturity date to be redeemed in integral multiples of \$5,000 in any manner that the Trustee deems appropriate.

Notice of Redemption. The Trustee will mail notice of redemption by first-class mail at least 20 but not more than 60 days before the redemption date, to the Holders of all 2015 Bonds selected for redemption in whole or in part, subject to the following: neither failure to receive any notice nor any immaterial defect in any notice will affect the sufficiency or validity of the proceedings for the redemption; and any notice of redemption may be cancelled or annulled by written request of the Authority to the Trustee at least five days before the date fixed for redemption, whereupon the Trustee will give appropriate notice of such cancellation and annulment to all the recipients of the notice of redemption. So long as DTC is acting as securities depository for the 2015 Bonds, notice of redemption will be mailed to DTC rather than to the Beneficial Owners of any 2015 Bonds designated for redemption.

In the event of redemption of 2015 Bonds or portions thereof (other than mandatory sinking-fund redemption), the Trustee will mail a notice of redemption upon receipt of a written request of the Authority, but only after the Authority has deposited with or otherwise made available to the Trustee the money required for payment of the redemption price of all 2015 Bonds or portions thereof then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for that purpose, in which event the notice of redemption will state that the proposed redemption is conditioned on there being on deposit on the redemption date sufficient money to pay the full redemption price of the 2015 Bonds or such portions thereof to be redeemed), together with the estimated expense of giving the notice.

Effect of Redemption. If notice of redemption has been duly given and not cancelled and money for the payment of the redemption price of the 2015 Bonds or portions thereof so called for redemption is held by the Trustee, then on the date fixed for redemption designated in the notice the 2015 Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the 2015 Bonds or the portions thereof so called for redemption will cease to accrue, and the Holders of the 2015 Bonds or the portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry System

DTC will act as securities depository for the 2015 Bonds, and the 2015 Bonds will be registered in the name of Cede & Co. (DTC's nominee). One fully-registered bond certificate will be issued for each maturity of the 2015 Bonds, in each case in the aggregate principal amount of the maturity of the 2015 Bonds, and will be deposited with DTC. **So long as Cede & Co. is the registered owner of the 2015 Bonds, references herein to the Holders of the 2015 Bonds are references to Cede & Co. and do not refer to the actual purchasers (the "Beneficial Owners") of the 2015 Bonds. The Authority and the City do not give any assurances that DTC, its Participants, or others will distribute payments with respect to the 2015 Bonds or notices concerning the 2015 Bonds to the Beneficial Owners thereof or that DTC will service and act in the manner described in this Official Statement.**

See Appendix G for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC, and no representation is made by the Authority and the City concerning the accuracy thereof.

DEBT SERVICE SCHEDULES

The table below shows the debt-service schedule for the 2015 Bonds.

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
12/1/2015		\$1,100,088.85	\$1,100,088.85	
6/1/2016		4,213,106.26	4,213,106.26	
6/30/2016				\$5,313,195.11
12/1/2016	16,680,000	4,213,106.26	20,893,106.26	
6/1/2017		3,879,506.26	3,879,506.26	
6/30/2017				24,772,612.52
12/1/2017	16,330,000	3,879,506.26	20,209,506.26	
6/1/2018		3,504,956.26	3,504,956.26	
6/30/2018				23,714,462.52
12/1/2018	15,560,000	3,504,956.26	19,064,956.26	
6/1/2019		3,153,756.26	3,153,756.26	
6/30/2019				22,218,712.52
12/1/2019	15,335,000	3,153,756.26	18,488,756.26	
6/1/2020		2,770,381.26	2,770,381.26	
6/30/2020				21,259,137.52
12/1/2020	15,900,000	2,770,381.26	18,670,381.26	
6/1/2021		2,412,381.26	2,412,381.26	
6/30/2021				21,082,762.52
12/1/2021	15,135,000	2,412,381.26	17,547,381.26	
6/1/2022		2,097,906.26	2,097,906.26	
6/30/2022				19,645,287.52
12/1/2022	5,880,000	2,097,906.26	7,977,906.26	
6/1/2023		1,950,906.26	1,950,906.26	
6/30/2023				9,928,812.52
12/1/2023	6,175,000	1,950,906.26	8,125,906.26	
6/1/2024		\$1,796,531.26	\$1,796,531.26	
6/30/2024				\$9,922,437.52
12/1/2024	\$6,495,000	1,796,531.26	8,291,531.26	
6/1/2025		1,634,156.26	1,634,156.26	
6/30/2025				9,925,687.52
12/1/2025	6,800,000	1,634,156.26	8,434,156.26	

(table continued on following page)

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
6/1/2026		1,464,156.26	1,464,156.26	
6/30/2026				9,898,312.52
12/1/2026	7,155,000	1,464,156.26	8,619,156.26	
6/1/2027		1,285,281.26	1,285,281.26	
6/30/2027				9,904,437.52
12/1/2027	7,505,000	1,285,281.26	8,790,281.26	
6/1/2028		1,119,106.26	1,119,106.26	
6/30/2028				9,909,387.52
12/1/2028	7,855,000	1,119,106.26	8,974,106.26	
6/1/2029		922,731.26	922,731.26	
6/30/2029				9,896,837.52
12/1/2029	8,190,000	922,731.26	9,112,731.26	
6/1/2030		784,525.00	784,525.00	
6/30/2030				9,897,256.26
12/1/2030	4,395,000	784,525.00	5,179,525.00	
6/1/2031		674,650.00	674,650.00	
6/30/2031				5,854,175.00
12/1/2031	4,610,000	674,650.00	5,284,650.00	
6/1/2032		559,400.00	559,400.00	
6/30/2032				5,844,050.00
12/1/2032	4,385,000	559,400.00	4,944,400.00	
6/1/2033		449,775.00	449,775.00	
6/30/2033				5,394,175.00
12/1/2033	4,600,000	449,775.00	5,049,775.00	
6/1/2034		334,775.00	334,775.00	
6/30/2034				5,384,550.00
12/1/2034	4,575,000	334,775.00	4,909,775.00	
6/1/2035		220,400.00	220,400.00	
6/30/2035				5,130,175.00
12/1/2035	4,800,000	220,400.00	5,020,400.00	
6/1/2036		100,400.00	100,400.00	
6/30/2036				5,120,800.00
12/1/2036	5,020,000	100,400.00	5,120,400.00	
6/30/2037				5,120,400.00
	\$183,380,000	\$71,757,664.13	\$255,137,664.13	\$255,137,664.13

The table below shows the debt service schedule on all Master Lease Bonds (including the Prior Bonds) before the issuance of the 2015 Bonds and the actual debt service on all Master Lease Bonds (including the 2015 Bonds) after issuance of the 2015 Bonds and implementation of the Plan of Refunding. For a description of all of the City’s outstanding general fund debt obligations, see the table titled “GENERAL FUND OBLIGATION DEBT SERVICE” in APPENDIX A hereto.

Fiscal Year Ending June 30	Existing Master Lease Debt Service			Master Lease Debt Service After Implementation of the Plan of Refunding ⁽¹⁾⁽²⁾		
	Principal (\$)	Interest (\$)	Debt Service (\$)	Principal (\$)	Interest (\$)	Debt Service (\$)
2016	\$20,890,000	\$22,493,561	\$43,383,561	\$1,805,000	\$17,279,549	\$19,084,549
2017	21,940,000	21,451,047	43,391,047	18,340,000	19,962,306	38,302,306
2018	21,455,000	20,392,695	41,847,695	17,585,000	19,170,576	36,755,576
2019	18,755,000	19,465,884	38,220,884	17,355,000	18,356,476	35,711,476
2020	18,680,000	18,593,987	37,273,987	17,265,000	17,515,335	34,780,335
2021	18,685,000	17,662,760	36,347,760	17,385,000	16,675,053	34,060,053
2022	19,780,000	16,706,643	36,486,643	18,470,000	15,866,261	34,336,261
2023	19,970,000	15,690,139	35,660,139	19,510,000	14,948,319	34,458,319
2024	20,405,000	14,634,160	35,039,160	20,070,000	13,911,857	33,981,857
2025	21,385,000	13,551,224	34,936,224	21,045,000	12,835,121	33,880,121
2026	22,515,000	12,423,594	34,938,594	22,160,000	11,703,519	33,863,519
2027	23,690,000	11,236,260	34,926,260	23,350,000	10,511,397	33,861,397
2028	24,965,000	9,973,769	34,938,769	24,590,000	9,276,906	33,866,906
2029	26,395,000	8,628,954	35,023,954	25,975,000	7,973,417	33,948,417
2030	27,810,000	7,209,480	35,019,480	27,300,000	6,643,736	33,943,736
2031	25,625,000	5,805,677	31,430,677	24,545,000	5,346,227	29,891,227
2032	27,010,000	4,418,056	31,428,056	25,870,000	4,014,106	29,884,106
2033	28,000,000	2,967,012	30,967,012	26,810,000	2,621,312	29,431,312
2034	12,560,000	1,894,176	14,454,176	11,300,000	1,609,726	12,909,726
2035	9,205,000	1,313,703	10,518,703	7,930,000	1,092,628	9,022,628
2036	9,690,000	807,493	10,497,493	8,350,000	651,793	9,001,793
2037	10,220,000	273,924	10,493,924	8,780,000	212,824	8,992,824
Total	\$449,630,000	\$247,594,197	\$697,224,197	\$405,790,000	\$228,178,442	\$633,968,442

⁽¹⁾ Includes debt service related to the refunding of \$20,995,000 of Series 2005 bonds related to the solid-waste facility that were not previously included under the Master Lease

⁽²⁾ Does not reflect City cash contribution to refunding bond issue of \$19.96 million in Fiscal Year 2016.

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

Pledge Under the 2015 Indenture

The 2015 Bonds are limited obligations of the Authority, payable solely from, and secured as to the payment of the interest thereon and the principal thereof solely from, the Revenues. Under the 2015 Indenture, “**Revenues**” is defined as (a) all Program Obligation Payments, including all amounts realized upon the enforcement of the Program Obligation Payments due under the Program Obligation; (b) all money deposited and held from time to time in any of the accounts and funds established under the 2015 Indenture (except the Rebate Fund); and (c) all investment income with respect to any money held by the Trustee in the accounts and funds established under the 2015 Indenture (except the Rebate Fund). Under the 2015 Indenture, the 2015 Bonds are secured by a first pledge of and charge and lien upon the Revenues for the payment of the interest on, and principal of, the 2015 Bonds as and when they become due in accordance with the terms thereof and the 2015 Indenture. “**Program Obligation Payments**” means the 2015 Base Rental Payments paid by the City under the Tenth Amendment to Master Project Lease. “**Program Obligation**” means the Tenth Amendment to Master Project Lease.

The 2015 Bonds are limited obligations of the Authority, payable solely from Revenues and secured as to the payment of the principal thereof and the interest thereon solely from Revenues. The 2015 Bonds are not a debt of the City or the State or any public agency thereof (other than the Authority), and neither the City nor the State nor any public agency thereof (other than the Authority) is liable therefor.

Bond Insurance

Concurrently with the issuance of the 2015 Bonds, BAM will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Reserve Account

Under the 2015 Indenture, a 2015 Reserve Account for the 2015 Bonds is established in the Revenue Fund in an amount equal to the Reserve Requirement for the 2015 Bonds (which amount is initially \$12,386,306.26). “**Reserve Requirement**” means, as of any date of determination by the City, one-half of the maximum annual Refunding Base Rental Payments payable in the current or any future one-year period ending on each June 30. Except for withdrawals of amounts in excess of the Reserve Requirement as provided in the 2015 Indenture, amounts held in the 2015 Reserve Account may be used and withdrawn solely for the purpose of paying the interest on or principal of the 2015 Bonds if no other money is available in the Revenue Fund for that purpose. The City has agreed in the Tenth Amendment to Master Project Lease that, if the 2015 Reserve Account is drawn upon below the Reserve Requirement, the first 2015 Base Rental Payments made thereafter will be used to restore the 2015 Reserve Account to an amount equal to the Reserve Requirement; provided, that after the 2015 Bonds are no longer Outstanding under the 2015 Indenture, any balance of money remaining in the 2015 Reserve Account will be transferred to such other fund or account of the City or will be otherwise used by the City for any lawful purpose as the City may direct. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — 2015 Reserve Account” herein.

The City is satisfying the Reserve Requirement through the use of the Reserve Policy to be provided by BAM concurrently with the issuance of the 2015 Bonds. See “BOND INSURANCE” and APPENDIX I – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

Master Project Lease

General. The Program Obligation to be acquired by the Authority with the proceeds of the 2015 Bonds consists of the Tenth Amendment to Master Project Lease. Set forth below is a brief description of the Master Project Lease as amended thereby. For a more complete description of the provisions of these documents, see APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

Under the Master Project Lease, the Authority has leased to the City the Master Leased Project, and the City has agreed to pay the Base Rental Payments, including the 2015 Base Rental Payments, on the terms and conditions set forth in the Master Project Lease. Under the Tenth Amendment to Master Project Lease, the 2015 Base Rental Payments constitute Base Rental Payments under the Master Project Lease. All Base Rental Payments (including the 2015 Base Rental Payments) are payable on June 1 and December 1; and, except to the extent Base Rental Payments are abated under the Master Project Lease,

the failure of the City to pay any Base Rental Payments when due will constitute an Event of Default under the Master Project Lease. The Master Leased Project is described generally below under “— Master Leased Project” and in APPENDIX C — “THE MASTER LEASED PROJECT.”

The Base Rental Payments under the Master Project Lease secure several series of Master Lease Bonds. The following table describes the dates of execution and subsequent amendments to the Master Project Lease preceding the Tenth Amendment to Master Project Lease. Also included are the initial principal amounts and outstanding amounts of Master Lease Bonds that will be secured by Base Rental Payments upon the delivery of the 2015 Bonds and the Tax Allocation Bonds and implementation of the Plan of Refunding. See “— Base Rental Payments” and “PLAN OF REFUNDING.” (The Master Project Lease has also been amended to provide for the release of certain portions of the Master Leased Project.)

Under the terms of the Master Project Lease, the City may enter into additional amendments to the Master Project Lease to secure additional Master Lease Bonds issued under separate indentures. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease.”

Leases and Adoption Dates [†]	Authority Bonds and Initial Principal Amount Secured by Base Rental Payments	Amount of Bonds Secured by Base Rental Payments After Implementation of Plan of Refunding
Master Project Lease December 1, 1999	\$15,635,000 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects)	0
First Amendment July 1, 2000	\$40,745,000 2000 Capital Improvement Revenue Bonds (City of Sacramento 2000 Public Safety and Parking Improvements)	0
Second Amendment April 1, 2001	\$206,780,000 2001 Capital Improvement Revenue Bonds, Series A (Water and Capital Improvements Projects)	0
Third Amendment July 1, 2002	\$133,660,000 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects)	0
Fourth Amendment September 1, 2003	\$68,470,000 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects)	0
Fifth Amendment June 1, 2005	\$143,730,000 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities)	0
Sixth Amendment June 1, 2006	\$95,900,000 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program)	0
Sixth Amendment June 1, 2006	\$55,235,000 2006 Taxable Capital improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program)	\$48,170,000
Seventh Amendment December 1, 2006	\$28,825,000 2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition)	0
Seventh Amendment December 1, 2006	\$2,430,000 2006 Taxable Capital Improvement Revenue Bonds, Series D (300 Richards Boulevard Building Acquisition)	\$1,160,000
Seventh Amendment December 1, 2006	\$186,950,000 2006 Refunding Revenue Bonds, Series E (Master Lease Program Facilities)	\$173,080,000
Tenth Amendment October 1, 2015	\$183,380,000 2015 Refunding Revenue Bonds (Master Lease Program Facilities)	\$183,380,000

[†] The Eighth Amendment and the Ninth Amendment to the Master Project Lease were executed by the City in connection with the release of certain property as permitted by the Master Project Lease. See APPENDIX C — “THE MASTER LEASED PROJECT” for a description of the properties that currently constitute the Master Leased Project.

Base Rental Payments. Under the Master Project Lease, the City has agreed to pay to the Authority, as rental for the use and occupancy of the Master Leased Project, Base Rental Payments in amounts sufficient to pay debt service on the 2015 Bonds and the allocable portion of any other bonds (including the Master Lease Bonds identified in the table above) payable from Base Rental Payments.

Covenant to Appropriate. Under the Master Project Lease, the City has covenanted to take such action as may be necessary to include all Base Rental Payments (including the 2015 Base Rental Payments) and any Additional Rental Payments due under the Master Project Lease in its annual budgets and to make the necessary annual appropriations for all such rental payments, except that Base Rental Payments may be abated as provided in the Master Project Lease. The City has agreed under the Master Project Lease to furnish to the Trustee, within 90 days after the final adoption of each annual budget of the City, a certification that the annual budget of the City contains the necessary annual appropriations. See “RISK FACTORS — Abatement” and APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Annual Budgets; Reporting Requirements” herein.

Master Leased Project. The property that comprises the Master Leased Project has been selected from an inventory of City-owned property. The City has obligated itself to maintain not less than 50% of the pool of assets composing the Master Leased Project as assets identified as “**Essential Assets.**” “**Essential Assets**” is defined in the Master Project Lease as assets necessary to provide municipal services related to the health, safety, and welfare of the citizens of the City. The definition of “**Essential Assets**” includes, among other things, police, fire protection, transportation, solid waste, animal control, communication, infrastructure, city cemetery, parking, tree maintenance, and City support and administrative facilities and utilities. Assets excluded from the definition of “**Essential Assets**” are assets used for leisure or cultural activities including City-owned parks, zoos, open space, golf courses, libraries, museums, and learning centers. For a description of the assets that will be leased under the Master Site Lease and the Master Project Lease as of the date of issuance of the 2015 Bonds, see APPENDIX C — “THE MASTER LEASED PROJECT” herein.

Additional Master Lease Bonds; Amendments to Master Project Lease and Master Leased Project. The Master Project Lease secures several series of outstanding Master Lease Bonds. The Authority may not issue additional bonds under the 2015 Indenture. However, the City may, under the terms of the Master Project Lease, enter into additional amendments to the Master Project Lease to secure additional Master Lease Bonds issued under separate indentures, as described below. APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease.” The Master Project Lease may be amended to add additional property to the Master Leased Project leased under the Master Project Lease to enable the City to secure the payment of additional bonds of the Authority payable from additional Base Rental Payments. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Addition or Deletion of Portions of the Project” herein.

The City may amend the Master Project Lease to add, delete, or substitute any real property composing the Master Leased Project upon delivery of the following (among other things) to any bond insurer then insuring any of Master Lease Bonds, to the rating agencies then rating any related Master Lease Bonds (including the 2015 Bonds), and to the Trustee: a certificate of the City evidencing (a) that the fair annual rental value of the Master Leased Project after the amendment will be at least equal to 125% of the maximum amount of Base Rental Payments becoming due in the then current or in any subsequent year ending on December 1; (b) that the Master Leased Project will be composed of at least 50% “Essential Assets” after the amendment; (c) that the amendment will not adversely affect the City’s use and occupancy of the Master Leased Project for the purposes intended; and (d) that the useful life of the Master Leased Project after any the amendment will equal or exceed the remaining term of all of the Master Lease Bonds (including the 2015 Bonds). See APPENDIX D — “SUMMARY OF PRINCIPAL

LEGAL DOCUMENTS — Master Project Lease — Addition or Deletion of Portions of the Project” herein.

Abatement. During any period in which, by reason of material damage or destruction or condemnation, there is substantial interference with the use and possession by the City of any portion of the Master Leased Project, the interference will first be allocated to the portion (if any) of the Master Leased Project usable by the City that was not financed or refinanced with the proceeds of any Master Lease Bonds, and thereafter Base Rental Payments due under the Master Project Lease will be abated proportionately by the fractional amount that the cost of the portion of the Master Leased Project financed or refinanced with the proceeds of any Master Lease Bonds damaged or destroyed or condemned bears to the entire cost of the Master Leased Project financed or refinanced with the proceeds of the Master Leased Bonds. The foregoing calculation will be made by the City and set forth in writing to the Authority, the Trustee, any bond insurer then insuring any Master Lease Bonds, and the rating agencies then rating any Master Lease Bonds (including the 2015 Bonds). See “RISK FACTORS — Abatement” and APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Rental Abatement” herein.

Under the Master Project Lease, if Base Rental Payments due under the Master Project Lease are abated (in whole or in part), the City and the Authority have agreed to use their best efforts to substitute in place of the damaged, destroyed, or condemned real property, consistent with the limitations contained in the Master Project Lease (as described under “Master Leased Project” above), other real property and improvements of the City. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Substitution of Portions of the Project” herein.

Other Covenants of the City. Under the Master Project Lease, the City agrees that it will, at its own cost and expense, maintain, preserve and keep the Master Leased Project in good repair and working order, pay all taxes or other charges which may be levied upon the Master Leased Project, and maintain insurance on the Master Leased Project (either through commercial carriers or, to the extent permitted by the Master Project Lease, self insurance), including casualty insurance with respect to each portion of the Master Leased Project and use and occupancy insurance against loss, total or partial, of the use and occupancy of each portion of the Master Leased Project as a result of any of the hazards covered by the casualty insurance, in an amount sufficient to pay the proportionate share of the Base Rental Payments attributable to such portion of the Master Leased Project for the succeeding twenty-four (24) month period. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Insurance” herein.

Damage, Destruction or Condemnation; Use of Net Proceeds. The Master Project Lease provides that if before the termination of the term of the Master Project Lease (a) any portion of the Master Leased Project is destroyed or is damaged by fire or other casualty or (b) title to, or the temporary use of, any portion of the Master Leased Project or the estate of the Authority or the City in a portion of the Master Leased Project is condemned by any governmental body or by any person or firm or corporation acting under governmental authority, then the Authority and the City will cause the net proceeds of any insurance payment or any condemnation award to be applied to the prompt repair, restoration, modification, improvement, or replacement of the damaged, destroyed, or condemned portion of the Master Leased Project, and any balance of the net proceeds remaining after the work has been completed will be paid to the City, subject to the following: if insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay that portion of the principal components of the Base Rental Payments due under the Master Project Lease that has been abated, the City may elect (not later than 45 days after the damage, destruction, or condemnation) not to repair, restore, modify, improve, or replace the destroyed, damaged or condemned portion of the Master Leased Project and thereupon will cause the proceeds to be used for the prepayment of the portion of the

unpaid principal components of the Base Rental Payments in accordance with the Master Project Lease. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Damage, Destruction or Condemnation; Use of Net Proceeds” herein.

Master Project Lease Not Debt. The obligations of the City under the Master Project Lease do not constitute debt of the City within the meaning of any constitutional or statutory debt limitation and neither the full faith and credit nor the taxing power of the City or any agency or department thereof is pledged to the payment of the rental payments due under the Master Project Lease.

Events of Default; Remedies. The Master Project Lease sets forth specified events of default, including failure to pay any Base Rental Payment when due. The Master Project Lease also sets forth remedies available upon the occurrence and continuance of an event of default, including termination of the Master Project Lease, re-letting of the Master Leased Project, and the commencement of actions to enforce performance of the City’s obligations under the Master Project Lease. See APPENDIX D — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Master Project Lease — Default and Remedies” herein.

BOND INSURANCE

The information in this section has been provided by BAM for inclusion in the Official Statement.

Bond Insurance Policy

Concurrently with the issuance of the 2015 Bonds, BAM will issue the Policy for the 2015 Bonds maturing on December 1 of the years 2021 through 2036, inclusive (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.” BAM will also issue the Reserve Policy. See APPENDIX I — “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

The Policy and the Reserve Policy are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM

should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2015 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2015 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2015 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2015 Bonds, nor does it guarantee that the rating on the 2015 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$472.1 million, \$31.0 million and \$441.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/.

Obligor Disclosure Briefs. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Obligor Disclosure Brief for those bonds. These pre-sale Obligor Disclosure Briefs provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Obligor Disclosure Briefs will be updated and superseded by a final Obligor Disclosure Brief to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Obligor Disclosure Briefs are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce an Obligor Disclosure Brief for all bonds insured by BAM, whether or not a pre-sale Obligor Disclosure Brief has been prepared for such bonds.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2015 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2015 Bonds, whether at the initial offering or otherwise.

THE MASTER LEASED PROJECT

Certain information concerning the Master Leased Project is set forth in Appendix C. Essential Assets that are part of the Master Leased Project includes City Hall, fire stations, corporation yards for City vehicles and equipment, the sewage-treatment plant, a reservoir, parking lots and other properties and facilities. Non-Essential Assets which are part of the Master Leased Project include the Memorial Auditorium, a golf course, parks, libraries, and other properties.

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — Master Leased Project,” the Master Project Lease requires satisfaction of certain conditions in connection with the amendment of the Master Project Lease (including the Tenth Amendment) for the purpose of issuing additional Master Lease Bonds. The Master Project Lease also requires that the City provide a certification as to the fair-annual-rental value of the Master Leased Project in connection with any addition, deletion, or substitution of any real property composing the Master Leased Project, and it provides that the fair-annual-rental value of any portion of the Master Leased Project that has been made subject to the lien of the Master Project Lease may not be increased in excess of the value that was established at the time the portion of the Project first became subject to the lien of the Master Project Lease.

The values of the various components of the Master Leased Project were estimated by the City at the time the properties were included in the Master Leased Project. An independent appraisal was not required. The Master Project Lease does not require the preparation of a current appraisal of the Master Leased Project in connection with the issuance of additional Master Lease Bonds, including the 2015 Bonds. However, in connection with the release of certain properties from the Master Leased Project in 2011 and 2014, the City compared the then-current insured value of the properties that constitute the Master Leased Project against the value established when the individual properties became part of the Master Leased Project. The comparison indicated that, although the insured value of certain of the properties was lower than the value established when the properties were included in the Master Leased Project, the aggregate insured value of the Master Leased Project significantly exceeded the aggregate value of the individual properties when they became part of the Master Leased Project. In accordance with the Master Project Lease, Appendix C shows the values of the properties when each property was added to the Master Leased Project. The actual value of the properties constituting the Master Leased Project will fluctuate over time, depending on generally prevailing economic factors, prevailing local real-estate values, and other factors.

The Master Project Lease may be amended in the future to add additional property to the Master Leased Property to enable the City to secure the payment of additional Master Lease Bonds of the Authority payable from additional Base Rental Payments under the Master Project Lease. The City may

also add, delete, or substitute assets under the Master Project Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — The Master Project Lease” herein.

THE AUTHORITY

The Authority was established under a Joint Exercise of Powers Agreement dated October 1, 1989 (the “**JPA Agreement**”), between the City and the Redevelopment Agency of the City of Sacramento (the “**Redevelopment Agency**”) in accordance with the State’s Joint Exercise of Powers Act (Government Code §§ 6600–6599.3). The Redevelopment Agency was subsequently dissolved under the State law, and the City, as successor agency, assumed the responsibilities of the Redevelopment Agency under the JPA Agreement. On July 13, 2015, the JPA Agreement was amended to provide for the substitution of the Housing Authority of the City as a member in place of the Redevelopment Agency. The Sacramento City Council sits ex officio as the governing board of the Authority. The Authority was created primarily for the purpose of providing financing for public capital improvements and the purchase by the Authority of local obligations within the meaning of the Act.

THE CITY

The City is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and with daily average high temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the State capital, a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

The City operates under a City Charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Clerk, and the City Treasurer to carry out its adopted policies. The City Council also appoints the City Auditor and the Independent Budget Analyst. The Independent Budget Analyst position is a new position that is funded for the first time in the Proposed Fiscal Year 2015-16 City Budget. The Mayor is chairperson of the City Council, serves a four-year term, and is elected in at-large City elections. The other members of the City Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services; including administration, police, fire, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

CITY FINANCIAL INFORMATION

Certain financial, economic and demographic information regarding the City of Sacramento is in APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO” and APPENDIX B — “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.” Each contains important information concerning the City and should be read in its entirety. In particular, Appendix A describes certain factors that have affected the City’s financial condition in the past and that could materially affect its financial condition in future fiscal years, including variations in property tax growth rates, retirement and other labor costs. See also “CITY FINANCIAL PRESSURES.”

CITY FINANCIAL PRESSURES

The financial condition of the City has steadily improved in the last few years. The national economic recession that began in 2008 had placed significant stress on the City's financial condition. City revenue sources, including property taxes, declined through Fiscal Year 2011-12. Although certain operating expenses increased (in particular, required retirement contributions for City employees), the City reduced total expenditures during that period. The City also utilized significant reserves in order to meet then-current budget requirements. The City's major revenue sources have improved significantly since Fiscal Year 2011-12, and the City's fund balance has increased. In addition, in 2012 voters in the City approved Measure U, a temporary sales tax. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — City Finances."

The adopted General Fund budget for Fiscal Year 2015-16 is the second consecutive budget since 2008 that does not require reductions in services, programs, or employees. The adopted General Fund budget includes revenues of \$400.5 million and expenditures of \$404.2 million, including one-time costs of \$8.0 million in priority budget initiatives, resulting in a projected \$3.7 million deficit (offset by usage of fund balance). Excluding the one-time costs attributable to priority budget initiatives, Fiscal Year 2015-16 is projected to have a surplus of \$4.3 million. Revenues are projected to exceed ongoing expenditures in Fiscal Year 2015-16, but the changes recently approved by CalPERS relative to actuarial assumptions and methodologies will result in increased costs for CalPERS member agencies. As a result, the City's expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016-17.

Although the City's financial condition has improved in recent years, significant financial challenges remain. For example, Measure U, which is projected to generate more than \$40 million annually through Fiscal Year 2017-18 and approximately \$35.6 million in Fiscal Year 2018-19, will expire in March 2019. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — City Finances — Other Taxes — Measure U."

Increasing pension costs and retiree medical-benefit costs place additional pressure on the City. The City expects that required payments from the General Fund relating to employee-retirement plans and other post-employment benefits may increase by approximately \$22.6 million by Fiscal Year 2020-21. The actual amount of any increases will depend on a variety of factors. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — RETIREMENT AND OPEB OBLIGATIONS."

Because of these and other factors, absent an extension of Measure U or other corrective measures, the City currently projects significant budget deficits commencing in Fiscal Year 2017-18. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — City Finances — The Six-Year Forecast."

In addition, the City issued \$272.87 million in lease-revenue bonds to provide funds to pay the City's share of costs relating to a new entertainment-and-sports center (the "**Golden 1 Center**") that will serve as the home arena for the Sacramento Kings of the National Basketball Association and is currently under construction in the City's downtown area. Annual rental payments for those lease-revenue bonds, which will be payable from the City's General Fund, are approximately \$18.3 million commencing in Fiscal Year 2017-18. While the City anticipates that increased parking revenues, payments from the Sacramento Kings and its affiliates, and other revenues will offset a significant portion of Base Rental Payments, those revenues are not pledged to the payment of Base Rental Payments. In addition, there can be no assurances that those revenues will be available in the amounts and at the times expected by the City. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF

SACRAMENTO — CITY FINANCES — Planned Sources for City Payments with Respect to Golden 1 Center.”

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS

Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City that affect many sources of funds for the City’s General Fund and therefore may affect the City’s obligation to make Base Rental Payments under the Master Project Lease. For a description of other factors relating to the revenues of the City, see APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.”

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters before June 1, 1978, or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or the full cash value may be reduced in the event of declining property value caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (a) real property between spouses or (b) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City which are deposited to the City’s General Fund and a source of payment for the Base Rental Payments under the Master Project Lease. Other amendments permitted the State Legislature to allow persons over 55 or “severely disabled homeowners” who sell their residences and buy or build another of equal or lesser value within two years in the same county to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “newly constructed” the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction, or other factors, provided that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or

destroyed in a disaster. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO—CITY FINANCES — Property Taxation Within the City.”

Article XIIB of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the Fiscal Year 1978-79. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment-insurance, and disability-insurance funds. “Proceeds of taxes” include but are not limited to all tax revenues; certain State subventions received by the local governmental entity; and the proceeds to the local governmental entity from (a) regulatory licenses, user charges, and user fees (to the extent that the proceeds exceed the cost of providing the service or regulation) and (b) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature,” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value that equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long-term General Fund lease obligations, including the Base Rental Payments under the Master Project Lease, are generally excluded from the City’s appropriations limit.

The City’s appropriation limit for Fiscal Year 2015-16 is estimated to be \$734,680,000, for which expenditures subject to the appropriation limitation are \$397,402,000.

Articles XIIC and XIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, and property-related fees and charges. The interpretation and application of Proposition 218 has been and will continue to be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such a determination.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. Further, any general-purpose tax the City imposed, extended, or increased without voter approval after December 31,

1994, may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend, or increase taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: temporary sales tax, business-operations tax, utility-users tax, real-property-transfer tax and transient-occupancy tax. Since all of these taxes (except the temporary sales tax and the utility-users tax, as described below) were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIII C. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIII C. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — Other Taxes — Utility Users Tax” for a discussion of Measure O, approved by the voters in November 2008, which reduced the utility user tax on telephonic services from 7.50% to 7.00% and expanded the scope of the tax to include new communication technologies. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — Other Taxes — Measure U” for a discussion of Measure U, approved by the voters in November 2012, which enacted a temporary one-half-cent sales tax that expires in March 2019 unless renewed.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things: (a) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel; (b) a requirement that assessments confer a “special benefit,” as defined in Article XIII D, over and above any general benefits conferred; (c) a majority-protest procedure for assessments, which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing, and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties; and (d) a prohibition against fees and charges used for general governmental services, including police, fire, and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged and does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural-marketing orders, and for the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local-government property, or the purchase, rental, or lease of local-government property; (e) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax; that the amount is no more than necessary to cover the reasonable costs of the governmental activity; and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees that would have to be reduced or eliminated because of Proposition 26.

The City currently levies assessments for more than 36 service districts, maintenance districts, and property and business improvement districts. The revenues from these assessments were in excess of \$35.6 million for Fiscal Year 2014-15, including \$2.3 million from two-capital acquisition, pay-as-you-go districts. The City believes that each of these assessments and districts complies with, or is exempt from, the requirements of Article XIID. Subsequent increases of these levies, if any, would be required to comply.

The City also levies assessments for 13 improvement districts under the State improvement-district acts. The revenues from these assessments were approximately \$12.6 million in Fiscal Year 2014-15. Each of these assessments secures bonded indebtedness that is payable solely from the assessments and has no claim on the City's General Fund.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, and property-related fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, or property-related fees or charges currently composing a substantial part of the City's General Fund. If a repeal or reduction occurs, the City's ability to make Base Rental Payments under the Master Project Lease could be adversely affected.

Statutory Spending Limitations

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (a) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (b) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (c) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (e) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the State Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino* (1995) 11 Cal.4th 220, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the State Legislature adopted Assembly Bill No. 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill No. 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the State Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda*

(1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact those taxes under Article XI, Section 5, of the State Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62. See "— Articles XIIC and XIID of the State Constitution."

The City does not believe that it imposes any tax or fee that is subject to Proposition 62.

Proposition 1A

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local-government revenue sources. Under Proposition 1A, the State may not (a) reduce local sales-tax rates or alter the method of allocating the revenue generated by those taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property-tax revenues are allocated among local governments without two-third approval of both houses of the State Legislature, or (d) decrease revenues from Vehicle License Fees without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales-tax and property-tax revenues among local governments within a county.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("**Proposition 22**"). Among other things, Proposition 22 broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property-tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property-tax revenues under any circumstances. The State can no longer borrow local property-tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property-tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local-government revenue sources by restricting the State government's control over local revenues.

Future Initiatives

Articles XIII A, XIII B, XIII C, and XIII D and Propositions 62, 1A, 22, and 26 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time, other initiative measures could be adopted that further affect the City's revenues (including revenues available to make Base Rental Payments) or the City's ability to expend revenues.

RISK FACTORS

General

This section provides a general overview of certain risk factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2015 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2015 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2015 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value or the marketability of the 2015 Bonds, or both. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Base Rental Payments Are Not Debt

The City's obligation to make the Base Rental Payments under the Master Project Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The 2015 Bonds and the City's obligation to make Base Rental Payments do not constitute a debt of the City or the State or any of the State's political subdivisions (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The 2015 Bonds are not general obligations of the Authority; they are limited obligations payable solely from, and secured solely by, a pledge of Revenues (consisting primarily of Base Rental Payments) and amounts held in the funds and accounts created under the Indenture. The Authority has no taxing power.

Although the Master Project Lease does not create a pledge, lien, or encumbrance upon the funds of the City, the City is obligated under the Master Project Lease to pay the Base Rental Payments from any source of legally available funds, and the City has covenanted in the Master Project Lease that, for so long as the Master Leased Project is available for its use, it will make the necessary annual appropriations within its budget for the Base Rental Payments. The City is currently liable on, and may become liable on, other obligations payable from its general revenues. Some of those obligations could have priority over the Base Rental Payments; in addition, the City in its discretion might determine to pay some of those obligations first rather than pay the Base Rental Payments.

The City has the capacity to enter into other obligations payable from the City's General Fund, without the consent of, or prior notice to, the Owners of the 2015 Bonds. To the extent that the City incurs additional obligations, the funds available to make Base Rental Payments may be decreased. If the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the State Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS — Article XIII B of the State Constitution."

Valid and Binding Covenant to Budget and Appropriate

Under the Master Project Lease, the City covenants to take such action as may be necessary to include Base Rental Payments due in its annual budgets and to make necessary appropriations for all the Base Rental Payments. These covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of their official duties to enable the City to carry out and perform these covenants. A court, however, in its discretion may decline to enforce these covenants.

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Master Leased Project caused by material damage, title defect, or the destruction or condemnation of the Master Leased Project, Base Rental Payments will be subject to abatement. If that component of the Master Leased Project, when damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental-interruption insurance will be available in lieu of Base Rental Payments, or if casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the component of the Master Leased Project or prepayment of the 2015 Bonds, there could be insufficient funds to make payments to Holders in full. Reduction in Base Rental Payments due to abatement as provided in the Master Project Lease does not constitute a default thereunder.

It is not possible to predict the circumstances under which an abatement of rental might occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Master Project Lease or at the time of the abatement. If the latter, the value of the Master Leased Project might be substantially higher or lower than its value at the time of issuance of the 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2015 Bonds.

Risk of Uninsured Loss

The City covenants under the Master Project Lease to maintain insurance on the Master Leased Project. See "SECURITY FOR THE 2015 BONDS — Master Project Lease." These insurance policies do not cover all types of risk, and the insurance required under the Master Project Lease may be maintained in whole or in part in the form of self-insurance so long as the self-insurance complies with the terms of the Master Project Lease. The Master Leased Project could be damaged or destroyed due to earthquake or other casualty for which the Master Leased Project is uninsured. Additionally, the Master Leased Project could be the subject of an eminent-domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City's liability and rental-interruption insurance will in all events be able or willing to make payments under the policies for such a loss should a claim be made under the policies. Further, there also can be no assurances that amounts received as proceeds from insurance or from condemnation of the Master Leased Project will be sufficient to redeem the 2015 Bonds.

Under the Master Project Lease, the City may obtain casualty insurance that provides for a specified deductible. Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

The City is not obligated under the Master Project Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Master Leased Project. The City currently carries

earthquake insurance on the Master Leased Project even though the Master Project Lease does not require it to do so. The City plans to continue to purchase earthquake insurance on the Master Leased Project so long as the insurance can be obtained on the open market at reasonable rates. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Master Leased Project Lease. See “— Abatement.”

Natural Disasters

The City’s use and occupancy of the Master Leased Project in the future may be adversely affected by a variety of natural occurrences. For instance, the areas in and surrounding the City, like much of California, may be subject to unpredictable seismic activity. The City does not currently maintain earthquake insurance. See “— Risk of Uninsured Loss.”

The Federal Emergency Management Agency (“FEMA”) produces Flood Insurance Rate Maps (“FIRMs”) that show which portions of the City are in the 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year. If, as a result of flooding, all or a portion of the Master Leased Project is not available for the use and occupancy by the City, Base Rental Payments would be subject to abatement. See “RISK FACTORS — Abatement” herein.

Other natural disasters could include, without limitation, landslides, droughts, and tornadoes. One or more of these natural disasters could occur and could result in damage to Master Leased Project of varying seriousness. The damage may entail substantial repair or replacement costs and repair or replacement might never occur because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances there could be significant reductions in property values within the City (reducing property-tax revenues received by the City).

Eminent Domain

If the Master Leased Project is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Master Project Lease will cease as of the day possession is taken. If less than all of the Master Leased Project is taken permanently, or if the Master Leased Project or any part thereof is taken temporarily, (a) the Master Project Lease will continue in full force and effect and will not be terminated by virtue of the taking, and (b) there will be a partial abatement of Base Rental Payments as a result of the application of net proceeds of any eminent-domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority so that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Master Leased Project.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Master Leased Project. In general, the owners and lessees of the Master Leased Project may be required by law to remedy conditions relating to the release or threatened releases of hazardous substances on or from the Master Leased Project. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

It is also possible that the beneficial use of the Master Leased Project may be limited in the future because of the current existence on the Master Leased Project of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or because of the current existence on the Master Leased Project of a substance not currently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could substantially limit the City's beneficial use of the Master Leased Project.

The City is unaware of the existence of hazardous substances on the Master Leased Project that would materially interfere with the City's beneficial use thereof.

Bankruptcy

While an involuntary bankruptcy petition cannot be filed against the City or the Authority, the City and the Authority are each authorized to file for bankruptcy under certain circumstances. Should the City or the Authority file for bankruptcy, there could be adverse effects on the Holders of the 2015 Bonds.

If the City or the Authority is in bankruptcy, the parties (including the Trustee and the Holders of the 2015 Bonds) may be prohibited from taking any action to collect any amount from the City or the Authority or to enforce any obligation of the City or the Authority, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the Holders of the 2015 Bonds from funds in the Trustee's possession.

The City or the Authority may be able to repudiate the Master Project Lease or the Master Site Lease, and the Authority may be able to assign the Master Site Lease. If any of these events were to happen, the City may no longer be obligated to make payments (including Base Rental Payments) under the Master Project Lease. The claims of the Holders of the 2015 Bonds may be capped at an amount that is no more than three years' rent under the Master Project Lease and could be substantially less, and the capped claim may not be paid in full. The City as owner may be able to remain in possession of the Master Site without paying rent. The City may be able to assign its obligations under the Master Project Lease. An assignee may be a less desirable sublessee and may expose the Holders of the 2015 Bonds to additional or different risks, including risks of non-payment.

The City may be able to sell the Master Site and terminate its obligations to make payments (including Base Rental Payments) under the Master Project Lease. The claims of the Holders of the 2015 Bonds may be capped and a capped claim might not be paid in full.

The City or the Authority may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Master Project Lease, the Indenture, the 2015 Bonds, and other transaction documents, as long as the bankruptcy court determines that the alterations are fair and equitable.

The City or the Authority could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Master Site Lease, the Master Project Lease, or other transaction documents.

Actions could be taken in a bankruptcy case of the Authority or the City which could adversely affect the exclusion of interest on the 2015 Bonds from gross income for federal income-tax purposes.

There may be other possible effects of a bankruptcy of the City or the Authority that could result in delays or reductions in payments on the 2015 Bonds, or result in losses to the Holders of the 2015 Bonds.

There may be delays in payments on the 2015 Bonds while the court considers any of these issues. Regardless of any specific adverse determinations in a City or Authority bankruptcy proceeding, the fact of a City or Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2015 Bonds.

Limitations on Remedies

The rights of the Holders of 2015 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, and good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law. See “— Bankruptcy.”

City Financial Pressures

See “CITY FINANCIAL PRESSURES” for a discussion of certain factors that potentially could negatively affect the City's financial condition and its ability to make Base Rental Payments.

No Acceleration

The 2015 Bonds are not subject to acceleration under the 2015 Indenture. In addition, Base Rental Payments are not subject to acceleration upon the occurrence of an event of default under the Mater Project Lease.

No Liability of Authority to the Holders

Except as expressly provided in the 2015 Indenture, the Authority will not have any obligation or liability to the Holders of the 2015 Bonds with respect to the payment when due of the 2015 Base Rental Payments by the City, or with respect to the City's performance of other agreements and covenants required to be performed by it contained in the Master Project Lease or the 2015 Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it.

Limited Secondary Market

As stated herein, investment in the 2015 Bonds poses certain economic risks that may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the 2015 Bonds should consider investment. There can be no guarantee that there will be a secondary market for purchase or sale of the 2015 Bonds or that, if a secondary market exists, the 2015 Bonds can or could be sold for any particular price.

Changes in Law

Articles XIII A, XIII B, XIII C, and XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted that further affect the City's revenues, its ability to make Base Rental Payments, or its ability to expend revenues.

CERTAIN LEGAL MATTERS

The validity of the 2015 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, and for the City by the City Attorney and the City's disclosure counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

CONTINUING DISCLOSURE

The City will execute a Continuing Disclosure Certificate for the benefit of the Holders and Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events (the "**Listed Events**"). The City as the initial Dissemination Agent (the "**Dissemination Agent**") will file the Annual Report and notices of Listed Events with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("**EMMA**"). The specific nature of the information to be included in the Annual Reports and the notices of Listed Events is set forth in Appendix F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City will sign the Continuing Disclosure Certificate and deliver it to the Underwriters to assist the Underwriters in complying with SEC Rule 15c2 12(b)(5) (the "**Rule**"). The City will file Annual Reports with EMMA no later than the last day of the ninth month after the end of the City's Fiscal Year, which is currently June 30. The first Annual Report will be due March 31, 2016.

The City has previously entered into a number of continuing-disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City substantially complied with the requirements of its continuing-disclosure undertakings with certain minor or technical exceptions. For example, in certain continuing-disclosure filings, the City provided links to the City's website where documents could be downloaded rather than submit the documents as part of the filing itself; with respect to certain bonds of the Authority involving the Sacramento Housing and Redevelopment Agency ("**SHRA**"), and also with respect to bonds of SHRA itself, the posting of the SHRA's audited financial statements occurred after the due date; and certain filings related to the Authority's bonds and SHRA's bonds did not expressly include all the required information (including, in one instance, unaudited financial statements). In addition, certain filings were made after the required filing date. On one occasion, the City inadvertently failed to file a notice of an insurer-related rating change.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

LITIGATION

There is no litigation pending or, to the actual knowledge of the Authority or the City, threatened that in any way seeks (a) to restrain or enjoin the issuance, execution, or delivery of the 2015 Bonds; or (b) to contest the validity of the 2015 Bonds, the 2015 Indenture, the Master Project Lease, the Tenth Amendment, the Master Site Lease, or any proceeding of the Authority or the City with respect thereto. To the actual knowledge of legal counsel to the Authority (subject to the limitations set forth in the opinion rendered in connection with the issuance of the 2015 Bonds), the Authority has not been served with process in, or overtly threatened with, any litigation that will materially affect the ability of the

Authority to pay the principal and interest of the 2015 Bonds when due. To the actual knowledge of the City Attorney (subject to the limitations set forth in the legal opinion rendered in connection with the issuance of the 2015 Bonds), the City has not been served with process in, or overtly threatened with, any litigation that will materially affect the ability of the City to pay the Base Rental Payments under the Master Project Lease.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“**Bond Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2015 Bonds is less than the amount to be paid at maturity of such 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2015 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2015 Bonds is the first price at which a substantial amount of such maturity of the 2015 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2015 Bonds accrues daily over the term to maturity of such 2015 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Bonds. Beneficial Owners of the 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Bonds is sold to the public.

2015 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2015 Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 Bonds will not be

included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2015 Bonds may adversely affect the value of, or the tax status of interest on, the 2015 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2015 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2015 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2015 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Bonds. Prospective purchasers of the 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2015 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Bonds ends with the issuance of the 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2015 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2015 Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen Moore, P.C., Certified Public Accountants, upon delivery of the 2015 Bonds, will deliver a report or reports on the mathematical accuracy of certain computations, in schedules provided to them which were prepared by the Underwriters, relating to the sufficiency of the cash or anticipated receipts from the escrow securities deposited to each escrow account held by the Escrow Agent to pay, when due, the principal, or redemption price, of and interest on the applicable series of Prior Bonds.

The scope of Causey Demgen Moore, P.C.'s engagement is limited to verifying the mathematical accuracy of the computations contained in the schedules provided to them, and Causey Demgen Moore, P.C. has no obligation to update their report because of events occurring, or data or information coming to their attention, after the date of their report.

RATINGS

Standard & Poor's Financial Services, LLC ("S&P") has assigned the 2015 Bonds which are Insured Bonds a rating of "AA" based on the issuance of the Policy concurrently with the issuance of the 2015 Bonds. S&P has also assigned a rating of "A+" to the 2015 Bonds which are not Insured Bonds, and an underlying rating of "A+" to the Insured Bonds. Moody's Investors Service, Inc. has assigned a rating of "A2" to the 2015 Bonds.

The ratings reflect only the views of the rating agencies, and any explanation of the significance of the ratings may be obtained only from the rating agencies. There is no assurance that a rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency assigning it if, in the rating agency's judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2015 Bonds.

AUDITED FINANCIAL STATEMENTS

The City's financial statements for the fiscal year ended June 30, 2014, included in APPENDIX B — "CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014," have been audited by Vavrinek, Trine, Day & Company, LLP, Rancho Cucamonga, California, as stated in the report appearing in Appendix B. Vavrinek, Trine, Day & Company, LLP has not undertaken to update its audit or to take any action intended or likely to elicit information concerning the accuracy, completeness, or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Company, LLP with respect to any event subsequent to the report appearing in Appendix B.

FINANCIAL ADVISOR

The City has retained First Southwest Company, LLC ("**FirstSouthwest**"), as financial advisor in connection with the issuance and sale of the 2015 Bonds. Although FirstSouthwest has assisted in the preparation of the Official Statement, FirstSouthwest is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement or any of the other legal documents. Furthermore, FirstSouthwest does not assume any responsibility for the information, covenants, and representations with respect to the federal income-tax status of the 2015 Bonds or the possible effect of any current, pending, or future actions taken by any legislative or judicial bodies or rating agencies.

UNDERWRITING

Morgan Stanley & Co. LLC, on behalf of itself and as representative of the Underwriters has agreed, subject to certain conditions, to purchase the 2015 Bonds at a price equal to \$205,104,188.42 (being the aggregate principal amount of \$183,380,000 less an Underwriters' discount of \$673,787.13 and plus a net original issue premium of \$22,397,975.55). The Bond Purchase Agreement relating to the 2015 Bonds provides that the Underwriters will purchase the 2015 Bonds if any are purchased.

The 2015 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower the initial offering prices as they deem necessary in connection with the marketing of the 2015 Bonds. The Underwriters may offer and sell the 2015 Bonds to certain dealers (including dealers depositing the 2015 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2015 Bonds to the public. The obligation of the Underwriters to accept delivery of the 2015 Bonds is subject to the terms and conditions set forth in the Purchase Contract, the approval of legal matters by counsel, and other conditions. The Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2015 Bonds at levels above that which might otherwise prevail in the open market. Stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following for inclusion in the Official Statement:

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and-or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and-or short positions in such assets, securities and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

SACRAMENTO CITY FINANCING AUTHORITY

By: /s/Russell T. Fehr
Russell T. Fehr
Treasurer

CITY OF SACRAMENTO

By: /s/Russell T. Fehr
Russell T. Fehr
City Treasurer

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO

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INTRODUCTION

The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and daily average high temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the capital of the State of California (the “**State**”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

Government

The City operates under a City Charter that currently provides for an elected nine-member City Council (the “**Council**”) including an elected Mayor. There are no other elected City officials. The Council appoints the City Manager, the City Attorney, the City Treasurer, and the City Clerk to carry out its adopted policies. The Council also appoints the City Auditor and the Independent Budget Analyst. The Independent Budget Analyst position is a new position that is funded for the first time in the Adopted Fiscal Year 2015-16 City Budget. The Mayor is chairperson of the Council, serves a four-year term, and is elected in at-large City elections. The other members of the Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

Key Personnel

John F. Shirey, City Manager. Mr. Shirey has served as City Manager since 2011. Mr. Shirey has over 35 years of experience from a variety of government positions. Previously, Mr. Shirey was the Executive Director of the California Redevelopment Association. Mr. Shirey has also served in senior executive positions as City Manager of Cincinnati, Assistant City Manager of Long Beach, California, and Assistant Chief Administrative Officer of Los Angeles County. Mr. Shirey holds a Bachelor of Science in industrial engineering from Purdue University and a Master of Public Administration from the University of Southern California.

James Sanchez, City Attorney. Mr. Sanchez has served as City Attorney since December 2012. Mr. Sanchez has practiced municipal law for over 25 years. His prior positions include City Attorney for the City of Fresno, Chief Assistant City Attorney for the City of Fresno, City Attorney for the City of Salinas, and Deputy County Counsel for the County of Fresno. He received a Bachelor of Arts from Pepperdine University in 1981, graduating Magna Cum Laude (High Honors), and a law degree from the University of California Hastings College of Law in 1984.

Russell T. Fehr, City Treasurer. Mr. Fehr was appointed City Treasurer in May 2008. As Treasurer, he is responsible for investing City funds, banking, and debt management. Before being appointed City Treasurer, Mr. Fehr was the City’s Finance Director. Before joining the City, Mr. Fehr was the Budget and Debt Officer in the Sacramento County Executive’s Office for 19 years. During his career, Mr. Fehr has managed and participated in a wide variety of debt financings, including facility issues, revenue-anticipation notes, redevelopment issues, and a tobacco-settlement securitization. The facilities financed include a Triple-A baseball park, a musical theater in the round, libraries, parks, an art museum, a golf course, a jail, a juvenile courthouse, health clinics, and office buildings. Mr. Fehr holds a Bachelor of Arts in classics from Dartmouth College and a Master of Arts in anthropology from the University of Arizona.

Shirley Concolino, City Clerk. Ms. Concolino was appointed City Clerk in December 2003. Before that appointment, she was the Mayor-and-Council Operations Manager for the Council from 1990 to 2003. Before her positions with the City, Ms. Concolino was the Administrative Assistant to the County Executive Officer in Solano County from 1985 to 1990, and before that she was Assistant to the City Manager in Davis, California.

Leyne Milstein, Director of Finance. Ms. Milstein was appointed Finance Director in October 2008, bringing over 14 years of experience in government management, policy, and finance at the state and local level. Before becoming the Finance Director, Ms. Milstein was the Manager of the Budget, Policy, and Strategic Planning Division. Before joining the City, Ms. Milstein worked for the State of California as Director of the Information Technology and Support Management Division for the California Commission on Teacher Credentialing; as an analyst at the California Department of Finance; and as staff to the State Public Works Board. Ms. Milstein holds a Bachelor of Arts in political science from the University of California at Davis and a Master of Public Administration from California State University Hayward.

Employee Relations

Under the Meyers-Milias-Brown Act (California Government Code section 3500 *et seq.*), the City is required to meet and confer with its employees on all matters concerning wages, hours, and working conditions.

City employees are represented in 16 bargaining units by nine labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers, is the largest labor organization, representing approximately 32% of all City employees in a variety of classifications. The most recently recognized employee organization, the Sacramento City Exempt Employee Association (“**SCXEA**”), was formed in 2011 and is the recognized employee organization of employees in the Exempt Management Unit, the Exempt Management Support Unit, and the Confidential/Administrative Unit. These three units represent approximately 15% of the City’s labor force.

There have been no major work stoppages by City employees since 1970. Approximately 98% of all City employees are covered under negotiated agreements. Salary and benefits for all units are defined until the agreements expire.

There are three unrepresented employee units: Executive Management, Mayor/Council Support, and non-career employees. Remaining employees not currently represented include the City Manager (and key staff), the City Attorney, the City Treasurer, and the City Clerk; the Fire Chief and Fire Deputy Chiefs; the Police Chief and Police Deputy Chiefs; department heads; and a few employees who deal directly with negotiations, such as the Budget Manager and the Labor Relations Manager.

A summary of the City’s bargaining units is set forth in the following table.

**CITY OF SACRAMENTO
SUMMARY OF CITY BARGAINING UNITS**

<i>Union Name</i>	<i>Contract Expiration Date</i>	<i>Fiscal Year 2015 Full-Time Equivalents</i>	<i>Fiscal Year 2016 Full-Time Equivalents</i>
Plumbers & Pipefitters, Local 447	6/23/2017	170.00	174.00
Sacramento Firefighters, Local 522	6/22/2018	584.00	611.00
Sacramento - Sierra Building and Construction Trades Council	6/23/2017	78.00	78.00
International Association of Machinists and Aerospace Workers	6/25/2017	76.00	76.00
Stationary Engineers, Local 39	6/23/2017	1,327.23	1,495.06
Sacramento Police Officers Association	6/23/2017	758.50	799.50
Sacramento City Exempt Employees Association	6/22/2018	638.60	653.00
Auto, Marine, and Specialty Painters, Local 1176	12/22/2017	19.00	16.00
Unrepresented	Annually	452.54	342.38
Western Council of Engineers	6/23/2017	<u>53.00</u>	<u>55.00</u>
Total:		4,156.87	4,299.97

Source: The City of Sacramento.

The City provides defined-benefit retirement benefits through the State of California’s Public Employees’ Retirement System (“CalPERS”) and the Sacramento City Employees’ Retirement System (“SCERS”). CalPERS is a multiple-employer public-employee defined-benefit pension plan while SCERS is a single-employer defined-benefit pension plan. See “RETIREMENT AND OPEB OBLIGATIONS.”

CITY FINANCES

City Budget

The Council annually adopts an operating and capital budget for a single fiscal year beginning July 1 and ending June 30 in the subsequent calendar year.

To establish the annual budget, department fund managers, in coordination with the Budget Division of the Finance Department, review actual revenue receipts, economic and revenue forecasts from an outside consultant, and internal revenue forecasts developed by the Finance Department from estimates of tax revenues and other discretionary revenues to determine what resources will be available to support operating requirements; departments are then tasked with developing a plan for expenditure of projected available resources for the coming fiscal year. Similarly, capital-improvement program priorities are matched with available funds from multiple funding sources. Labor costs are updated to reflect salary and benefit changes required under the negotiated agreements and estimates for any unrepresented employees are also updated.

A base budget reflecting the estimated costs of providing programs and services in the new budget year is then prepared. This base budget also includes the estimates of revenues and other financing sources and the operating and capital budgets that are prepared and transmitted to the Mayor and the Council by the City Manager, as required by City Charter, at least 60 days before the start of the fiscal year. The Mayor and the Council review the proposed operating and capital budget in public hearings held in May or June.

Following the public-hearing process, changes from the Mayor and the Council are incorporated into an amended budget. The budget is then formally adopted by the vote of the Council on or before June 30 of each year. The budget for Fiscal Year 2015-16 was adopted on June 9, 2015.

Adopted Fiscal Year 2015-16 Budget

The Adopted General Fund budget for Fiscal Year 2015-16 is the second consecutive budget that does not require reductions in services, programs, or employees. The Adopted General Fund budget includes revenues and other sources of \$400.5 million and expenditures of \$404.2 million, including one-time costs of \$8.0 million in priority budget initiatives, resulting in a projected \$3.7 million deficit (offset by usage of fund balance). Excluding the one-time costs attributable to priority budget initiatives, Fiscal Year 2015-16 is projected to have a surplus of \$4.3 million. While revenues are projected to exceed ongoing expenditures in Fiscal Year 2015-16, the changes recently approved by CalPERS relative to actuarial assumptions and methodologies will result in increased costs for CalPERS member agencies. As a result, the City's expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016-17.

The General Fund budget funds the delivery of the most common programs and services to the community. Because the primary function of the City is to provide services, the largest portion of the budget is tied to the cost of City employees. Currently, 71.4 % of the General Fund budget is projected to be used to fund employee services. Aside from the outright elimination of funded positions and employee layoffs, the City has a very limited ability to reduce the cost of labor absent the cooperation of the City's employee unions.

In addition, there are several areas of expense that have pre-determined payment schedules, including debt service, payments for taxes and services to the County of Sacramento (the "**County**"), and contributions to CalPERS and SCERS. These expenditures effectively limit the discretionary portion of the budget.

Further budget adjustments may be necessary depending on the outcome of the County budget process.

The following table shows the Amended Budget for Fiscal Year 2014-15 and the Adopted Budget for Fiscal Year 2015-16.

CITY OF SACRAMENTO - GENERAL FUND BUDGET
(\$ in Thousands)

	<i>Fiscal Year</i> <i>2014-15</i> <i>Amended</i>	<i>Fiscal Year</i> <i>2015-16</i> <i>Adopted</i>
	<u> </u>	<u> </u>
AVAILABLE FUNDS:		
Property Taxes	\$ 125,103	\$ 131,612
Sales and Use Taxes	72,504	75,358
Utility Users Tax	58,982	59,572
Other Taxes	17,618	17,815
Licenses and Permits	13,887	14,916
Fines, Forfeitures and Penalties	11,811	12,037
Use of Money	714	714
Intergovernmental Revenue	11,046	11,532
Charges, Fees and Services	44,525	45,788
Other Revenues	3,224	124
Transfers from Other Funds	<u>29,200</u>	<u>29,742</u>
Total Resources:	\$ 388,616	\$ 399,209
REQUIREMENTS:		
Current Operations:		
Employee Services	\$ 364,453	\$ 388,758
Other Services and Supplies	98,257	98,693
Equipment	6,989	6,929
Debt Service	24,024	23,984
Transfers	(583)	(605)
Labor/Supply Offset	(118,509)	(127,072)
Use of Contingency	1,000	1,000
Operating Transfers	<u>2,407</u>	<u>2,459</u>
Subtotal Current Operations:	\$ 378,038	\$ 394,146
Capital Improvements:		
General Government	\$ 2,204	\$ 1,976
Public Safety	2,900	8,028
Subtotal Capital Improvement:	<u>5,104</u>	<u>10,004</u>
Total Requirements:	\$ 383,142	\$ 404,150
Other Financing Sources:		
Beginning Undesignated Fund Balance:	--	\$ 11,234
Other	<u>105</u>	<u>1,242</u>
Total Other Sources:	\$ 105	\$ 12,476
Total Surplus (Deficit)	<u>\$ 5,579</u>	<u>\$ (3,699)</u>
Ending Undesignated Fund Balance:	<u>\$ 1</u>	<u>\$ 7,535</u>

Source: City of Sacramento.

General Fund Financial Summary

The information contained in the table on the following page is summarized from the City's audited financial statements for Fiscal Years 2009-10 through 2013-14.

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
(\$ in Thousands)**

	<i>FY</i> <i>2009-10</i>	<i>FY</i> <i>2010-11</i>	<i>FY</i> <i>2011-12</i>	<i>FY</i> <i>2012-13</i>	<i>FY</i> <i>2013-14</i>
REVENUES:					
Property Taxes	\$ 140,013	\$ 133,099	\$ 130,287	\$ 129,370	\$ 138,225
Sales and Use Taxes	45,670	47,680	50,683	52,301	56,575
Utilities Use Tax	58,700	58,887	58,787	59,066	59,613
Other Taxes	15,937	14,461	16,386	17,633	20,318
Licenses and Permits	12,709	13,582	12,124	12,688	12,997
Fines, Forfeitures and Penalties	11,131	10,134	11,020	9,165	10,567
Interest, Rents and Concessions	(88)	1,927	1,702	1,788	2,206
Intergovernmental Revenues	15,294	15,516	12,021	11,108	9,300
Charges, Fees and Services	41,737	41,486	38,157	47,392	51,323
Other Revenues	<u>142</u>	<u>411</u>	<u>2,090</u>	<u>3,440</u>	<u>379</u>
Total Revenues:	\$ 341,245	\$ 337,183	\$ 333,257	\$ 343,951	\$ 361,503
EXPENDITURES:					
General Government	\$ 24,009	\$ 22,453	\$ 21,250	\$ 19,073	\$ 22,623
Public Safety	230,225	218,984	210,124	216,760	218,911
Public Works	19,425	15,204	16,082	16,353	15,301
Parks & Rec, Comm. Develop, CCS	56,493	51,499	46,334	48,350	48,447
Non-Departmental	26,330	32,247	31,957	32,945	36,965
Capital Improvements	4,918	6,068	2,151	5,755	9,672
Debt Service	<u>1,189</u>	<u>1,970</u>	<u>1,839</u>	<u>2,187</u>	<u>3,140</u>
Total Expenditures:	\$ 362,589	\$ 348,425	\$ 329,737	\$ 341,423	\$ 355,059
Excess of Revenues over Expenditures	\$ (21,344)	\$ (11,242)	\$ 3,520	\$ 2,528	\$ 6,444
OTHER FINANCING SOURCES (USES):					
Transfers from Other Funds	\$ 23,948	\$ 31,937	\$ 28,679	\$ 28,541	\$ 29,924
Transfers to Other Funds	(24,136)	(22,878)	(24,055)	(23,530)	(23,418)
Proceeds from Long-Term Debt	4,551	-	-	2,818	5,998
Proceeds from Sale of Property	-	-	-	-	-
Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,534</u>	<u>-</u>
Total Other Financing Sources (Uses):	\$ 4,363	\$ 9,059	\$ 4,624	\$ 16,363	\$ 12,504
Net Change In Fund Balance	(16,981)	(2,183)	8,144	18,891	18,948
Fund Balance, beginning of year	\$ 72,088	\$ 55,107	\$ 52,924	\$ 61,068	\$ 79,959
Fund Balance, end of year	<u>\$ 55,107</u>	<u>\$ 52,924</u>	<u>\$ 61,068</u>	<u>\$ 79,959</u>	<u>\$ 98,907</u>
Less Reserves and Commitments:					
Reserved / Nonspendable	\$ 7,119	\$ 308	\$ 94	\$ 72	\$ 66
Restricted	-	86	64	40	3,422
Designated / Committed:					
Economic Uncertainty	10,540	14,340	20,263	27,765	33,714
Capital Projects	24,157	19,612	21,542	21,789	21,728
Balanced Budget	3,800	-	-	-	-
Community Center Theater renovation	-	-	-	8,500	8,500
OPEB trust fund	-	-	-	2,000	-
Other Programs	9,491	12,468	9,349	9,347	13,909
Assigned:					
Next Year's Budget	-	5,138	9,354	10,446	-
Unrealized Investment Gains	<u>-</u>	<u>972</u>	<u>402</u>	<u>-</u>	<u>173</u>
Fund Balance Available for Appropriation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,395</u>

Certain amounts in Fiscal Year 2009-10 have been reclassified for presentation in order to be consistent with the GASB Statement No. 54 presentation.

Source: City of Sacramento Comprehensive Annual Financial Reports for respective Fiscal Years.

Financial Schedules

A copy of the City's Comprehensive Annual Financial Report (the "CAFR") for the fiscal year ended June 30, 2014, is attached as Appendix B to this Official Statement. Prospective investors are encouraged to read the CAFR, including the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements, because it includes important information concerning the City and its financial condition.

Audited financial statements for prior years are available upon request from the City’s Finance Department or may be obtained from the City’s website at <http://portal.cityofsacramento.org/Finance/Accounting/Reporting>. Information on the City’s website is not incorporated into this Official Statement. Vavrinek, Trine, Day & Co., LLP, performed the financial statement audit for the City for the fiscal year ended June 30, 2014.

Property Taxation within the City

Property taxes make up the largest source of City discretionary revenue. The City lost the ability to set a property-tax rate with the adoption of Proposition 13 in 1978, which added Article XIII A to the State Constitution.

As a result, beginning with Fiscal Year 1981-82, property has been assessed at 100% of cash value, and the maximum property-tax rate is \$1.00 per \$100 of taxable value. See the forepart of the Official Statement under the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS — Article XIII A of the State Constitution” for a discussion of the constitutional limitations on the City’s ability to issue general-obligation debt payable from an increase in the tax rate.

Additionally, the taxable value reflects homeowners and business-inventory exemptions. Tax revenues lost as a result of each homeowner’s exemption are reimbursed by the State based on the total taxes that would be due on the taxable value of the property qualifying for that exemption, without allowance for delinquencies. If a homeowner files for the exemption, the exemption is \$7,000 of the taxable value of an owner-occupied dwelling, corresponding to \$70 in taxes.

For purposes of assessment and collection, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed real property and property on which the taxes are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Personal property is assessed on the “unsecured roll.”

The following table summarizes gross assessed valuations for all taxable property in the City for Fiscal Years 2005-06 through 2014-15.

**GROSS ASSESSED VALUES
FOR ALL TAXABLE PROPERTY⁽¹⁾
(\$ in Thousands)**

<i>Fiscal Year</i>	<i>Secured Roll</i>	<i>Unsecured Roll</i>	<i>Public Utility</i>	<i>Total</i>
2005-06	\$31,112,448	\$1,374,566	\$56,950	\$32,543,964
2006-07	35,687,712	1,441,042	54,611	37,183,365
2007-08	39,286,839	1,548,914	15,371 ⁽²⁾	40,851,124
2008-09	40,360,550	1,691,096	11,948	42,063,594
2009-10	37,446,222	1,819,726	11,937	39,277,885
2010-11	36,388,660	1,742,828	11,977	38,143,465
2011-12	35,267,406	1,711,462	12,132	36,991,000
2012-13	34,332,037	1,626,943	13,157	35,972,137
2013-14	35,829,529	1,546,891	12,381	37,388,801
2014-15	37,918,666	1,585,876	18,173	39,522,715

⁽¹⁾ Derived from Equalized Assessed Valuation Report.

⁽²⁾ The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller.

The City receives only a portion of the property taxes collected within the City, sharing the revenue with school districts, successors to redevelopment agencies, special districts, and the County. The sharing of property-tax revenue is based on formulae set in State law and regulations, and annual changes in tax revenue are proportional to changes in the tax-roll values within the City. Property taxes are billed, collected, and allocated by the County. The table below summarizes property-tax revenues derived from the Secured Rolls from Fiscal Years 2005-06 to 2014-15.

**PROPERTY TAX REVENUES
RECEIVED BY THE CITY**

<i>Fiscal Year</i>	<i>Property Tax Revenues Current Secured</i>
2005-06	\$67,732,223
2006-07	80,513,714
2007-08	86,512,564
2008-09	88,326,770
2009-10	82,698,410
2010-11	78,787,724
2011-12	80,731,000
2012-13	78,309,000
2013-14	79,853,763
2014-15*	84,687,225

* Includes second installment of Fiscal Year 2014-15 collections through April 10, 2015, received by the City on May 15, 2015.

Source: City of Sacramento, Revenue Division.

Until the economic downturn that began in 2008, which was particularly acute in the Sacramento area and its housing market, the assessed values in the City had grown each year from Fiscal Years 2000-01 through 2008-09. Notices of default and foreclosures of property within the City significantly increased beginning in Fiscal Year 2006-07 before declining in recent years. The table below shows the historical data of the notices of default and foreclosures of property within the City.

**NOTICES OF DEFAULT
AND FORECLOSURES OF PROPERTY
WITHIN THE CITY**

<i>Fiscal Year</i>	<i>Number of Notices</i>
2005-06	516
2006-07	2,852
2007-08	6,968
2008-09	4,833
2009-10	4,339
2010-11	3,838
2011-12	2,395
2012-13	867
2013-14	332

Source: County of Sacramento, Office of the Assessor.

In addition, the assessed values of a large number of properties in the City have been reduced under Proposition 8, which generally provides for reductions in assessed valuations of properties to reflect current market values. The table below shows the recent historical impact of those reductions.

**PROPOSITIONS 8 REDUCTIONS
WITHIN THE CITY**

<i>Fiscal Year</i>	<i>Number of Parcels</i>	<i>Aggregate Amount of Revaluations (\$ in million)</i>
2010-11	51,331	\$774
2011-12	59,945	1,270
2012-13	71,243	1,270
2013-14	40,781	573
2014-15	24,512	944

Source: County of Sacramento, Office of the Assessor.

**HISTORICAL ASSESSED VALUATIONS
WITHIN THE CITY**

<i>Fiscal Year</i>	<i>Assessed Valuation (change from prior Fiscal Year)</i>
2010-11	(2.4%)
2011-12	(5.0)
2012-13	(0.2)
2013-14	3.2
2014-15	5.9

Source: County of Sacramento, Office of the Assessor
2014 Annual Report.

The following table lists the City's largest local secured taxpayers as of June 30, 2014. Many of the largest taxpayers own commercial office space in downtown Sacramento.

**CITY OF SACRAMENTO
LARGEST LOCAL SECURED TAXPAYERS
AS OF JUNE 30, 2014
(\$ in Thousands)**

<i>Property Owner</i>	<i>Assessed Valuation</i>	<i>Rank</i>	<i>% of Total</i>
Hines VAF II Sacramento	\$ 442,978	1	1.20%
CIM Sacramento LLC	230,772	2	0.62
Arden Fair Associates	137,159	3	0.37
Verizon Wireless	132,738	4	0.36
621 Capitol Mall LLC	124,810	5	0.34
300 Capitol Association NF LP	109,000	6	0.30
HP Hood LLC	84,287	7	0.23
Target Corp	81,423	8	0.22
500 Capitol Mall LLC	79,119	9	0.21
Capitol Regency LLC	74,784	10	0.20
Total:	\$ 1,497,070		4.05%
Net Assessed Value Total:	\$ 36,925,255		100.00%

Source: The City of Sacramento Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

Other Taxes

Sales and Use Tax. In 1956, the City adopted a Bradley-Burns Sales Tax Ordinance that allows the City to be allocated a percentage of the overall sales tax imposed in the City. The level of that sales tax has been set at 1% since April 1, 1969. The State Board of Equalization collects and distributes sales-and-use tax for the State, cities, counties, and other entities receiving sales-tax revenue.

Proposition 172 was approved by voters to permanently extend an additional 0.5% sales tax beyond December 21, 1993. The legislation requires that this sales tax continue to be deposited in the Public Safety Augmentation Trust Fund for distribution to counties and cities based on sales-tax-allocation percentages previously calculated. The City receives approximately 4% of this Proposition 172 sales-tax revenue allocated to jurisdictions within the County.

In November 2004, voters approved Measure A to extend the sales-and-use tax rate in Sacramento County by 0.5% to 2039. The proceeds of this Measure A tax are administered by the Sacramento Transportation Authority and are used to fund a comprehensive program of roadway and transit improvements, including highway, street, and road construction; highway, street, and road maintenance; bus and light-rail capital and operations; improved transportation services for elderly and handicapped persons; and transportation-related air-quality programs.

As part of the Fiscal Year 2003-04 budget for the State that was signed by Governor Schwarzenegger on July 31, 2004, and of the State's economic-recovery plan, a bond initiative formally known as the "California Economic Recovery Act" was approved by the voters on March 2, 2004. This act authorized the issuance of \$15 billion in economic-recovery bonds that were to be used to finance the State's Fiscal Year 2002-03 and Fiscal Year 2003-04 budget deficits, and are payable from a fund established by the redirection to the State of 25% of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdictions, commencing on July 1, 2004.

As a result, the portion of the sales-and-use tax amounts that otherwise would have been allocated to local governments, including to the City, would have decreased from 1% to 0.75%. However, beginning in Fiscal Year 2004-05, the local governments' share of local property-tax revenues was restored by an amount equal to the 25% reduction in the 1% share of the local sales-and-use tax, creating a revenue-neutral effect on

local governments tax revenues for Fiscal Year 2004-05 and subsequent fiscal years. This system will remain in effect until the State's economic-recovery bonds have been retired, which is expected to occur by the end of 2015.

In calendar year 2014, the City's sales-tax revenues increased 2.7% as compared to calendar year 2013. Statewide sales-tax revenues increased by 4.5% during the same period. During the final quarter of calendar year 2014 (October through December 2014), the City saw its highest level of sales-tax receipts compared to the previous eight quarters across several economic segments including restaurants, miscellaneous retail, food markets, and apparel stores. Growth in the construction sector, which was negatively affected by the economic downturn that began in 2008, is expected to pick up with the lifting of the building moratorium in North Natomas in June 2015. (New housing construction will be limited to 1,000 single family homes and 500 multi-family units during the first 12 months.) The Golden 1 Center currently under construction in the downtown area of the City ("**Golden 1 Center**") will also increase growth in the construction sector in Fiscal Year 2015-16.

The City anticipates continued growth in sales-tax revenues related to other sectors in Fiscal Year 2016-17 and beyond. Based on the most recent information from the City's sales-tax consultant, sales-tax growth projections are currently estimated at 4% in Fiscal Year 2015-16 and 3% annually from Fiscal Year 2016-17 through Fiscal Year 2019-20.

Utility Users Tax. On November 8, 1988, the voters approved Measure C, an advisory measure asking this question: "Should the utility users tax rate be maintained at 7.50% in order to provide additional General Fund revenues to augment City services such as public safety?" On November 4, 2008, Measure O was approved by voters, reducing the utility users tax ("**UUT**") on telephonic services from 7.50% to 7.00% and expanding the scope of the tax to include new communication technologies. All other UUT rates remained unchanged at 7.50%.

There are some possible upcoming challenges to the UUT revenue stream. Changes to the taxation and franchise-fee structure for telecommunications and cable television are being proposed at the federal level, and legislation related to those changes was recently approved at the State level. Some of the proposed changes, if and when implemented, could reduce the UUT imposed on telephone and cable television use. The five components of UUT revenue have seen minimal growth over the past five years as industry trends and regulations have changed. Based on actual revenues collected over the past five years, UUT is projected to be \$59.6 million in Fiscal Year 2015-16, and the growth from Fiscal Years 2016-17 to 2019-20 is forecast at 1% annually.

Transient Occupancy Tax. Since 1990, the City has imposed a transient-occupancy tax ("**TOT**"), the level of which is currently set at 12%. The revenues from the TOT are currently designated for the City's Community Center Fund (10%) and the General Fund (2%).

The General Fund component of the TOT is projected to increase by approximately \$500,000, when comparing expected Fiscal Year 2014-15 receipts of \$3.4 million to projected receipts of \$3.9 million in the Adopted Fiscal Year 2015-16 Budget.

Measure U. On November 6, 2012, the voters of the City passed Measure U, authorizing a temporary \$0.005 sales tax to restore and protect City services. The tax became effective on April 1, 2013, and terminates on March 31, 2019, unless renewed.

MuniServices, the City's sales-tax consultant, is continuing to evaluate Measure U tax receipts and is working with the State Board of Equalization ("**BOE**") to reconcile and correct the over/under payments received by the City. The following provides a summary of the variances affecting the City's collections that are currently under review: (1) the City is erroneously receiving collections from businesses located within the County but not within the City; and (2) businesses with multiple locations appear to be remitting Measure U

taxes for non-City locations. Additionally, the taxability of internet transactions, “business-to-business” sales, and “business-to-government” sales is being reviewed, as these purchases do not follow a cyclical pattern.

Based on only three quarters of the year of sales-tax data, the Fiscal Year 2014-15 revenue from the Measure U tax is projected to be \$41.5 million. The revenue forecast for this tax assumes 1.3% growth in Fiscal Year 2015-16 revenue over projected Fiscal Year 2014-15 revenue, and 4% growth in subsequent years, with Fiscal Year 2018-19 reflecting the expiration of the tax in March 2019.

Although Measure U funds provide resources to protect and restore vital services, the use of temporary resources will create an enormous burden when the tax expires in 2019 unless contingency planning is done. Consistent with the Council’s adopted policies relative to Measure U, a reserve has been established that will provide resources through the end of Fiscal Year 2018-19 and cover a portion of the costs related to services being funded from Measure U in Fiscal Year 2019-20 after the expiration of Measure U.

The Adopted Budget relating to Measure U tax revenues reflects the annual cost of programs and services the Council has previously approved. As originally contemplated by the City when Measure U was first effective, in Fiscal Year 2015-16, the Police Department will be adding 15 new sworn positions. The Adopted Budget also includes costs associated with the retention of positions for the new COPS Hiring Program approved in Fiscal Year 2013-14, which funded 10 additional positions.

The Council has begun a public discussion of Measure U renewal options. A permanent renewal of the sales tax, rather than another temporary term, has been advocated. One concept discussed is using a portion of a renewed tax, beginning in Fiscal Year 2020, for capital rather than operational needs.

The table below shows the anticipated use of Measure U tax revenues through Fiscal Year 2020-21, as measured by the restoration of full time employees (“FTEs”) that had been eliminated following the economic downturn commencing in 2008:

**MEASURE U REVENUES AND EXPENDITURES
(Fiscal Year in Thousands)**

	<i>Total FTE</i>	<i>FY 2015-16</i>	<i>FY 2016-17</i>	<i>FY 2017-18</i>	<i>FY 2018-19</i>	<i>FY 2019-20</i>	<i>FY 2020-21</i>
Beginning Fund Balance		\$ 32,746	\$ 25,859	\$ 28,023	\$ 29,225	\$ 18,139	\$ -
Measure U Revenues		\$ 42,046	\$ 43,798	\$ 45,610	\$ 35,619	-	-
Fire Department	110.00	16,232	13,429	13,774	14,130	14,499	14,879
Police Department	205.50	18,592	19,066	21,228	22,890	23,404	23,932
Parks Department	127.80	13,086	8,451	8,714	8,986	9,266	9,554
Miscellaneous	2.00	1,023	687	693	698	704	710
Total Measure U Restorations	445.30	\$ 48,933	\$ 41,634	\$ 44,408	\$ 46,705	\$ 47,873	\$ 49,076
Annual Change in Fund Balance		(6,887)	2,164	1,202	(11,086)	(47,873)	(49,076)
Cumulative Reserve⁽²⁾		\$ 25,859	\$ 28,023	\$ 29,225	\$ 18,139	(\$29,734)	(\$49,076)

⁽¹⁾ Amounts for Fiscal Year 2015-16 are included in the Fiscal Year 2015-16 Adopted Budget. Amounts for Fiscal Years 2016-17 through 2020-21 are projected, assuming 4% annual revenue growth (through March 2019 only) and projected labor growth.

⁽²⁾ The forecast assumes Measure U is not renewed. The projected negative cumulative reserve balances in the forecast are expected to be addressed during budget development as the City is required to adopt a balanced budget.

Source: City of Sacramento.

Prior Fiscal Year Budgets

The City began to experience financial pressure in Fiscal Year 2006-07, due primarily to increasing labor costs and, later, exacerbated by the effect of the recession on revenues. The “structural budget deficit” resulted as revenue growth was insufficient to keep pace with compounding expenditure growth caused by increasing service demands, escalating personnel costs, and the ongoing operation and maintenance of aging infrastructure. Each fiscal year since then, until Fiscal Year 2014-15, a projected budget deficit had to be closed before a budget could be adopted. As shown in the table below, the strategy for closing that budget deficit shifted from the sole use of one-time resources in Fiscal Year 2006-07, to a blend of position reductions and structural improvements, to eliminating the use of one-time resources in Fiscal Year 2012-13. As time progressed, the labor reductions shifted increasingly from the elimination of vacant positions to layoffs.

<i>Reduction Strategy</i>	<i>FY 2007-08</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>	<i>FY 2010-11</i>	<i>FY 2011-12</i>	<i>FY 2012-13</i>	<i>FY 2013-14</i>	<i>Total</i>
Projected General Fund Deficit								
(\$ in 000s)	\$ 29,000	\$ 58,000	\$ 50,000	\$ 43,000	\$ 38,900	\$ 15,700	\$ 8,900	\$ 243,500
One-Time Funding	\$ 29,543	\$ 19,000	\$ 8,300	\$ 17,511	\$ 4,600	-	-	\$ 78,954
New-Increased Revenues	-	3,700	5,100	1,000	2,400	-	-	12,200
Labor Reductions	-	30,200	28,900	12,367	27,100	15,700	4,700	118,967
Other Reductions- Reimbursements	-	5,100	7,700	12,400	4,800	-	4,200	34,200
Budget Reductions	\$ 29,543	\$ 58,000	\$ 50,000	\$ 43,278	\$ 38,900	\$ 15,700	\$ 8,900	\$ 244,321
FTE Reductions	-	359.01	360.26	207.50	302.70	41.70	40.0	1,311.17

The Six-Year Forecast

The General Fund forecast provides a multi-year review of revenues and expenditures, allowing an assessment of the fiscal consequences of both prior and current funding decisions in the context of forecasted revenues and expenditures. The Council evaluates proposed fiscal actions in a long-term rather than a short-term context. The General Fund forecast is developed consistent with the Council’s adopted budget guidelines, which limit new revenues from being counted or spent until realized. The Fiscal Year 2015-16 Adopted Budget for the General Fund was adopted within the context of a six-year forecast in order to understand the effect on the City when Measure U funding expires in March 2019.

The following table projects a structural gap between revenues and expenditures in the General Fund that is expected to develop again in Fiscal Year 2016-17 in the absence of further policy initiatives. The primary driver of the projected structural gap is that the increasing pension costs approved by CalPERS exceed projected revenue growth. Actual results will depend on a variety of factors, including local economic conditions, and there can be no assurances actual results will not materially differ from the projections.

Annual rental payments relating to the lease revenue bonds issued to fund the City’s contribution to the Golden 1 Center, which are approximately \$18.3 million commencing in Fiscal Year 2017-18 have not been included in the Budget Forecast. As described below in “— Planned Sources for City Payments with Respect to the Golden 1 Center,” although Golden 1 Center rental payments are payable from the City’s General Fund, the City expects that the rental payments can be paid from increased parking revenues, TOT, property taxes (from development in the downtown area related to the Golden 1 Center), and payments from the primary tenant of the Golden 1 Center, the Sacramento Kings of the National Basketball Association (the “**Kings**”). However, there can be no assurances that these increased revenues will be available in the amounts and at the time expected by the City. If the increased revenues are not available, that circumstance could materially adversely affect the City’s financial condition.

**GENERAL FUND REVENUES AND EXPENSES
6-YEAR FORECAST
(\$ in Thousands)**

	<i>FY</i> <u>2015-16</u>	<i>FY</i> <u>2016-17</u>	<i>FY</i> <u>2017-18</u>	<i>FY</i> <u>2018-19</u>	<i>FY</i> <u>2019-20</u>	<i>FY</i> <u>2020-21</u>
Beginning Fund Balance	11,234	8,194	2,001	0	0	0
Total Revenue	400,451	407,846	415,678	424,003	432,578	441,415
Total Expenditures	394,146	414,039	425,704	432,137	438,110	441,598
Revenues less Expenditures	\$ 6,305	\$ (6,193)	\$ (10,026)	\$ (8,134)	\$ (5,532)	\$ (183)
Priority Budget Initiatives (<i>one-time costs</i>)	8,038	-	-	-	-	-
Loss of Measure U Revenues	-	-	-	-	(29,734)	(49,076)
Ending Fund Balance (With Loss of Measure U)⁽¹⁾	\$ 8,194	\$ 2,001	\$ (8,025)	\$ (8,134)	\$ (35,266)	\$ (49,259)

⁽¹⁾ The forecast assumes that a projected negative Ending Fund Balance will be addressed each year during budget development since the City is required to adopt a balanced budget.

Source: City of Sacramento.

The six-year forecast (the “**Budget Forecast**”) is based on a set of point-in-time assumptions. Revenue assumptions include: 3.7% growth in Fiscal Year 2015-16 (as compared to Fiscal Year 2014-15) and 2% average growth annually in each year from Fiscal Years 2016-17 through 2020-21. Expense assumptions include known effects of current labor agreements and anticipated effects related to required pension-related payments. The City believes that the projected expenditure growth assumptions are reasonable, particularly through the term of the current labor contracts. A projection of the effect of recent changes in CalPERS policies are reflected in these estimates. See “**RETIREMENT AND OPEB OBLIGATIONS.**”

The Golden 1 Center project has spurred development projects and property sales in the immediate vicinity in downtown Sacramento. The property sales have resulted in increases in assessed values on the secured tax roll (a portion of which are included in the revenue projections set forth above in the Budget Forecast). However, net revenues resulting from development projects related to the Golden 1 Center, such as hotels, office buildings, and additional retail space, are not included in the Budget Forecast and will not be included until the projects are actually under construction. The TOT forecast, outside the General Fund, does include revenue from an additional 250 hotel rooms associated with Golden 1 Center development.

There can be no assurances that actual results will not be materially adversely different from the forecast.

Budget sustainability and the fiscal capacity to address longer-term fiscal issues require that annual base-operating-cost increases be held to a level below annual revenue growth. The fiscal reality, given the lack of significant revenue growth in excess of expenditure growth in the forecast and the expiration of Measure U revenues in March 2019, is that current expenditure commitments are unsustainable. As a result, the City will need to continue to reduce expenditures or implement long-term revenue growth strategies in order to account for anticipated expenditure growth not supported by revenues.

Planned Sources for City Payments with Respect to Golden 1 Center

The City has entered into a number of agreements with a private developer relating to the construction in the downtown area of the City of the Golden 1 Center, which will serve as the home arena for the Kings. In addition, the City entered into a lease agreement (the “**Golden 1 Center Lease**”) and related agreements with the Sacramento Public Financing Authority (“**SPFA**”) in connection with the issuance by SPFA in September 2015 of lease-revenue bonds to finance the City’s required contribution to the Golden 1 Center. The lease revenue bonds are currently outstanding in the principal amount of \$272,870,000. Rental payments for those lease-revenue bonds, which will be payable from the City’s General Fund, are approximately \$18.3 annually commencing in Fiscal Year 2017-18.

The obligation of the City to pay rental payments to SPFA under the Golden 1 Center Lease when due is an obligation payable from the City's General Fund. To mitigate the effect on the General Fund from this obligation, the City currently plans to pay the obligation from rental payments the City receives from the private developer of the Golden 1 Center (which will lease the Golden 1 Center from the City) and from growth in parking revenues.

The rental payments from the Golden 1 Center developer are expected to begin in full in Fiscal Year 2017-18 in the amount of \$6.5 million annually. The payments escalate with annual CPI adjustments between 3% and 5% and are projected to grow to at least \$18.3 million in Fiscal Year 2051-52.

Net parking revenues for Fiscal Year 2014-15 are estimated to be approximately \$15.4 million. These revenues are projected to increase to \$26.7 million in Fiscal Year 2016-17. In addition to this projected growth of more than \$11 million, in future years the City also plans to use certain existing parking revenues currently devoted to paying debt service to pay for parking-related facilities and equipment. (Those debt-service payments will begin to decrease in Fiscal Year 2019-20 as the debt is redeemed.) In connection with the development of the parking-revenue projections, the City engaged a parking study prepared by a feasibility consultant. Parking revenue projections utilized by the City are scaled back from the parking revenues projected in the parking study. However, the study also contained sensitivity analyses that contained both lower and higher revenue projections depending on changes in capital and operating costs relating to the City's parking systems, parking demand, and other factors. There can be no assurances parking revenues will be generated at the projected levels.

Coupled with the City's share of property taxes on the Golden 1 Center, the City expects that these revenue sources will, in the aggregate, provide the General Fund with the capacity to pay all or a significant portion of all of the payments due under the Golden 1 Center Lease without affecting other services or programs funded from the General Fund. In order to provide for the availability of sufficient available funds in the early years of operation of the Golden 1 Center, the City has established and currently intends to maintain a liquidity reserve in which it would set aside certain of these revenues before completion of the Golden 1 Center and the commencement of rental payments under the Golden 1 Center Lease. As of July 1, 2015, \$5.3 million has been set aside in the liquidity reserve from TOT and parking revenues. Notwithstanding the City's plans to use these revenues to make rental payments under the Golden 1 Center Lease, the obligation of the City to make those payments is not conditioned on the availability of revenues in the amounts expected by the City.

The City has not included projected rental payments under the Golden 1 Center Lease in the Budget Forecast; in the six-year horizon, however, because of the expected revenues described above, no net effect on the General Fund is projected. Future growth provides capacity for rental payments and has not been included in the Budget Forecast; nor have lease payments from the Kings, property taxes on the Golden 1 Center itself, or any releases from the liquidity reserve.

Limitations on Taxes; Proposition 218 Matters

As described in the forepart of the Official Statement under the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS," the State Constitution limits the City's ability to raise taxes without a vote of the electorate.

In addition, Proposition 218, which added Articles XIII C and XIII D to the State Constitution in 1996, imposes significant limitations relating to the imposition of rates, fees, and charges for various enterprises of the City.

Similarly, Proposition 26, which amended Articles XIII A and XIII C of the State Constitution in 2010, extends some of the limitations of Proposition 218 to additional charges, fees, and fines.

Effect of the State Budget on the City

In recent years, the State experienced significant financial stress, with budget shortfalls in the billions of dollars. State revenues declined significantly as a result of recent economic conditions and other factors. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition will materially adversely affect the financial condition of the City, there can be no assurances that State financial pressures will not adversely affect the City.

Information about the State budget is available through various State-maintained websites. Historical State budgets can be found at http://www.dof.ca.gov/budget/historical_ebudgets, while the current budget can be found at <http://www.ebudget.ca.gov>. Additionally, budget analyses are regularly posted on the website of the Legislative Analyst's Office at www.lao.ca.gov.

The information referred to above is prepared by the State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or the accuracy, completeness, or timeliness of information posted there. Information on these websites is **not** incorporated by reference into this Official Statement.

Amendments to Funding Mechanism for Redevelopment Agencies

As described in the footnotes of the table below detailing the City's General Fund obligations, the City receives significant funding from other sources that it uses to make payments with respect to several financings that otherwise would be payable from the City's General Fund. One such source of funding was the Redevelopment Agency of the City (the "**City RDA**"), which, as described herein, has been dissolved. The City entered into a number of agreements with the City RDA, under which the City RDA was obligated to make payments to the City from tax-increment revenue from several redevelopment-project areas (the "**RDA Agreements**"). (The RDA Agreements do not include bonds issued directly by the City RDA, which are not payable from the City's General Fund.)

Concurrently with the issuance of the 2015 Bonds, the City plans to issue Tax Allocation Bonds secured solely by the tax-allocation revenues and other amounts pledged therefor under the indenture pursuant to which the Tax Allocation Bonds will be issued. The Tax Allocation Bonds will **not** be secured by payments required to be made by the City from the General Fund. In certain cases, the issuance of the Tax Allocation Bonds will cause a reduction or prepayment in full of amounts payable by the City RDA's successor agency, denominated the Redevelopment Agency Successor Agency (the "**RASA**") under certain RDA Agreements. After the issuance of the 2015 Bonds and the Tax Allocation Bonds, the aggregate amount of the payments payable to the City under the RDA Agreements will range from \$1.1 million to \$1.4 million through 2037.

Under Assembly Bill No. 1x 26 ("**AB 26**"), enacted in June 2011, most redevelopment agency activities in California were suspended, and redevelopment agencies were prohibited from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB 26 also dissolved all existing redevelopment agencies and specified procedures for establishment of "successor agencies" and "oversight boards" to ensure that payments for "enforceable obligations" of the dissolved redevelopment agencies were made and to administer the dissolution and wind down of the dissolved redevelopment agencies. Certain provisions of AB 26 are described further below.

On January 31, 2012, the City elected under AB 26 to become the RASA for the City RDA's non-housing assets and functions. On the same date, the Housing Authority of the City of Sacramento (the "**Housing Authority**") elected under AB 26 to become the successor agency for the City RDA's housing assets and functions. However, the RASA is responsible for managing payment of all of the City RDA's "enforceable obligations." AB 26 requires an oversight board for each successor agency to be established no later than May 1, 2012. The oversight board for the RASA (the "**Oversight Board**") was formed on April 16, 2012.

Obligation Payment Schedules. AB 26 requires a successor agency to continue to make payments on enforceable obligations of the dissolved redevelopment agency from tax-increment proceeds that are deposited into the Redevelopment Obligation Retirement Fund and received from the County Auditor-Controller from the Redevelopment Property Tax Trust Fund (“**RPTTF**”).

As required by AB 26, the RASA has prepared, and the State Department of Finance (“**DOF**”) has approved, Recognized Obligation Payment Schedules (“**ROPS**”) for all of the enforceable obligations for each six-month period since dissolution. All City RDA bond-debt payments and payments on the RDA Agreements have been listed on the ROPS and approved by DOF. Under these DOF-approved ROPS, the RASA receives funding from the County from the RPTTF to pay the enforceable obligations.

Although the RASA is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under AB 26 (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, the actions of the Oversight Board are subject to review by DOF as described later in this section.

State Department of Finance and State Controller review. AB 26 provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the DOF. There can be no assurances that agreements listed on the ROPS as approved by the Oversight Board and DOF in prior periods will not be challenged in future when subsequent ROPS are prepared and submitted for approval. However, to date DOF has not disallowed payments to RASA under the RDA Agreements when it approved each of the ROPS, and AB 26 specifically provides that it is the intent of the law that “pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored.”

There may be additional legislation proposed or enacted in the future affecting the winding up of the affairs of the dissolved redevelopment agencies under AB 26 and related legislation. No assurances can be given about the effect of any such future proposed or enacted legislation on the RDA Agreements.

General Fund Obligation Debt Service Payments

The following table summarizes the City’s total annual General Fund Obligation debt-service payments as of June 30, 2015. Obligations set forth on the following table are payable from the City’s General Fund; however, the City uses amounts budgeted from certain enterprise and other funds as indicated in the following table. To the extent those other sources are unavailable, the General Fund would be responsible for these payments.

The following table does not include obligations of the City payable solely from RDA Agreements described above and does not take into account the implementation of the Plan of Refunding.

GENERAL FUND OBLIGATION DEBT SERVICE*

Fiscal Year	1993 ⁽¹⁾	1997 ⁽²⁾	1999 CFD 2A Lease Portion	1999 ⁽³⁾	2002 ⁽⁴⁾	2003 ⁽⁶⁾	2005 ⁽⁷⁾	2006 ⁽⁸⁾	2006 ⁽⁹⁾	2015 Golden 1 Center Bonds ⁽¹⁰⁾	Total ⁽¹¹⁾ Equip. Leases & Loans	Total Debt Service Obligations	% of	Total Offset Debt Service	Total General Fund Debt Service	% of	
	Lease Revenue Bonds	Lease Revenue Bonds (2007 Remarketing)		Capital Impr. Revenue**	Capital Impr. Revenue**	Capital Impr. Revenue**	Ref. Rev. Bonds**	Capital Impr. Revenue Series A, B**	Capital Impr. Revenue Series C, D, E**				General Fund Rev.			General Fund Rev.	
2016	\$15,437,935	\$5,767,979	\$50,313	-	\$302,400	\$291,081	\$2,755,469	\$20,530,025	\$10,805,696	\$11,091,683	\$7,229,367	\$5,308,373	\$79,570,322	19.9%	\$50,897,831	\$28,672,490	7.2%
2017	15,430,735	5,758,070	245,938	-	291,275	1,051,938	2,794,966	20,509,400	10,799,388	11,091,855	14,871,842	4,926,315	59,301,821	22.0	59,301,821	28,469,901	7.1
2018	15,408,975	5,953,976	251,094	-	792,825	1,051,108	2,836,544	19,994,775	9,225,313	11,090,825	18,296,842	2,943,321	87,845,597	22.0	57,135,790	30,709,807	7.7
2019	15,391,035	6,086,638	255,313	-	-	1,048,918	2,952,846	16,591,000	9,229,575	11,540,000	18,295,874	1,461,169	82,852,368	20.7	45,828,421	37,023,947	9.3
2020	15,369,890	6,209,110	253,750	-	-	1,050,215	2,044,926	16,533,475	9,212,048	11,573,525	18,299,225	721,991	81,268,154	20.4	45,783,509	35,484,645	8.9
2021	15,348,515	6,400,018	256,406	-	-	1,044,958	1,718,776	16,470,100	9,210,746	11,042,000	18,378,689	138,659	80,008,867	20.0	45,470,256	34,538,611	8.6
2022	-	6,446,610	262,969	-	-	1,047,831	279,601	16,337,475	9,198,629	12,755,675	18,378,701	138,659	64,846,150	16.2	35,520,498	29,325,652	7.3
2023	-	6,648,342	263,438	-	-	1,043,975	277,395	5,685,600	9,191,481	22,593,150	18,289,067	69,330	64,061,777	16.0	34,747,182	29,314,595	7.3
2024	-	6,796,051	262,969	-	-	1,043,000	279,754	5,537,225	9,182,750	22,126,169	18,289,067	-	63,516,984	15.9	34,882,936	28,634,048	7.2
2025	-	6,956,041	-	-	-	1,044,625	271,772	5,538,688	9,181,265	22,027,794	18,289,286	-	63,309,470	15.9	35,243,196	28,066,274	7.0
2026	-	7,124,005	-	-	-	1,044,500	273,375	5,527,644	9,171,351	22,043,856	18,286,258	-	63,470,989	15.9	35,644,540	27,826,449	7.0
2027	-	7,305,017	-	-	-	1,042,625	274,375	5,533,631	9,162,435	22,035,025	18,289,420	-	63,642,527	15.9	36,069,066	27,573,461	6.9
2028	-	7,461,356	-	-	-	1,039,000	274,875	5,537,250	9,163,419	22,039,475	18,287,643	-	63,803,018	16.0	36,492,337	27,310,680	6.8
2029	-	-	-	-	-	1,038,500	284,625	5,517,000	9,158,354	22,132,225	18,285,364	-	66,416,068	14.1	29,316,705	27,099,363	6.8
2030	-	-	-	-	-	1,036,000	288,500	5,514,500	9,146,692	22,135,788	18,286,739	-	66,408,218	14.1	29,575,452	26,832,766	6.7
2031	-	-	-	-	-	1,036,375	291,625	-	9,132,759	22,135,044	18,285,638	-	60,881,440	12.7	25,485,727	25,395,713	6.4
2032	-	-	-	-	-	1,034,500	289,125	-	9,130,306	22,137,375	18,286,217	-	60,877,523	12.7	25,877,666	25,099,857	6.3
2033	-	-	-	-	-	1,035,250	291,000	-	9,113,362	22,144,775	18,282,349	-	60,866,736	12.7	26,067,940	24,798,796	6.2
2034	-	-	-	-	-	-	292,125	-	9,106,001	5,639,300	18,283,188	-	33,320,614	8.3	13,972,084	19,348,530	4.8
2035	-	-	-	-	-	-	-	-	9,096,828	2,005,000	18,282,324	-	29,384,151	7.4	12,771,515	16,621,636	4.2
2036	-	-	-	-	-	-	-	-	9,074,993	2,004,250	18,283,630	-	29,362,873	7.4	13,097,512	16,265,291	4.1
2037	-	-	-	-	-	-	-	-	9,069,174	2,003,875	18,280,697	-	29,353,746	7.4	13,443,667	15,910,079	4.0
2038	-	-	-	-	-	-	-	-	-	-	18,282,397	-	18,282,397	4.6	12,089,056	6,193,341	1.6
2039	-	-	-	-	-	-	-	-	-	-	18,282,040	-	18,282,040	4.6	12,451,728	5,830,312	1.5
2040	-	-	-	-	-	-	-	-	-	-	18,278,216	-	18,278,216	4.6	12,825,279	5,452,937	1.4
2041	-	-	-	-	-	-	-	-	-	-	18,279,516	-	18,279,516	4.6	13,210,038	5,069,478	1.3
2042	-	-	-	-	-	-	-	-	-	-	18,278,967	-	18,278,967	4.6	13,606,339	4,672,628	1.2
2043	-	-	-	-	-	-	-	-	-	-	18,279,878	-	18,279,878	4.6	14,014,529	4,265,349	1.1
2044	-	-	-	-	-	-	-	-	-	-	18,275,276	-	18,275,276	4.6	14,434,965	3,840,311	1.0
2045	-	-	-	-	-	-	-	-	-	-	18,273,469	-	18,273,469	4.6	14,868,014	3,405,455	0.9
2046	-	-	-	-	-	-	-	-	-	-	18,277,204	-	18,277,204	4.6	15,314,054	2,963,150	0.7
2047	-	-	-	-	-	-	-	-	-	-	18,273,943	-	18,273,943	4.6	15,773,476	2,500,467	0.6
2048	-	-	-	-	-	-	-	-	-	-	18,271,713	-	18,271,713	4.6	16,246,680	2,025,033	0.5
2049	-	-	-	-	-	-	-	-	-	-	18,272,978	-	18,272,978	4.6	16,734,081	1,538,897	0.4
2050	-	-	-	-	-	-	-	-	-	-	18,269,919	-	18,269,919	4.6	17,236,103	1,033,816	0.3
Total	\$92,387,085	\$84,913,214	\$2,102,188	0.0%	\$1,386,500	\$18,024,398	\$18,771,674	\$171,357,788	\$204,762,562	\$335,388,663	625,632,942	\$15,707,817	\$1,570,434,830	931,330,064	\$639,104,766		
Offset	73.7%	100.0%	0.0%	0.0%	36.4%	100.0%	19.7%	77.4%	18.5%	54.6%	65.1%	36.0%	59.3%				

- * Does not include amounts payable solely from revenue pledges of funds other than the General Fund (i.e. tax allocation revenues or enterprise fund revenues).
- ** These issues will be refunded in whole or in part as described in "PLAN OF REFUNDING." Savings from the implementation of the Plan of Refunding are not reflected in the table.
- (1) 1993 Lease A: 80.5% Community Center Fund, 11.5% General Fund, 8.0% Golf Fund. 1993 Lease B: 47.8% General Fund, 30.2% Parking Fund, 13.0%, Drainage Fund, 9.0% Community Center Fund.
- (2) 1997 Lease (ARCO Arena Sublease): assumes the fixed rate established in the 2007 remarketing is in effect for the remaining term of the bonds.
- (3) 1999 Capital Improvement Revenue Bonds: amounts remaining supported solely from tax increment revenues.
- (4) 2002 Capital Improvement Revenue Bonds: 58.4% General Fund, 20.6% North Natomas Fund and 21.0% RASA Master Lease (Stockton Blvd)
- (5) 2002 COP: payable from H Street Theatre Revenues (The City of Sacramento and the County of Sacramento are each responsible for 50% of any shortfall in debt service payments made by the CA Musical Theater.)
- (6) 2003 Capital Improvement Revenue Bonds: 80.8% General Fund and 19.2% North Natomas Fund
- (7) 2005 Refunding: 30.9% Water Fund, 22.9% General Fund, 17.1% Solid Waste Fund, 14.6% Parking Fund, 12.3% RASA Master Lease (Del Paso Heights, Merged Downtown, North Sacramento, Oak Park, River District), 1.7% North Natomas Fund, and 0.5% Golf Fund.
- (8) 2006 Capital Improvement Revenue Bonds Series A and B: 81.5% General Fund and 18.5% RASA Master Lease (65th Street, Army Depot, North Sacramento, River District)
- (9) 2006 Capital Improvement Revenue Bonds, Series C, D, and E: 46.3% Water Fund, 45.0% General Fund, 6.9% North Natomas Fund, 1.0% RASA Master Lease (Stockton Boulevard), and 0.8% Golf Fund.
- (10) The debt service for the 2015 Golden 1 Center Lease Revenue Bonds is expected to be paid from capitalized interest through October 2017 and thereafter is expected to be offset by a payment from the Sacramento Kings or its affiliates.
- (11) Total Leases and Loans: 64.0% General Fund, 24.8% Solid Waste, 6.6% Marina, 2.0% Wastewater, and 2.6% RASA (Merged Downtown)
- (12) Data Based on Fiscal Year 2015 General Fund Revenue Forecast \$399,329,000.

Source: City of Sacramento.

Interest-Rate Swap

In 2007, the City entered into an interest-rate swap with Goldman Sachs Capital Markets, L.P. (the “**Counterparty**”) in connection with remarketing the Sacramento City Financing Authority’s \$73,725,000 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-interest-rate bonds (the “**Arena Bonds**”). The Arena Bonds carry an interest rate equal to the 3-month London Interbank Offered Rate (“**LIBOR**”) plus 0.25% (with the total rate not to exceed 14.00%) payable quarterly until July 19, 2017. The swap agreement terminates on July 19, 2017, and, as of July 15, 2015, has a notional amount of \$57,315,000. Under the swap, the Authority pays the Counterparty a fixed payment of 5.607% and receives a variable payment equal to the interest rate payable on the Arena Bonds. See Note 7 in Appendix B — “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.”

The City’s interest-rate swap entails risk to the City. Actual interest rates have varied from assumptions made at the time the swap was executed, and the City has not realized expected cost savings. There is no net City cost, because an affiliate of the Kings makes the debt payments. In addition, the potential future exposure to the City relating to the difference in payments between the amounts the City receives in connection with the swap and pays under that swap, including termination payments or other non-scheduled payments, cannot be predicted. The Counterparty may terminate the swap upon the occurrence of certain termination events or events of default, which might include failure of either the City or the Counterparty to maintain credit ratings at specified levels. If either the Counterparty or the City terminates the swap, the City may be required to make a termination payment to the Counterparty (even if termination is due to an event affecting the Counterparty, such as the Counterparty’s failure to maintain credit ratings at specified levels), and there is no assurance that payment by the City would not have a material adverse affect on its financial position. As of September 3, 2015, the current estimated amount of the termination payment that would be payable by the City is approximately \$5.2 million. The valuation of the swap or any future swaps is volatile and will vary based on a variety of factors, including current interest rates. There can be no assurances that termination amounts potentially payable by the City will not significantly increase. The City may enter into additional interest-rate swaps in the future.

Debt Statement

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. as of July 29, 2015. The Debt Report is included for general-information purposes only. The City makes no representations as to its completeness or accuracy.

The Debt Report generally includes long-term obligations sold in the public-credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated), nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of that public agency.

**CITY OF SACRAMENTO
DIRECT AND OVERLAPPING BONDED DEBT
AS OF JULY 29, 2015**

Dollar figures below are in thousands
2014-15 Assessed Valuation: \$39,552,714,987

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/15	% Applicable ⁽¹⁾	City's Share of Debt 6/30/15
Los Rios Community College District	\$361,280,000	25.267%	\$ 91,284,618
Natomas Unified School District	164,674,461	88.382	145,542,582
Sacramento Unified School District	439,797,966	83.790	368,506,716
San Juan Unified School District	404,827,785	2.981	12,067,916
Twin Rivers Unified School District	18,795,000	47.709	8,966,907
Twin Rivers Union School District (former Elementary School District bonds)	62,720,668	47.709	29,923,403
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	188,840,138	46.845	88,462,163
Robla School District	29,481,349	49.324	14,541,381
City of Sacramento Community Facilities Districts	164,050,000	100.	164,050,000
Elk Grove Unified School District Community Facilities District No. 1	178,792,187	11.424	20,425,219
City of Sacramento 1915 Act Bonds	7,300,000	100.	7,300,000
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	188,165,000	83.303	156,747,090
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,120,000	63.308	1,975,210
Sacramento Area Flood Control Agency Natomas Local Assessment District	35,350,000	84.065	29,716,978
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$1,139,510,183

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.88%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Sacramento County General Fund Obligations	\$276,872,687	30.688%	\$ 84,966,690
Sacramento County Pension Obligation Bonds	973,933,985	30.688	298,880,861
Sacramento County Board of Education Certificates of Participation	7,260,000	30.688	2,227,949
Los Rios Community College District Certificates of Participation	5,440,000	25.267	1,374,525
Sacramento Unified School District Certificates of Participation	72,380,000	83.790	60,647,202
Sacramento Unified School District Pension Obligation Bonds	1,195,000	83.790	1,001,291
San Juan Unified School District Certificates of Participation	749,716	2.981	22,349
Twin Rivers Unified School District Certificates of Participation	129,825,000	46.845	60,816,521
City of Sacramento General Fund Obligations	619,920,000	100.	619,920,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$1,129,857,388
Less: Sacramento County supported obligations			1,913,397
City of Sacramento supported obligations			363,409,428
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 764,534,563

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$258,434,876 0.013-100. % \$186,409,241

GROSS TOTAL DIRECT DEBT	\$619,920,000
NET TOTAL DIRECT DEBT	\$256,510,572
GROSS TOTAL OVERLAPPING DEBT	\$1,835,856,812
NET TOTAL OVERLAPPING DEBT	\$1,833,943,415

GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$2,455,776,812 ⁽²⁾
NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$2,090,453,987

⁽¹⁾ Percentage of overlapping agency's assessed valuation located within boundaries of the City.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital-lease obligations.

Ratios to 2014-15 Assessed Valuation:

Gross Combined Total Direct Debt (\$619,920,000)..... 1.57%
Net Combined Total Direct Debt (\$256,510,254)..... 0.65%
 Gross Combined Total Direct and Overlapping Debt 6.21%
 Net Combined Total Direct and Overlapping Debt 5.29%

Ratios to Redevelopment Increment Valuation (\$4,517,647,254):

Total Overlapping Tax Increment Debt 4.13%

No Default

The City has no record of having ever defaulted in the payment of principal or interest on any of its loans, bonds, notes, or other debt obligations or on any of its lease obligations.

RETIREMENT AND OPEB OBLIGATIONS

The City provides retirement and post-employment benefits to its employees as described below.

Employees Retirement Plans

The City provides defined-benefit retirement benefits through CalPERS and SCERS. CalPERS is a multiple-employer public-employee defined-benefit pension plan, whereas SCERS is a single-employer defined-benefit pension plan.

All full time and certain part-time City employees hired on or after January 28, 1977, and all City safety employees regardless of the date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report and a separate report for the City's plans within CalPERS may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, California 95811.

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension-trust fund. SCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This financial report may be obtained by writing to the City of Sacramento, Department of Finance, 915 I Street, NCH, 4th Floor, Sacramento, California 95814.

Funded Status

The tables below summarize the funded status of the City's retirement plans as of the most-recent actuarial-valuation dates. The funded status information presented in the following two tables from the June 30, 2013 actuarial valuation takes into account the effect of CalPERS's decision to lower its assumed investment earnings by 0.25% to 7.50%, which affected contribution rates beginning in Fiscal Year 2013-14. Additional information regarding the City's employee-retirement plans, annual pension costs, the funding status thereof, and significant accounting policies related thereto is set forth in Note 8 to the City's audited financial statements for the fiscal year ended June 30, 2014, attached as Appendix B to the Official Statement.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Miscellaneous Employees
(\$ in Millions)**

<i>Valuation Date (June 30)</i>	<i>Market Asset Value</i>	<i>Actuarial Accrued Liability (AAL) – Entry Age</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Actuarial Funded Ratio*</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2006	\$418	\$487	\$398	\$89	82%	\$153	58%
2007	521	549	457	92	83	173	53
2008	510	617	510	107	83	178	60
2009	403	696	556	140	80	175	80
2010	477	751	607	144	81	171	84
2011	590	819	660	159	81	165	96
2012	596	861	709	152	82	151	101
2013	677	914	677	237	74	151	157

* Commencing with the report for the June 30, 2013 valuation date, market value is used for purposes of calculating funded ratio.

Source: CalPERS actuarial valuations through June 30, 2013. The actuarial valuation for the City through June 30, 2014, is expected to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Safety Employees
(\$ in Millions)**

<i>Valuation Date (June 30)</i>	<i>Market Asset Value</i>	<i>Actuarial Accrued Liability (AAL) – Entry Age</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Actuarial Funded Ratio*</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2005	\$751	\$ 823	\$ 730	\$ 93	89%	\$ 83	111%
2006	834	908	787	121	87	92	131
2007	989	971	853	118	88	100	118
2008	928	1,048	908	140	87	110	127
2009	687	1,135	946	189	83	110	172
2010	770	1,183	987	196	83	111	178
2011	917	1,249	1,035	214	83	109	196
2012	897	1,313	1,077	236	82	108	219
2013	992	1,371	992	379	72	104	364

* Commencing with the report for the June 30, 2013 valuation date, market value is used for purposes of calculating funded ratio.

Source: CalPERS actuarial valuations through June 30, 2013. The actuarial valuation for the City through June 30, 2014, is expected to be available in late Calendar Year 2015.

In the early 1980s, safety employees in the SCERS pension plan were moved to CalPERS after voters approved a change to the City Charter. There were 27 active members and 1,201 retirees and other beneficiaries participating in the SCERS plan as of June 30, 2014.

The SCERS pension plan has been closed to new members since 1977. Because SCERS is closed to new members and has only 27 remaining active members, the Actuarial Value of Assets is a three-year smoothed market value. Investment gains and losses are recognized over a three-year period. The actuarial value of assets is limited by a 15% corridor, meaning the actuarial value of assets will be no greater than 115% of market value of assets and no less than 85% of market value of assets.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
(\$ in Millions)**

<i>Valuation Date (June 30)</i>	<i>Market Asset Value</i>	<i>Actuarial Accrued Liability (AAL) – Entry Age</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2006	\$365	\$395	\$365	\$ 30	92%	\$10	292%
2007	378	395	365	30	92	10	313
2008	355	392	360	32	92	9	356
2009	273	398	314	84	79	6	1,406
2010	280	395	297	98	75	5	1,848
2011	304	397	297	100	75	4	2,420
2012	296	389	294	95	76	3	3,211
2013	296	382	292	90	76	2	3,949
2014	313	373	N/A	60	84	2	2,643

Source: SCERS actuarial valuations through June 30, 2014. The pension liability at June 30, 2014, was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, and, as a result, the actuarial asset value was not updated. The actuarial valuation for the SCERS through June 30, 2015, is expected to be available in late Calendar Year 2015.

Recent CalPERS Developments

At its meetings in April 2013, the CalPERS Board of Administration (“**PERS Board**”) approved a plan to replace the previous 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the previous 30-year rolling amortization of unfunded liabilities with a 30-year fixed-amortization period. The approach is intended to provide a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including the 2008-09 market losses) of CalPERS participants’ plans (including the City’s) in the near term. Actual rates were set using the new methods for Fiscal Year 2014-15, reflected in the June 30, 2013 valuation.

At its February 2014 meeting, the PERS Board approved new actuarial assumptions based on a recently completed experience study of CalPERS membership. The experience study was based on CalPERS member demographic data for the experience period from June 30, 1997, to June 30, 2011. The study focused on recent patterns of termination, death, disability, retirement, and salary increases. The major findings from the study showed an increase in life expectancy for both men and women. The actuarial assumptions adopted also reflect improvements to life expectancy.

CalPERS’s recent review of actuarial assumptions confirmed that government workers, including public-safety employees, are living longer. Since CalPERS last addressed the issue in 2010, there have been changes in life expectancy: by 2028, men retiring at age 55 are projected to live an average of 29.4 years and women 31.9 years post-retirement, longer than the prior assumptions of 27.3 years for men and 30.3 years for women post-retirement. Based on the revised figures, the PERS Board adopted the 20-year mortality projection along with 20-year amortization and a five-year phasing policy, with associated costs for local-

government agencies beginning in Fiscal Year 2016-17. On a preliminary basis, the City anticipates that its General Fund contributions to CalPERS for Fiscal Year 2019-20 will be \$18.7 million higher than in Fiscal Year 2015-16.

City Contributions

Under collective bargaining arrangements signed in 2012 and 2013, the City will no longer pay the employee contribution to CalPERS after Fiscal Year 2014-15, and most bargaining groups have agreed to pay a portion of the City’s employer contribution through cost-sharing agreements.

The following table summarizes the City’s contributions to its defined-benefit pension plans.

**CITY OF SACRAMENTO
ANNUAL CONTRIBUTION TO RETIREMENT PLANS
(\$ in Millions)**

<i>Fiscal Year</i>	<i>CalPERS</i>	<i>SCERS</i>	<i>Total City Employer Contribution⁽¹⁾</i>	<i>Total City-Paid Employee Contribution⁽²⁾</i>	<i>Total General Fund Contribution</i>
2008-09	\$41.7	\$3.2	\$44.9	\$17.1	\$52.3
2009-10	44.6	3.4	48.0	16.7	54.6
2010-11	44.3	10.5	54.8	16.1	58.9
2011-12	49.5	10.4	59.9	15.4	63.3
2012-13	47.7	10.6	58.3	12.7	59.8
2013-14	49.8	9.6	59.4	9.8	57.7
2014-15 ⁽³⁾	61.4	9.1	70.5	5.7	64.3
2015-16 ⁽³⁾⁽⁴⁾	68.8	8.6	77.4	0.0	64.7

⁽¹⁾ Includes contributions payable from special funds.

⁽²⁾ Employee contribution amount paid by the City pursuant to collective bargaining arrangements.

⁽³⁾ Budgeted.

⁽⁴⁾ The City’s employer contribution to CalPERS in 2015-16 is offset by negotiated employee cost-sharing of employer contributions totaling \$3.8 million citywide and \$3.4 million in the General Fund.

Source: The City of Sacramento.

The City contributed 100% of the actuarially required contributions in each fiscal year reported in the table.

The City also provides defined-contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the “Plan”). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by the Council. Unrepresented exempt and certain represented employees may elect to participate in the Plan. Participating exempt employees are required to contribute 5% of covered salary and the City contributes 4%, while participating non-exempt employees are required to contribute 2% of covered salary and the City contributes 2%. For the fiscal year ended June 30, 2014, employees contributed \$2,732,000 and the City contributed \$2,354,000 to the Plan.

On June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved two new standards with respect to pension accounting and financial-reporting standards for state and local governments and pension plans. The new standards, GASB Statement Nos. 67 and 68, replace GASB Statement No. 27 and most of GASB Statement Nos. 25 and 50. The changes affect the accounting treatment of pension plans in which state and local governments participate. Major changes include (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates will be required to be used for

underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013, and the reporting requirements for government employers, including the City, took effect for the fiscal year beginning July 1, 2014.

Annual OPEB Cost and Net OPEB Obligation

The City provides health-care and dental-care insurance benefits for all retirees and their survivors and dependents. Participants have the choice of enrolling in one of several health plans and one of two dental plans. To be eligible for these benefits, an employee must retire with a minimum of 10 full years of active service and be 55 years of age for miscellaneous employees or 50 years of age for safety employees. Participants with a minimum of 20 years of service are eligible for 100% of the maximum benefit while participants with less than 20 years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental-care benefits range from \$300 and \$694 a month per participant, which covers between 16% and 100% of the benefit cost, depending on the choice of plan and number of dependents. New employees hired after January 1, 2013, are not eligible to receive post-retirement health care and dental-care benefits.

City retiree health benefits are defined by labor agreements and resolutions approved by the Council. Benefit costs are recorded on a pay-as-you-go basis. The City's financial statements assume that pay-as-you-go funding will continue. The City's annual other post-employment benefits ("OPEB") cost is calculated based on the Annual Required Contribution ("ARC") of the City, an amount that is actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

In February 2013, the Council voted to establish an OPEB trust fund and begin funding a portion of its OPEB liability with a one-time investment of \$2,000,000 deposited in January 2014. Again, in February 2014, the Council voted to contribute another \$2,000,000 to the OPEB trust fund. The City deposited another \$1,000,000 into the trust in July 2014 after the Council approved the Fiscal Year 2014-15 budget and has deposited another \$1,000,000 in July 2015. The following table shows the components of the City's annual OPEB cost for Fiscal Year 2013-14, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

**CITY OF SACRAMENTO
ANNUAL OPEB COST COMPONENTS
FISCAL YEAR 2013-14
(\$ in Thousands)**

Annual Required Contribution (ARC)	\$ 43,974
Interest on beginning OPEB liability	5,928
Adjustment to the ARC	<u>(9,971)</u>
Annual OPEB cost	\$ 39,931
Contributions made	(13,473)
Trust prefunding	<u>(4,000)</u>
Increase in net OPEB obligation	\$ 22,458
Net OPEB obligation - Beginning of year	<u>131,739</u>
Net OPEB obligation - End of year	<u>\$ 154,197</u>

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The City's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous five fiscal years were as follows:

**CITY OF SACRAMENTO
ANNUAL OPEB COST, ACTUAL CONTRIBUTIONS,
ANNUAL COST CONTRIBUTED, AND NET OBLIGATION
(\$ in Millions)**

<i>Fiscal Year</i>	<i>Annual OPEB Cost</i>	<i>Contributions</i>	<i>% of OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
2009-10	\$29.5	\$11.0	38%	\$60.7
2010-11	31.4	11.9	38	80.2
2011-12	37.2	12.2	33	105.2
2012-13	39.4	12.8	33	131.8
2013-14	39.9	17.5	43	154.2

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The City has projected, on a preliminary basis, that by the end of Fiscal Year 2014-15 its annual OPEB costs will increase to \$42.1 million, its annual contribution will decrease to \$14.6 million, and its net OPEB obligation will increase to \$183.8 million. In the 2015-16 Adopted Budget, the City projects that General Fund expenditures for OPEB costs will be approximately \$10.3 million (consisting of approximately \$9.0 million for current obligations and approximately \$1.3 million deposit to the OPEB trust fund described above).

The following table summarizes the funded status of the City's OPEB plan as of the most recent biennial actuarial-valuation date, June 30, 2013. Additional information regarding the City's OPEB plan, annual OPEB costs, the funding status thereof, and significant accounting policies related thereto is set forth in Note 9 to the City's audited financial statements attached as Appendix B hereto. The June 30, 2015 actuarial valuation is anticipated to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO
OPEB TREND INFORMATION
(\$ in Millions)**

<i>Actuarial Valuation Date (June 30)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2007	\$380	--	\$380	0.00%	\$266	142.9%
2009	376	--	376	0.00	275	136.7
2011	440	--	440	0.00	254	173.4
2012	447	--	447	0.00	262	170.9
2013	434	--	434	0.00	257	168.4

Source: The City's OPEB actuarial valuations.

CERTAIN CITY ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

A comparison of the City's population growth to that of the County and the State is provided in the table below. Population estimates are as of as of January 1 for each year.

**POPULATION ESTIMATES⁽¹⁾
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA
FOR SELECTED CALENDAR YEARS 1970 THROUGH 2014**

<i>Year</i>	<i>City of Sacramento</i>	<i>Average Annual % Change</i>	<i>County of Sacramento</i>	<i>Average Annual % Change</i>	<i>State of California</i>	<i>Average Annual % Change</i>
1970	257,105		634,373		19,935,134	
1980	275,741	0.72%	783,381	2.35%	23,782,000	1.87%
1990	369,365	3.40	1,046,870	3.36	29,828,496	2.57
1995	384,300	0.81	1,120,733	1.41	31,910,000	1.45
2000	407,018	0.81	1,233,599	2.01	34,095,209	1.27
2005	453,592	1.85	1,378,538	1.46	36,899,392	1.32
2009	481,356	1.35	1,440,500	0.84	38,476,724	0.98
2010 ⁽²⁾	469,493	(2.46)	1,427,961	(0.87)	37,427,946	(2.73)
2011 ⁽²⁾	469,895	0.09	1,431,726	0.26	37,680,593	0.68
2012 ⁽²⁾	472,679	0.59	1,442,993	0.79	38,030,609	0.93
2013 ⁽²⁾	475,871	0.67	1,456,230	0.92	38,357,121	0.86
2014 ⁽²⁾	480,105	0.89	1,470,912	1.01	38,714,725	0.93

⁽¹⁾ Totals are estimates and may not add due to rounding.

⁽²⁾ The population estimates for 2010 forward incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

<http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php>

Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and supply of skilled labor have drawn a number of technology, financial services, and healthcare employers to the City.

The table below shows historical unemployment rates for the City, the County, and the State.

UNEMPLOYMENT RATES CITY OF SACRAMENTO, COUNTY OF SACRAMENTO AND THE STATE OF CALIFORNIA

<i>Year</i>	<i>City of Sacramento</i>	<i>County of Sacramento</i>	<i>State of California</i>
2003	7.0%	5.8%	6.8%
2004	6.7	5.6	6.2
2005	5.9	4.9	5.4
2006	5.6	4.8	4.9
2007	6.4	5.4	5.4
2008	8.5	7.2	7.3
2009	13.2	11.0	11.2
2010	13.3	12.6	12.2
2011	12.8	12.1	11.7
2012	11.1	10.5	10.4
2013	9.4	8.9	8.9
2014	7.7	7.3	7.5
2015 ⁽¹⁾	6.6	6.2	6.5

⁽¹⁾ Through July 2015.

Figures above are not seasonally adjusted.

Source: State of California. Employment Development Department.

<http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce>.

Set forth below are data reflecting the County's civilian labor force, employment, and unemployment. These figures are County-wide and may not accurately reflect employment trends in the City.

**SACRAMENTO COUNTY AND SACRAMENTO-ROSEVILLE-ARDEN ARCADE
METROPOLITAN STATISTICAL AREA (MSA)
CIVILIAN LABOR FORCE, EMPLOYMENT AND
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
FOR YEARS 2010 THROUGH 2014⁽¹⁾**

LABOR FORCE (COUNTY):	<u><i>2010</i></u>	<u><i>2011</i></u>	<u><i>2012</i></u>	<u><i>2013</i></u>	<u><i>2014</i></u>
Labor force ⁽²⁾	682,500	679,800	682,700	680,900	682,200
Employment	596,400	597,500	610,900	620,400	632,200
Unemployment	86,100	82,300	71,800	60,500	50,000
Unemployment Rate	12.6%	12.1%	10.5%	8.9%	7.3%
EMPLOYMENT INDUSTRY (MSA):					
Total All Industries ⁽³⁾	833,800	831,500	851,100	875,700	899,600
Total Farm	8,100	8,200	8,600	8,900	9,200
Total Non-farm	825,700	823,300	842,400	866,800	890,400
Goods Producing	71,600	70,600	72,700	77,700	80,700
Trade, Transportation & Utilities	132,600	134,100	138,900	141,700	143,600
Information	17,200	16,300	15,600	14,800	13,700
Financial Activities	48,300	46,700	48,200	49,400	48,700
Professional & Business Services	102,200	104,400	111,100	114,600	119,100
Education & Health Services	115,100	116,900	121,300	128,400	134,900
Leisure & Hospitality	80,200	81,700	84,500	88,700	91,900
Other Services	28,100	28,000	28,600	29,000	30,400
Government ⁽⁴⁾	230,300	224,600	221,500	222,500	227,300

⁽¹⁾ Most recent data available.

⁽²⁾ Labor force data are by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽³⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽⁴⁾ Includes Federal and State & Local Government employees

Source: Labor Market Information Division of the California State Employment Development Department.
<http://www.labormarketinfo.edd.ca.gov/>.

The two tables below represent the Sacramento Region Major Private Sector Employers for the greater Sacramento area (including Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties) and the major public-sector employers. Major private employers in the Sacramento area include those in health care, electronics, telecommunications, and retail and financial services. Major public-sector employers include the State and the County. The data in the tables are from December 2014 and may not reflect subsequent changes in the work force.

**GREATER SACRAMENTO AREA
2014 MAJOR PRIVATE SECTOR EMPLOYERS**

<i>Company</i>	<i>Type of Business</i>	<i>No. of Full-Time Employees</i>
Sutter Health Sacramento Sierra Region	Health care	7,352
Dignity Health	Health care	6,212
Intel Corp.	Researches and develops computer chips and chipsets, including desktop, mobile and server processor products	6,000
Kaiser Permanente	Health care	5,421
Raley's Inc.	Retail grocery chain	3,389
Apple Inc.	Consumer Goods – Electronic Equipment	2,500
VSP Global	Vision health care insurance, eyewear, ophthalmic products and lab services sales systems for the optical industry optical medical record software	2,382
Health Net of California	Managed health care	2,299
Wells Fargo & Co.	Financial Services	2,190
GenCorp Inc.	Design, develop and manufactures solid waste rocket motors, and liquid and electric in-space propulsion systems	1,710
Delta Dental of California	Dental benefits	1,149

Source: Sacramento Business Journal Book of Lists 2014, December 2014.

**COUNTY OF SACRAMENTO
2014 MAJOR PUBLIC SECTOR EMPLOYERS**

<i>Name of Employer</i>	<i>No. of Full-Time Employees ⁽¹⁾</i>
State of California	72,220
Sacramento County	10,700
U.S. Government	9,906
UC Davis Health System	9,905
Elk Grove Unified School District	5,410
Sacramento City Unified School District	4,200
City of Sacramento	4,140
San Juan Unified School District	3,632
California State University Sacramento	2,999
Los Rios Community College District	2,976
Sacramento Municipal Utility District	2,046
Folsom Cordova Unified School District	1,958

⁽¹⁾ Does not include substitutes or seasonal employees.

Source: Sacramento Business Journal Book of Lists 2014, December 2014.

Building Permits

The following tables summarize certain information relating to building permits in the City.

CITY OF SACRAMENTO NEW BUILDING PERMITS BY TYPE

Fiscal Year	Residential- New Construction	Residential- Repairs/Additions	Commercial- New Construction	Commercial- Repairs/Additions	Other
2010	209	8,895	176	2,506	-
2011	200	8,557	81	2,633	3
2012	185	8,593	42	2,720	5
2013	335	9,204	61	2,545	1
2014	454	10,626	54	2,813	-
2015	396	10,964	86	2,558	-

Source: City of Sacramento

BUILDING PERMIT VALUATIONS

Fiscal Year	Residential- New Construction	Residential- Repairs/Additions	Commercial- New Construction	Commercial- Repairs/Additions	Other
2010	\$28,561,694	\$80,743,589	\$29,838,214	\$152,049,393	-
2011	16,347,588	79,578,999	91,752,270	170,207,766	-
2012	19,035,735	79,741,870	47,398,062	134,808,493	\$200,000
2013	40,976,535	90,309,311	71,423,995	188,301,667	-
2014	63,446,612	106,495,721	36,622,459	155,584,804	-
2015	66,574,719	116,881,176	97,214,592	263,684,459	-

Source: City of Sacramento

Commercial Activity

The following table summarizes taxable sales within the City from 2009 through 2013, the most recent year such data are available.

**CITY OF SACRAMENTO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR YEARS 2009 THROUGH 2013⁽¹⁾
(\$ in Thousands)**

<u>Type of Business</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Apparel	\$ 314,415	\$ 319,555	\$ 331,037	\$ 339,108	\$ 340,610
General Merchandise	486,181	484,713	500,631	504,732	513,841
Food	272,980	282,078	291,616	295,149	299,456
Eating & Drinking	675,035	687,669	718,749	762,531	796,733
Household Furnishings	245,042	232,782	223,797	203,543	203,675
Building Materials	222,703	249,593	304,603	258,469	303,311
Automotive	285,724	259,294	282,738	338,082	388,898
Service Stations	424,739	484,980	574,763	612,199	599,365
Other Retail	<u>444,823</u>	<u>455,716</u>	<u>475,042</u>	<u>487,314</u>	<u>506,059</u>
Retail Stores Total	<u>\$ 3,371,643</u>	<u>\$ 3,456,380</u>	<u>\$ 3,702,978</u>	<u>\$ 3,801,126</u>	<u>\$ 3,951,948</u>
All Other Outlets	<u>1,577,522</u>	<u>1,491,067</u>	<u>1,588,997</u>	<u>1,670,192</u>	<u>1,752,173</u>
TOTAL:	<u>\$ 4,949,165</u>	<u>\$ 4,947,448</u>	<u>\$ 5,291,975</u>	<u>\$ 5,471,319</u>	<u>\$ 5,704,121</u>

⁽¹⁾ Most recent full year data available.

Note: Detail may not compute to total due to rounding.

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax), 2013 Annual Report.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY

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Farm-to-Fork



Historic City Hall



24th Street Solar Canopies

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

CITY OF SACRAMENTO, CALIFORNIA

City of Sacramento

California

**Comprehensive Annual
Financial Report**

Fiscal Year Ended June 30, 2014

**Prepared by the Department of Finance,
Accounting Division**

**Leyne Milstein, Director of Finance
Dennis Kauffman, Finance Operations Manager
Russ Robertson, Accounting Manager**

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

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CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

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CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

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CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

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Introductory Section

John F. Shirey
City Manager

City Hall
915 I Street, Fifth Floor
Sacramento, CA 95814-2604
916-808-5704

December 19, 2014

Honorable Mayor, Members of the City Council

and Citizens of the City of Sacramento, California:

We are pleased to transmit the Comprehensive Annual Financial Report (CAFR) of the City of Sacramento (City) for the fiscal year ended June 30, 2014. Article IX of the City Charter, as well as federal and state law, requires that the City issue an annual report on its financial position and activity, and that the report be audited by an independent firm of certified public accountants. Vavrinek, Trine, Day & Co., LLP, a statewide certified public accounting firm, performed the audit for the fiscal year ended June 30, 2014. Their unmodified (“clean”) opinion has been included as the first component of the financial section of the CAFR.

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 been 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.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY

The City of Sacramento, capital of the State of California, was established in 1849. The sixth largest city in California based on population, Sacramento also serves as the seat of Sacramento County government. The State of California Department of Finance estimates the population on January 1, 2014 at 475,122 for the City and 1,454,406 for the County of Sacramento. Encompassing 99 square miles, Sacramento is located in the northern section of California’s Central Valley at the confluence of the Sacramento and American rivers.

Sacramento is a charter city operating under a Council-Manager form of government. The City provides a full range of municipal services including police, fire, emergency medical response, water, wastewater, storm drainage, solid waste, construction and maintenance of streets and parks, community development, recreational and cultural activities, economic development, and administrative services.

REPORTING ENTITY

This CAFR presents the financial status of the City and its four component units:

Sacramento City Financing Authority (SCFA)
Sacramento City Employees' Retirement System (SCERS)
Successor Agency to the Redevelopment Agency of the City of Sacramento (RASA)
Sacramento Regional Arts Facilities Financing Authority (SRAFFA)

Component units are separate legal entities included in this report due to significant operational or financial relationships with the City.

SCFA is an entity created to issue debt to finance City projects. SCFA is reported on a blended basis as part of the primary government because its board is composed of all of the City Council members.

SCERS, a single employer pension plan for certain City employees and retirees, is reported as a fiduciary-type component unit. The SCERS pension plan was closed to new enrollment of employees in 1978.

RASA was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Sacramento. RASA is reported as a fiduciary-type component unit.

SRAFFA was created for the purpose of financing the expansion of the H Street Theater complex and is a discretely presented component unit. Discretely presented component units are legally separate and do not function as an integral part of the primary government. As such, SRAFFA is reported in a separate column in the government-wide financial statements to differentiate its financial position and operational results from those of the City.

BUDGET INFORMATION

The City Charter requires that the City Manager submit a proposed budget to the City Council at least 60 days prior to the start of each fiscal year. Once approved by City Council, the annual budget serves as the foundation for the City's financial planning, control and reporting. Budgetary control is maintained at the department level by fund. Budgetary control for multi-year projects is maintained at the individual project level by fund. Additional budgetary information can be found in Note 1 to the financial statements and on the City of Sacramento's website.

LOCAL ECONOMY

The regional economy and employment base continues its long-term transition from a state government concentration to a diverse economic base including health care providers, high-tech manufacturers, software development companies, biotechnology and medical research laboratories, food processors, and medical equipment manufacturers. The region is also a transportation hub served by air cargo airports, an international airport, a deep water shipping port, two major interstate freeways, freight and passenger rail lines, and an extensive regional

commuter bus and light-rail system. These key industries interface with Sacramento's service, hospitality and government employers.

Like most cities in the country, Sacramento continued its modest economic recovery in 2014. As of June 2014, unemployment for the Sacramento metropolitan area and Sacramento County was 6.9% and 7.1%, respectively, compared to 8.4% and 8.7%, respectively, as of June 30, 2013. According to the latest University of California, Los Angeles Economic Forecast, recovery in California is expected to continue in 2015.

While there is an expectation of continued economic recovery and growth, recent economic data indicate that economic growth in the Sacramento region will be slow, and will continue to generally lag behind national trends and other areas of California. It is encouraging that the latest edition of the Brookings Institution Metro Monitor (September 2014) showed growth in employment in the first two quarters of 2014 along with higher housing values.

BUDGET INITIATIVES AND LONG-TERM FINANCIAL PLANNING

Current trends show that the City is continuing its recovery from the worst recession in recent history. As a result, the fiscal 2014/15 budget was the first budget since 2008 that did not require reductions in services, programs or employees. Measure U, a voter approved 1/2 cent sales and use tax, continues to provide resources to protect and restore vital City programs and services. However, given the temporary nature of these resources, it remains critical that we continue to reevaluate not only how we deliver services and meet citizen needs, but also which programs and services the City can afford to deliver if expenditure growth continues to outpace that of revenue. The City's management team continues to look for ways to build a stronger, more sustainable fiscal framework and to provide the leadership and discipline needed to ensure that we are implementing long-term solutions to address the City's financial challenges.

RELEVANT FINANCIAL POLICIES

The City maintains a General Fund Economic Uncertainty Reserve (EUR) for the purpose of bridging a gap between projected revenue and expenditures during periods of significant revenue declines and/or expenditure growth and to ensure the City has adequate resources in case of an emergency or unforeseen events. The City Council's stated goal is to gradually achieve a reserve balance equal to 10% of annual General Fund revenue. The Council also directed that unbudgeted one-time general revenue received in a fiscal year, not required to balance the budget as part of the midyear review or year-end close for that fiscal year, be added to the EUR. The City Council added \$1.0 million to the EUR in the midyear budget review in February 2014, and \$4.9 million of unbudgeted one-time general revenue was added to the EUR during the fiscal year 2013/14 year-end close, to bring the balance in the EUR to \$33.7 million, approximately 8.7% of estimated FY2014/15 General Fund revenues. Additional resources to fund this reserve will be identified on an ongoing basis and can include positive year-end results or other one-time resources. The EUR is reported in the CAFR as committed fund balance in the General Fund.

AWARDS AND ACKNOWLEDGEMENTS

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 for its CAFR for the fiscal year ended June 30, 2013. This marks the 25th consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive this award, the City published an easily readable and efficiently organized CAFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. We believe this CAFR also meets the requirements of the program and we will be submitting it to the GFOA to determine its eligibility for the certificate.

The Department of Finance, in particular the Accounting Division, takes great pride in the preparation of the CAFR. The professionalism, commitment and effort of each employee of the Accounting Division have made this report possible. We also want to thank the other employees of the Department of Finance as well as those in other City departments who contributed to the preparation of this report. Finally, we thank the Mayor and City Council for their continuing interest and support in planning and conducting the City's financial operations in a responsible manner, consistent with the City's mission to protect, preserve and enhance the quality of life for present and future generations.

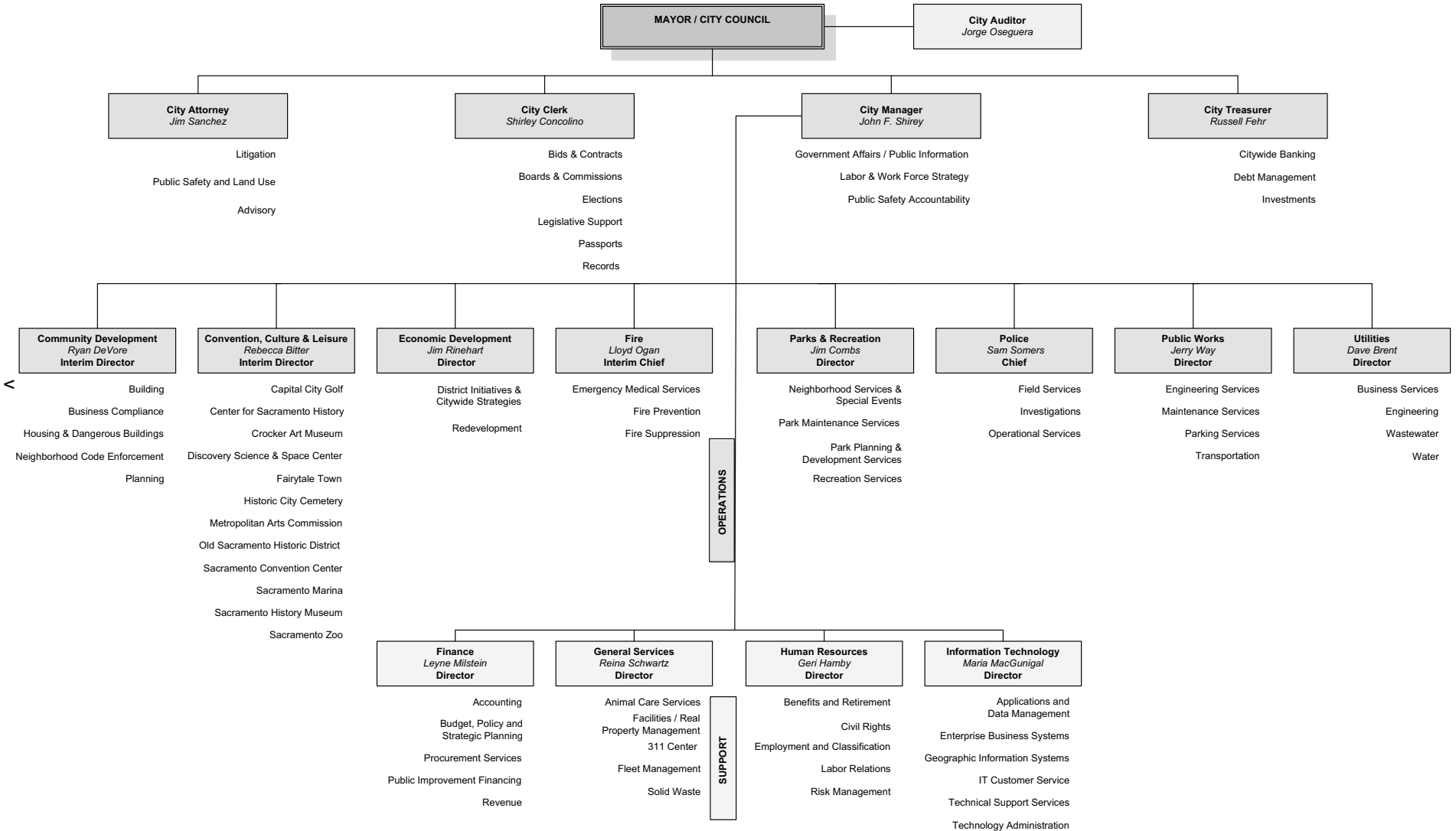
Respectfully submitted,


John F. Shirey
City Manager


Leyne Milstein
Director of Finance


Russell Robertson
Accounting Manager

City of Sacramento Organization Chart As of June 30, 2014



City of Sacramento

Directory of City Officials

June 30, 2014

Kevin Johnson
Mayor

Angelique Ashby
Mayor Pro Tem, District 1

Jay Schenirer
Vice Mayor, District 5

Allen Warren
Councilmember, District 2

Kevin McCarty
Councilmember, District 6

Steve Cohn
Councilmember, District 3

Darrell Fong
Councilmember, District 7

Steve Hansen
Councilmember, District 4

Bonnie J. Pannell
Councilmember, District 8

John F. Shirey
City Manager

James Sanchez
City Attorney

Shirley Concolino
City Clerk

Russell Fehr
City Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Sacramento
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

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Financial Section



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Sacramento
Sacramento, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Measure U Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 1 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, as of July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 19, 2014

City of Sacramento
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014. City management recommends this information be read in conjunction with the transmittal letter located in the introductory section, and with the City's financial statements which follow this discussion.

FINANCIAL HIGHLIGHTS

- The City completed a seismic retrofit of the historic Train Depot in the Downtown Railyards and is in final design stages of a \$30 million project to rehabilitate the depot. The City will use \$15 million of federal funds along with \$15 million of local transportation funds to rehabilitate the depot. The construction of 5th Street and Railyards Boulevard began this year and will be completed by December 2014. The construction of 6th Street in the Downtown Railyards that began in 2013 was completed this year.
- The construction of the Cosumnes River Boulevard Extension and Interstate 5 Interchange project continued throughout fiscal year 2014. The project will provide arterial east-west connectivity between Highway 99, Interstate 5 and Freeport Boulevard by extending Cosumnes River Boulevard west from Franklin Boulevard for 3.2 miles to the Sacramento River. The project will include four to six traffic lanes, on-street bike lanes, and access to two future Regional Transit light rail stations for Cosumnes River College. The estimated cost of \$96 million is funded through a public-private partnership including use of Measure A transportation sales tax revenue, federal, and state funding, as well as funds from the private developer for the Delta Shores development. Upon completion, this project will provide access for the 800 acre Delta Shores development. At build-out, the Delta Shores development will support 5,000 homes and 1.3 million square feet of retail space.
- On July 16, 2013, the City broke ground on a \$170 million rehabilitation project to replace parts and restore existing capacity at the City's original water treatment plant on the Sacramento River, built in 1923. The project will also renovate the E.A. Fairbairn water treatment plant. This three-year construction project, funded with water revenue bonds issued in 2013, will create 455 jobs and ensure a continued, secure water supply for Sacramento residents and businesses.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$18.9 million in fiscal year 2014. This result is primarily attributable to growth in property tax and real property transfer tax revenue, expenditure savings from vacant positions, capital lease proceeds, and one-time catch-up payments of \$2.5 million from the County under an auto sales tax sharing agreement and \$2.3 million of Ground Emergency Medical Transport reimbursement.
- The City's total government-wide net position, excluding the discretely presented component unit, increased \$89 million in 2014, an increase of 3.6 percent from 2013. The net position of governmental activities increased \$37 million, or 2.4 percent, and the net position of business-type activities increased \$52 million, or 5.8 percent.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report consists of four main components: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) combining non-major fund financial statements. The basic financial statements include two kinds of statements that present different views of the City, the government-wide and the fund financial statements.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The basic financial statements also include notes that provide additional information essential to understanding the data contained in the government-wide and fund financial statements. The statements and notes are followed by the Schedules of Funding Progress for the City's pension and other post-employment benefit plans, which are required supplementary information. In addition to these required elements, we have included combining statements and schedules that provide details about the City's other governmental funds, the Water enterprise fund, the Wastewater enterprise fund, other enterprise funds, internal service funds, investment trust funds, agency funds, and the discretely-presented component unit, each of which is presented in a column in the basic financial statements.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities, as well as any deferred outflows or inflows of resources. The statement of activities includes all current year revenues and expenses regardless of when cash is received or paid. These government-wide statements report the City's net position and how the City's net position has changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* - Most of the City's basic services are included here, such as police, fire, public works, community development, parks and recreation, and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Certain services provided by the City are funded by customer fees. Among these are the City's utility services, convention center, and off-street parking facilities.
- *Component unit* - The City includes the Sacramento Regional Arts Facilities Financing Authority in its basic financial statements because, although legally separate, the City is financially accountable for it.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole.

The City has three types of fund financial statements:

- *Governmental funds* - Governmental fund statements tell how general government services such as police, fire and public works were financed in the short-term as well as what remains for future spending. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow the governmental fund statements.
- *Proprietary funds* - Services for which customer fees are intended to finance the costs of operations are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide short-term and long-term financial information about the activities the City operates like businesses, such as utility services.
- *Fiduciary funds* - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The City is the trustee, or *fiduciary*, for a closed pension plan. It is also responsible for other assets, reported in an investment trust fund, which because of trust agreements, can be used only for the trust beneficiaries. The City elected to serve as the successor agency for its former redevelopment agency which was dissolved by state law. The successor agency activity is accounted for in a private purpose trust fund.

The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these resources to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

City of Sacramento
Summary of Net Position
As of June 30, 2014 and 2013
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 647	\$ 621	\$ 528	\$ 552	\$ 1,175	\$ 1,173	0.2%
Capital assets	1,747	1,737	1,064	1,014	2,811	2,751	2.2%
Total assets	2,394	2,358	1,592	1,566	3,986	3,924	1.6%
Deferred outflows of resources	15	17	13	14	28	31	-9.7%
Long-term liabilities	728	729	614	651	1,342	1,380	-2.8%
Other liabilities	62	63	45	35	107	98	9.2%
Total Liabilities	790	792	659	686	1,449	1,478	-2.0%
Deferred inflows of resources	8	9	-	-	8	9	-11.1%
Net position							
Net investment in							
capital assets	1,394	1,370	734	719	2,128	2,089	1.9%
Restricted	187	202	34	34	221	236	-6.4%
Unrestricted	30	2	178	141	208	143	45.5%
Total net position	\$ 1,611	\$ 1,574	\$ 946	\$ 894	\$ 2,557	\$ 2,468	3.6%

Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19 to the financial statements.

Analysis of net position

Total net position of the primary government increased \$89 million this year. Total assets increased \$62 million and total liabilities decreased \$29 million. Deferred outflows of resources decreased \$3 million, and deferred inflows of resources decreased \$1 million.

The following analysis of governmental and business-type activities provides more detailed information for these changes.

Governmental activities

Current and other assets increased \$26 million primarily due to unspent Measure U sales tax collections.

Capital assets increased \$10 million resulting from \$101 million in capital assets additions, including the Consumnes River Boulevard Extension and Interstate 5 Interchange, offset by \$91 million in current year depreciation.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

The decrease in deferred outflows of resources of \$2 million is due to the change in the fair value of the City's hedging derivative instrument. For more information about the City's hedging derivative instrument, see Note 7 to the financial statements.

The change in governmental long-term liabilities combines increases in capital leases of \$6 million, increases to the unfunded other post-employment benefits (OPEB) of \$34 million and increases to accrued claims and judgments of \$16 million offset by payments on existing debt and other amortizations of long term liabilities of \$58 million. More information about the City's long-term liabilities is located in Note 7 to the financial statements.

Deferred inflows of resources decreased \$1 with the recognition of revenue under the City's golf service concession arrangement.

Restricted net position, representing amounts that must be used in accordance with external restrictions, decreased a total of \$15 million. A bond call of \$4.2 million and debt service payments of \$2.5 million decreased restricted net position in the North Natomas development impact fee program in the Financing Plans Fund. The forgiveness of a \$2.5 million debt from the Crocker Art Museum Association also contributed to the decrease in restricted net position. Park improvements funded by the park development impact fee program in the Financing Plans Fund decreased net position by \$2.3 million.

Business-type activities

Current and other assets of business-type activities decreased \$24 million over last year. Water and wastewater capital spending contributed \$44 million and \$11 million, respectively, to a decrease in restricted cash. Unrestricted cash increased approximately \$30 million because of rate increases in the Water fund and the Wastewater fund.

Capital assets increased \$50 million due to capital asset additions of \$89 million, which includes construction for the water treatment plants rehabilitation and the Oak Park regional storage facility, offset by current year depreciation of \$39 million. More detailed capital asset information is located in Note 4 to the financial statements.

Long-term liabilities decreased \$37 million due to the retirement of \$43 million of existing debt, offset by a \$6 million increase in other long-term liabilities. More detailed information about long-term liabilities can be found in Note 7 to the financial statements.

Net investments in capital assets increased \$15 million due to capital asset additions and retirement of capital-related debt, partially offset by depreciation expense.

Unrestricted net position increased by \$37 million during the year because of the user fee rate increases in the Water and Wastewater funds. Unrestricted net position in the Solid Waste fund increased significantly because of an \$18.5 million decrease in the estimated liability to close City landfills, which was reported as a special item.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

City of Sacramento							
Changes in Net Position							
For the Fiscal Years Ended June 30, 2014 and 2013							
(in thousands)							
	Governmental		Business-type		Total Primary		Total
	Activities		Activities		Government		
	2014	2013	2014	2013	2014	2013	Percent
							Change
Revenues							
Program revenues:							
Charges for services	\$ 124,397	\$ 115,963	\$ 251,478	\$ 241,244	\$ 375,875	\$ 357,207	5.2%
Operating grants & contributions	47,430	81,822	1,963	1,095	49,393	82,917	-40.4%
Capital grants & contributions	89,539	69,323	4,403	7,480	93,942	76,803	22.3%
General revenues:							
Property taxes	122,477	114,451	-	-	122,477	114,451	7.0%
Local sales taxes	40,259	9,323	-	-	40,259	9,323	0.0%
Utility users tax	59,613	59,066	-	-	59,613	59,066	0.9%
Other taxes	21,325	18,620	17,943	16,555	39,268	35,175	11.6%
Unrestricted:							
Sales taxes shared state revenue	56,575	52,300	-	-	56,575	52,300	8.2%
State of California in-lieu sales tax	16,823	16,113	-	-	16,823	16,113	4.4%
Investment earnings	10,136	10,101	3,294	1,299	13,430	11,400	17.8%
Miscellaneous	8,853	9,749	3	-	8,856	9,749	-9.2%
Gain on disposition of capital assets	4,567	-	-	-	4,567	-	0.0%
Total revenues	601,994	556,831	279,084	267,673	881,078	824,504	6.9%
Expenses							
General government	41,190	36,681	-	-	41,190	36,681	12.3%
Police	157,248	157,432	-	-	157,248	157,432	-0.1%
Fire	125,461	117,451	-	-	125,461	117,451	6.8%
General services	13,807	15,343	-	-	13,807	15,343	-10.0%
Public works	103,632	126,636	-	-	103,632	126,636	-18.2%
Economic development	17,080	10,468	-	-	17,080	10,468	63.2%
Convention, culture & leisure	17,916	19,537	-	-	17,916	19,537	-8.3%
Parks & recreation	52,336	48,457	-	-	52,336	48,457	8.0%
Community development	26,484	29,253	-	-	26,484	29,253	-9.5%
Library	13,720	13,753	-	-	13,720	13,753	-0.2%
Interest on long-term debt	22,178	22,420	-	-	22,178	22,420	-1.1%
Water	-	-	66,627	68,643	66,627	68,643	-2.9%
Wastewater	-	-	25,673	22,776	25,673	22,776	12.7%
Storm drainage	-	-	36,664	36,755	36,664	36,755	-0.2%
Solid waste	-	-	49,014	49,794	49,014	49,794	-1.6%
Community center	-	-	17,204	17,251	17,204	17,251	-0.3%
Parking	-	-	15,238	15,358	15,238	15,358	-0.8%
Child development	-	-	6,297	6,116	6,297	6,116	3.0%
Total expenses	591,052	597,431	216,717	216,693	807,769	814,124	-0.8%
Revenue over (under) expenses	10,942	(40,600)	62,367	50,980	73,309	10,380	606.3%
Contributions to permanent funds	1	1	-	-	1	1	0.0%
Special items	(2,500)	26,208	18,527	-	16,027	26,208	-
Transfers	28,571	19,002	(28,571)	(19,002)	-	-	-
Change in net position	37,014	4,611	52,323	31,978	89,337	36,589	144.2%
Net position, beginning of year, restated	1,573,602	1,568,991	893,941	861,963	2,467,543	2,430,954	1.5%
Net position, end of year	\$ 1,610,616	\$ 1,573,602	\$ 946,264	\$ 893,941	\$ 2,556,880	\$ 2,467,543	3.6%

Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Analysis of the changes in net position

Total government-wide revenues of the primary government increased \$56.6 million, a 6.9 percent increase from the prior year, and total expenses decreased \$6.4 million, a 0.8 percent decrease. These changes are discussed in more detail below.

Governmental activities

Total revenues for governmental activities increased \$45.2 million from the prior year, an 8.1 percent increase. Total expenses decreased \$6.4 million, a 1.1 percent decrease, and net transfers from business-type activities increased \$9.6 million, a 50.4 percent increase from the prior year. Transfers in primarily consist of in lieu taxes paid by the business-type activities to the General Fund. Transfers out primarily consist of capital assets transferred from governmental activities to business-type activities. Net transfers were higher in 2014 primarily because fewer capital assets were transferred out of governmental activities.

Revenue

Capital grants and contributions revenue increased \$20.2 million from the prior year largely due to increased activity related to the Consumnes Boulevard Extension and Interstate 5 Interchange and the 5th Street Downtown Railyards projects. Operating grants and contributions decreased \$34.4 million compared to the prior year primarily due to decreased Township 9 project activity.

Property tax revenue in 2014 increased \$8 million compared to 2013 due to recovering Sacramento area commercial and residential real estate assessed valuations. Measure U local sales tax revenue increased \$30.9 million because there was a full year of local tax revenue in 2014 and increased sales activity. Other tax revenues, including utility users tax, state shared sales taxes, and in lieu sales taxes, increased \$8.2 million in 2014.

Expenses

As indicated above, total governmental expenses declined by \$6.4 million. This decrease is due to fluctuations primarily in public works (down \$23 million), convention culture & leisure (down \$1.6 million), general services (down \$1.5 million), and community development (down \$2.8 million), offset by increases in general government (up \$4.5 million), fire (up \$8 million), economic development (up \$6.6 million), and parks and recreation (up \$3.9 million).

Completion of operating projects for track relocation in the Downtown Railyards in 2013 was the biggest factor for the decline in public works expenses. Fire expenses increased \$8 million primarily due to increases in labor cost resulting from the hiring of 52 additional full-time employees, attributable to Measure U. Economic development expenses increased \$6.6 million due to contributions to the California Family Fitness project, and payment to the State of California for the Macy's land and building eminent domain proceedings which was reimbursed by a developer.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Business-type activities

Total revenues for business-type activities increased \$11.4 million from the prior year, a 4.3 percent increase. Total expenses did not change significantly compared to the previous year. Net transfers to governmental activities increased \$9.6 million as a result of fewer capital asset transfers into business-type activities.

Revenue

Charges for services increased \$10.2 million as a result of water and wastewater rate increases in the current year of 10 percent and 15 percent, respectively.

Capital grants and contribution revenue decreased by \$3.1 million mostly due to a decrease in storm drainage infrastructure dedications by developers.

Expenses

In 2013, the Water fund incurred a one-time \$2 million cost of issuance expense for the 2013 Water Revenue Bonds. This is the reason for the decrease in Water fund expenses in 2014.

Wastewater fund expenses increased \$2.9 million due to various operating projects, including \$1 million in root control projects.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements focus on individual parts of City government, reporting City operations in more detail than the government-wide statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Total fund balance for governmental funds increased by \$45.5 million in 2014. For the fiscal year ended June 30, 2014, compared to the prior year, total revenues for governmental funds increased by \$38.8 million, total expenditures increased \$17.1 million, and net other financing sources increased \$9.5 million. Reasons for these changes are discussed in more detail below.

General Fund

Total General Fund revenues increased \$17.6 million in the current year mostly due to increases in tax revenues of \$16.4 million, charges for services revenues of \$4.3 million, fines, forfeits and penalties \$1.4 million and interest \$0.5 million combined with decreases in intergovernmental revenue of \$1.8 million and miscellaneous revenue of \$3.2 million. Tax revenue increases were mainly due to increases in property tax of \$9 million, sales and use tax of \$4.3 million, business operations tax of \$1 million, real property transfer tax of \$1.4 million and other taxes \$0.7 million.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

The increase in charges for services was primarily attributable to police contracted services and plan check fees.

Total General Fund expenditures increased by \$13.6 million this year. There were expenditure increases in the Fire Department and capital outlay of \$1.4 million and \$3.9 million, respectively. The increase in fire expenditures was primarily attributable to labor costs. The \$3.9 million increase in capital outlay was due to spending in a variety of projects and programs, the largest of which included \$2.9 million in parking meters and license plate recognition equipment upgrades and \$1 million for the Hart Senior Center roof and HVAC renewal.

General Fund net other financing sources and uses increased \$4.7 million from the prior year, mainly due to the increase in debt proceeds of \$3.2 million in long term debt related to the parking meters and a \$1.5 million increase in net interfund transfers.

General Fund Budgetary Highlights - The City Council revised the budget throughout the fiscal year with midyear revenue and appropriation adjustments, changes made to appropriations for the use of committed fund balance, and other revenue and appropriation adjustments after the original budget was adopted.

After taking into account these adjustments, actual expenditures were \$39 million lower than final budget amounts. Capital outlay expenditures were less than budgeted amounts by \$24 million because of the multi-year nature of most capital projects. Unspent multi-year project budgets, as well as other unspent Council-approved program budgets, are carried over to the subsequent fiscal year. All General Fund departments reported favorable operating expenditure budget variances primarily as a result of salary savings from vacant positions.

General Fund revenues were \$15.4 million higher than final budgeted amounts. Property tax and real property transfer tax collections exceeded the budgeted amounts by \$6.5 million and \$2.6 million respectively. Charges for services revenue exceeded budgeted amounts by \$4.2 million. Intergovernmental revenues came in under budget by \$2 million. Included within General Fund revenue were one-time unbudgeted catch-up payments of \$2.5 million from the County under an auto sales tax sharing agreement and \$2.13 million of Ground Emergency Medical Transport reimbursement.

Measure U Fund

Measure U Fund revenue and expenditures were higher in 2014 compared to 2013 by \$38.4 million and \$16.7 million, respectively, because 2014 was the first full year of the voter-approved local sales tax. Measure U resources were used to restore police, fire, and parks and recreation services.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Capital Grants Fund

Capital Grant Fund revenue and expenditures decreased \$11.8 million and \$4.2 million, respectively.

The decrease in revenue was mainly due to changes in the following projects:

- 5TH Street and Railyards Boulevard project - \$12 million increase,
- Consumnes River Boulevard Extension and Interstate 5 Interchange project - \$10 million increase,
- 6th Street Overcrossing Roadway project - \$8.7 million increase,
- Township 9 project - \$22 million decrease,
- Track Relocation project -\$15.4 million decrease, and
- Access Improvement at Richards Boulevard and I-5 project - \$4 million decrease.

The decrease in expenditures was mainly due to changes in the following projects:

- Township 9 project - \$22 million decrease,
- Track Relocation Construction project – \$15 million decrease,
- Cosumnes River Boulevard Extension and Interstate 5 Interchange project - \$19 million increase, and
- 5th Street and Railyards Boulevard project – \$12 million increase.

1997 Lease Revenue Bond Fund

The lease receivable and associated revenue, from the Sacramento Kings ownership group, for debt service on the bonds, decreased in accordance with the bond payment schedule, as described in Note 7 to the financial statements.

Other Governmental Funds

Total other governmental fund revenues decreased \$5.5 million due largely to the following fluctuations:

- A \$16 million decline due to fewer expenditures in various police grants.
- A \$2.9 million decline in developer impact fees in North Natomas and other finance plan development areas.
- The above decreases were offset by a \$9.1 million increase in transportation and development project activity in the Downtown Railyards, the Consumnes River Boulevard Extension and Interstate 5 Interchange project, and a \$3 million increase in gas tax revenue.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Total other governmental fund expenditures decreased \$9.1 million due largely to the following fluctuations:

- A \$9.6 million reduction in capital outlay mostly due to a decline in spending for construction and infrastructure improvements in special districts, financing plan funds, and general government capital projects.
- An \$8.3 million reduction in police grants due to the closing of several police operating grants.
- These decreases were partially offset by an increase of \$5.5 million in current year debt service due to a \$4.1 million bond call of outstanding 2003 CIRBS.

Total other governmental funds other financing sources increased \$4.7 million primarily due to the proceeds from the sale of 9.15 acres of land on Fulton Avenue adjacent to the Haggin Oaks golf complex.

Enterprise Funds

The City's enterprise fund financial statements provide the same type of information as the government-wide financial statements but in greater detail. Total operating revenues increased \$9.1 million, and operating expenses increased \$3.5 million. Net non-operating revenues increased \$7.2 million and capital contributions decreased \$10.8 million. Reasons for these changes are discussed in more detail below.

Water Fund

Water Fund operating revenue increased \$5.6 million compared to the prior year because of a 10 percent rate increase. Operating expenses in the current year did not change significantly compared to the previous year.

Wastewater Fund

Wastewater Fund operating revenue increased \$3.4 million compared to the prior year because of a 15 percent rate increase. Operating expenses increased \$3.4 million due to various operating projects, including \$1 million in root control projects.

Storm Drainage Fund

Storm Drainage Fund operating revenue increased \$2.4 million compared to the prior year mainly due to the increase in utility service charges. This increase was because there was an audit of vacant parcels which resulted in new parcels being billed starting in fiscal year 2014. The increase in operating revenue was also due to an increase in revenue received from Sacramento Area Flood Control Agency for levee maintenance. Operating expenses in the current year did not change significantly compared to the previous year.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Solid Waste Fund

Solid Waste Fund operating revenue decreased by \$1.7 million compared to the prior year primarily due to some customers that switched to smaller refuse containers. Total operating expenses decreased \$0.6 million. Solid Waste recognized \$18.5 million as a special item in 2014 for a change in the estimated liability for landfill closure.

Community Center Fund

Community Center Fund operating revenue and expenses did not change significantly from the prior year. Transient occupancy tax revenue increased \$1.4 million due to a continuing upward trend in Sacramento area hotel room occupancy and room rates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had invested \$2.8 billion in a broad range of capital assets, including police and fire equipment, buildings, parks and park improvements, roads, bridges, and water, wastewater and storm drainage transmission and distribution systems. The current year capital asset additions of \$190 million were offset by current year depreciation expense of \$129 million and retirements of \$1 million for a net increase in capital assets of \$60 million.

City of Sacramento						
Capital Assets						
As of June 30, 2014 and 2013 (net of depreciation, in millions)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets not being depreciated						
Land	\$ 192	\$ 190	\$ 51	\$ 51	\$ 243	\$ 241
Easements	1	1	-	-	1	1
Construction in progress	143	96	95	36	238	132
Depreciable capital assets:						
Buildings and improvements	430	427	134	140	564	567
Equipment	28	32	25	26	53	58
Software	4	4	1	1	5	5
Vehicles	53	53	-	-	53	53
Transmission and distribution systems	3	3	758	760	761	763
Road network	634	675	-	-	634	675
Street light network	131	132	-	-	131	132
Park and park improvements	128	124	-	-	128	124
Total capital assets	\$ 1,747	\$ 1,737	\$ 1,064	\$ 1,014	\$ 2,811	\$ 2,751

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

This year's major capital asset additions include:

- The City incurred construction costs of \$29.6 million on the Cosumnes River Boulevard Extension and Interstate 5 Interchange Project.
- The City incurred construction costs of \$43.2 million for the Sacramento River & E.A. Fairbairn Water Treatment Plants Rehabilitation.
- The City also began construction of the Oak Park Regional Storage Facility Project, spending \$8.8 million on the project.
- Other capital projects in progress include Downtown Railyards and Township 9 infrastructure projects, as well as the Intermodal Depot Retrofit and 6th Street Overcrossing Roadway projects at the Downtown Railyards. Many smaller capital projects were completed during the year 2014 and transferred from construction in progress to the appropriate capital asset categories.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

The following table summarizes the City's outstanding debt at June 30, 2014 and 2013:

City of Sacramento
Outstanding Debt
As of June 30, 2014 and 2013
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenue and other bonds, net	\$ 419	\$ 443	\$ 540	\$ 556	\$ 959	\$ 999
Notes payable	16	16	33	37	49	53
Capital lease obligations	14	10	6	8	20	18
Total outstanding debt	\$ 449	\$ 469	\$ 579	\$ 601	\$ 1,028	\$ 1,070

Total primary government debt outstanding decreased \$42 million.

Total outstanding long-term debt for governmental activities decreased \$20 million primarily due to principal payments on new and existing obligations offset slightly by a new \$6 million capital lease.

Total outstanding long-term debt for business-type activities decreased \$22 million primarily due to principal payments on existing long term debt.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Credit rating

The following table summarizes the City's bonded debt ratings at June 30, 2014, as determined by Standard & Poor's (S & P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch):

Bond issues:	<u>S & P</u>	<u>Moody's</u>
• 1993 Refunded Lease Revenue Bonds, Series A	A	A2
• 1993 Refunded Lease Revenue Bonds, Series B	A	A2
• 1996 Lighting and Landscaping Bonds	AA-	A3
• 1997 Lease Revenue Bonds	AA-	A3
• 2003 Capital Improvement Revenue Bonds	A	A2
• 2005 Refunding Revenue Bonds	AA-	A3
• 2006 Capital Improvement Revenue Bonds, Series A and B	A	A2
• 2006 Capital Improvement Revenue Bonds, Series C, D and E	A	A2

Bond issues:	<u>S & P</u>	<u>Fitch</u>
• Water Revenue Bonds, Series 2013	AA-	AA-
• Wastewater Revenue Bonds, Series 2013	AA-	AA

The City's issuer credit ratings of A+ with a stable outlook from S & P, and Aa2 with a stable outlook from Moody's, remains unchanged from 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

Sacramento's economy continues to improve. Unemployment in the Sacramento metropolitan area has fallen from 8.4 percent at the end of fiscal year 2013 to 6.9 percent at the end of fiscal year 2014. The housing market has continued to improve during the fiscal year 2014. Although revenues are increasing, commitments for labor contracts, increasing retirement contributions and rising costs for utilities continue to add costs to the City's General Fund budget.

Next Year's Budget

General Fund budget appropriations for fiscal year 2015 are \$383 million, an increase of 2.7 percent compared to the fiscal year 2014 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget increases the economic uncertainty reserve by \$400,000 and appropriates \$1,000,000 for a contribution to the City's OPEB trust fund.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sacramento Department of Finance, Accounting Division, 915 I Street, Fourth Floor, Sacramento, CA, 95814, or visit the City's web page at <http://www.cityofsacramento.org>.

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Government-wide Financial Statements

City of Sacramento

Statement of Net Position

June 30, 2014

(in thousands)

	Primary Government			Sacramento Regional Arts Facilities Financing Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 410,600	\$ 195,569	\$ 606,169	\$ -
Securities lending assets	989	935	1,924	-
Receivables, net	198,129	65,924	264,053	11,940
Internal balances	6,440	(6,440)	-	-
Inventories	-	3,607	3,607	-
Prepaid items	1,153	838	1,991	106
Restricted cash and investments	29,561	268,287	297,848	1,125
Intangible assets	-	175	175	-
Land and other capital assets not being depreciated	335,723	145,711	481,434	-
Other capital assets, net of depreciation	1,411,560	917,950	2,329,510	-
Total assets	2,394,155	1,592,556	3,986,711	13,171
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivative instrument	8,217	-	8,217	-
Loss on refunding of debt	6,740	12,825	19,565	-
Total deferred outflows	14,957	12,825	27,782	-
LIABILITIES				
Securities lending obligations	2,962	1,589	4,551	-
Payables	56,465	38,806	95,271	155
Unearned revenue	3,380	4,826	8,206	-
Long-term liabilities:				
Due within one year	44,144	27,758	71,902	435
Due in more than one year	683,569	586,138	1,269,707	12,381
Total liabilities	790,520	659,117	1,449,637	12,971
DEFERRED INFLOWS OF RESOURCES				
Service concession arrangement	7,976	-	7,976	-
NET POSITION				
Net investment in capital assets	1,393,447	733,980	2,127,427	-
Restricted for:				
Capital projects	116,271	33,255	149,526	-
Debt service	652	-	652	200
Public works programs	16,462	-	16,462	-
Economic development programs	22,493	-	22,493	-
Other programs	22,315	1,215	23,530	-
Trust and endowments:				
Expendable	7,928	-	7,928	-
Nonexpendable	878	-	878	-
Unrestricted	30,170	177,814	207,984	-
Total net position	\$ 1,610,616	\$ 946,264	\$ 2,556,880	\$ 200

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Statement of Activities

For the Fiscal Year Ended June 30, 2014

(in thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:						
Governmental activities:						
General government	\$ 49,142	\$ (7,952)	\$ 7,270	\$ 2,510	\$ 155	\$ (31,255)
Police	157,248	-	10,804	9,803	-	(136,641)
Fire	125,461	-	26,155	3,867	-	(95,439)
General services	15,641	(1,834)	1,756	60	-	(11,991)
Public works	103,632	-	30,337	13,341	82,228	22,274
Economic development	17,080	-	8,205	113	-	(8,762)
Convention, culture and leisure	17,916	-	9,311	5,906	-	(2,699)
Parks and recreation	52,336	-	13,359	6,829	4,291	(27,857)
Community development	26,484	-	17,141	161	2,865	(6,317)
Library	13,720	-	59	4,840	-	(8,821)
Interest on long-term debt	22,178	-	-	-	-	(22,178)
Total governmental activities	600,838	(9,786)	124,397	47,430	89,539	(329,686)
Business-type activities:						
Water	63,452	3,175	94,382	472	1,682	29,909
Wastewater	24,843	830	28,493	4	1,230	4,054
Storm drainage	35,021	1,643	38,049	20	1,491	2,896
Solid waste	46,869	2,145	58,561	969	-	10,516
Community center	16,045	1,159	7,718	-	-	(9,486)
Parking	14,404	834	18,643	2	-	3,407
Child development	6,297	-	5,632	496	-	(169)
Total business-type activities	206,931	9,786	251,478	1,963	4,403	41,127
Total primary government	\$ 807,769	\$ -	\$ 375,875	\$ 49,393	\$ 93,942	\$ (288,559)
Component unit:						
Sacramento Regional Arts Facilities Financing Authority	\$ 633	\$ -	\$ -	\$ -	\$ -	\$ (633)

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Statement of Activities

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Primary Government			Sacramento Regional Arts Facilities Financing Authority
	Governmental Activities	Business-type Activities	Total	
Change in net position:				
Net (expense) revenue	\$ (329,686)	\$ 41,127	\$ (288,559)	\$ (633)
General revenues:				
Taxes:				
Property taxes	122,477	-	122,477	-
Local sales tax	40,259	-	40,259	-
Utility user taxes	59,613	-	59,613	-
Other taxes	21,325	17,943	39,268	-
Unrestricted sales taxes shared state revenue	56,575	-	56,575	-
Unrestricted in lieu sales tax	16,823	-	16,823	-
Unrestricted investment earnings	10,136	3,294	13,430	622
Unrestricted miscellaneous	8,853	3	8,856	-
Contributions to permanent funds	1	-	1	-
Gain on sale of capital assets	4,567	-	4,567	-
Special items	(2,500)	18,527	16,027	-
Transfers	28,571	(28,571)	-	-
Total general revenues, special items, and transfers	366,700	11,196	377,896	622
Change in net position	37,014	52,323	89,337	(11)
Net position, beginning of year	1,579,083	895,888	2,474,971	573
Prior period adjustments	(5,481)	(1,947)	(7,428)	(362)
Net position, beginning of year, as restated	1,573,602	893,941	2,467,543	211
Net position, end of year	\$ 1,610,616	\$ 946,264	\$ 2,556,880	\$ 200

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

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City of Sacramento

Governmental Funds

Balance Sheet

June 30, 2014

(in thousands)

	General Fund	Measure U Fund	Capital Grants Fund
ASSETS			
Cash and investments held by City	\$ 88,651	\$ 22,470	\$ -
Cash and investments held by fiscal agent	-	-	-
Securities lending assets	198	50	-
Receivables, net:			
Taxes	21,380	7,925	-
Accounts	12,547	-	6,610
Loans	5	-	-
Intergovernmental	2,180	-	11,756
Interest	340	86	-
Prepaid items	66	-	-
Restricted assets:			
Cash and investments held by City	3,221	-	29
Cash and investments held by fiscal agent	180	-	-
Total assets	<u>\$ 128,768</u>	<u>\$ 30,531</u>	<u>\$ 18,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Securities lending obligations	\$ 609	\$ 50	\$ -
Accounts payable	10,706	1,825	11,720
Accrued payroll	13,186	-	-
Accrued claims and judgements	-	-	-
Matured notes and interest payable	-	-	-
Due to other funds	-	-	3,009
Deposits	32	-	-
Unearned revenue	324	-	1,626
Advances from other funds	-	-	-
Total liabilities	<u>24,857</u>	<u>1,875</u>	<u>16,355</u>
Deferred inflows of resources:			
Unavailable revenue	5,004	1,723	9,961
Total deferred inflows of resources	<u>5,004</u>	<u>1,723</u>	<u>9,961</u>
Fund balances:			
Nonspendable:			
Prepaid items	66	-	-
Noncurrent assets	-	-	-
Permanent fund principal	-	-	-
Restricted:			
Capital projects	3,401	-	2,040
Debt service	-	-	-
Public works programs	-	-	-
Economic development programs	-	-	-
Other programs	21	-	-
Committed:			
Economic uncertainty	33,714	-	-
Capital projects	21,728	736	-
Grant retention	-	4,049	-
Debt service	-	-	-
Community center theater renovation	8,500	-	-
Economic development programs	-	-	-
Homeless programs	1,000	-	-
Other programs	12,909	22,104	-
Assigned:			
Debt service	-	-	-
Unrealized investment gains	173	44	-
Next year's budget	-	-	-
Other programs	-	-	-
Unassigned	17,395	-	(9,961)
Total fund balances (deficit)	<u>98,907</u>	<u>26,933</u>	<u>(7,921)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 128,768</u>	<u>\$ 30,531</u>	<u>\$ 18,395</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Governmental Funds

Balance Sheet

June 30, 2014

(in thousands)

	1997 Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments held by City	\$ 2,215	\$ 202,697	\$ 316,033
Cash and investments held by fiscal agent	-	310	310
Securities lending assets	-	572	820
Receivables, net:			
Taxes	-	-	29,305
Accounts	-	3,755	22,912
Loans	62,015	7,700	69,720
Intergovernmental	-	52,345	66,281
Interest	716	219	1,361
Prepaid items	-	24	90
Restricted assets:			
Cash and investments held by City	539	9,295	13,084
Cash and investments held by fiscal agent	-	16,297	16,477
Total assets	<u>\$ 65,485</u>	<u>\$ 293,214</u>	<u>\$ 536,393</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Securities lending obligations	\$ -	\$ 2,050	\$ 2,709
Accounts payable	-	7,830	32,081
Accrued payroll	-	177	13,363
Accrued claims and judgements	-	1,601	1,601
Matured notes and interest payable	-	662	662
Due to other funds	-	-	3,009
Deposits	539	2,199	2,770
Unearned revenue	-	949	2,899
Advances from other funds	-	7,241	7,241
Total liabilities	<u>539</u>	<u>22,709</u>	<u>66,335</u>
Deferred inflows of resources:			
Unavailable revenue	<u>62,731</u>	<u>54,118</u>	<u>133,537</u>
Total deferred inflows of resources	<u>62,731</u>	<u>54,118</u>	<u>133,537</u>
Fund balances:			
Nonspendable:			
Prepaid items	-	24	90
Noncurrent assets	-	451	451
Permanent fund principal	-	878	878
Restricted:			
Capital projects	-	124,222	129,663
Debt service	-	17,548	17,548
Public works programs	-	11,830	11,830
Economic development programs	-	22,484	22,484
Other programs	-	29,924	29,945
Committed:			
Economic uncertainty	-	-	33,714
Capital projects	-	3,288	25,752
Grant retention	-	-	4,049
Debt service	-	6,583	6,583
Community center theater renovation	-	-	8,500
Economic development programs	-	5,125	5,125
Homeless programs	-	-	1,000
Other programs	-	3,382	38,395
Assigned:			
Debt service	-	973	973
Unrealized investment gains	-	3	220
Next year's budget	-	-	-
Other programs	2,215	1,832	4,047
Unassigned	<u>-</u>	<u>(12,160)</u>	<u>(4,726)</u>
Total fund balances (deficit)	<u>2,215</u>	<u>216,387</u>	<u>336,521</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 65,485</u>	<u>\$ 293,214</u>	<u>\$ 536,393</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
 June 30, 2014
 (in thousands)

Fund balances - total governmental funds		\$ 336,521
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		133,537
Prepaid bond insurance represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.		907
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	2,945,971	
Less: accumulated depreciation	<u>(1,255,286)</u>	
		1,690,685
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:		
Interest payable		(2,856)
Deferred outflows of resources are not recognized in the current period and therefore not reported in the governmental funds - loss on refunding of debt and derivatives.		6,658
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	(30,822)	
Accrued claims and judgements	(1,339)	
Financing plan fee credits	(40,674)	
Pollution remediation obligations	(532)	
Revenue and other bonds payable, net	(416,680)	
Capital lease obligations payable	(13,413)	
Notes payable	(15,873)	
OPEB liability	<u>(128,012)</u>	
		(647,345)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>92,509</u>
Net position of governmental activities		<u>\$ 1,610,616</u>

The notes to the financial statements are an integral part of this statement.

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City of Sacramento

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	General Fund	Measure U Fund	Capital Grants Fund
Revenues:			
Taxes	\$ 274,731	\$ 43,040	\$ -
Intergovernmental	9,300	-	34,206
Charges for services	64,319	-	-
Fines, forfeits and penalties	10,567	-	-
Interest, rents, and concessions	2,206	154	11
Community service fees	-	-	-
Assessment levies	48	-	-
Contributions and donations	51	-	37,911
Miscellaneous	281	-	-
	<u>361,503</u>	<u>43,194</u>	<u>72,128</u>
Total revenues			
Expenditures:			
Current:			
General government	22,623	-	-
Police	123,341	6,461	-
Fire	95,570	7,778	-
General services	9,436	-	-
Public works	5,770	-	-
Convention, culture and leisure	4,725	-	-
Economic development	2,604	-	-
Parks and recreation	14,350	4,089	-
Community development	19,638	-	-
Library	7,130	506	-
Utilities	95	-	-
Citywide and community support	36,965	-	-
Capital outlay	9,672	59	66,326
Debt service:			
Principal	2,837	-	-
Interest and fiscal charges	303	-	-
	<u>355,059</u>	<u>18,893</u>	<u>66,326</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>6,444</u>	<u>24,301</u>	<u>5,802</u>
Other financing sources (uses):			
Transfers in	29,924	-	-
Transfers out	(23,418)	-	(11)
Issuance of long-term debt	5,998	-	-
Proceeds from sale of capital assets	-	-	-
	<u>12,504</u>	<u>-</u>	<u>(11)</u>
Total other financing sources (uses)			
Net change in fund balances	18,948	24,301	5,791
Fund balances (deficit), beginning of year, as restated	<u>79,959</u>	<u>2,632</u>	<u>(13,712)</u>
Fund balances (deficit), end of year	<u>\$ 98,907</u>	<u>\$ 26,933</u>	<u>\$ (7,921)</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>1997 Lease Revenue Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ -	\$ 3,061	\$ 320,832
Intergovernmental	-	61,666	105,172
Charges for services	-	7,570	71,889
Fines, forfeits and penalties	-	654	11,221
Interest, rents, and concessions	3,515	8,531	14,417
Community service fees	-	4,693	4,693
Assessment levies	-	38,620	38,668
Contributions and donations	1,990	3,066	43,018
Miscellaneous	-	289	570
	<u>5,505</u>	<u>128,150</u>	<u>610,480</u>
Total revenues			
Expenditures:			
Current:			
General government	-	3,547	26,170
Police	-	8,851	138,653
Fire	-	4,190	107,538
General services	-	128	9,564
Public works	-	28,936	34,706
Convention, culture and leisure	-	5,756	10,481
Economic development	-	9,814	12,418
Parks and recreation	-	17,193	35,632
Community development	-	4,264	23,902
Library	-	4,846	12,482
Utilities	-	512	607
Citywide and community support	-	-	36,965
Capital outlay	-	30,783	106,840
Debt service:			
Principal	1,990	21,391	26,218
Interest and fiscal charges	3,495	18,974	22,772
	<u>5,485</u>	<u>159,185</u>	<u>604,948</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>20</u>	<u>(31,035)</u>	<u>5,532</u>
Other financing sources (uses):			
Transfers in	-	33,660	63,584
Transfers out	-	(11,098)	(34,527)
Issuance of long-term debt	-	52	6,050
Proceeds from sale of capital assets	-	4,902	4,902
	<u>-</u>	<u>27,516</u>	<u>40,009</u>
Total other financing sources (uses)			
Net change in fund balances	20	(3,519)	45,541
Fund balances (deficit), beginning of year, as restated	<u>2,195</u>	<u>219,906</u>	<u>290,980</u>
Fund balances (deficit), end of year	<u>\$ 2,215</u>	<u>\$ 216,387</u>	<u>\$ 336,521</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

(in thousands)

Net change in fund balances - total governmental funds		\$ 45,541
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	88,836	
Depreciation expense	<u>(80,716)</u>	8,120
<p>Capital asset proceeds recorded in the governmental funds exceed gain on sale of capital assets recorded in the governmental activities.</p>		
		(335)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>		
Infrastructure dedications	2,224	
Loan receivable forgiveness	<u>(2,500)</u>	(276)
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Issuance of long-term debt	(6,050)	
Principal repayments on long-term debt	<u>26,218</u>	20,168
<p>Revenue and other resources not available to liquidate liabilities of the current period are not recognized in governmental funds. Revenue in the statement of activities is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in revenues - unavailable revenues at the end of the year were less than beginning unavailable revenues by this amount.</p>		
		(16,745)

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

(in thousands)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	456	
Accrued claims and judgements	(140)	
Other post-employment benefits	(18,362)	
Pollution remediation	71	
Accrued interest	113	
Amortization of prepaid bond issuance	(51)	
Amortization of bond discount	(8)	
Amortization of bond premium	939	
Amortization of gain/loss on refunding	<u>(376)</u>	(17,358)

Capital assets transferred from governmental activities to business-type activities are reported as transfers in the statement of activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources.

(531)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expense of the internal service funds is reported with the governmental activities.

(1,570)

Change in net position of governmental activities

\$ 37,014

The notes to the financial statements are an integral part of this statement.

City of Sacramento
General Fund
Statement of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual (Non-GAAP Budgetary Basis)
with Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Budgeted Amounts			Variance with	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final		Final Budget - Positive (Negative)		
Revenues:						
Taxes	\$ 261,074	\$ 261,206	\$ 274,731	\$ 13,525	\$ -	\$ 274,731
Intergovernmental	10,227	11,220	9,300	(1,920)	-	9,300
Charges for services	60,160	60,154	64,319	4,165	-	64,319
Fines, forfeits and penalties	12,035	11,033	10,567	(466)	-	10,567
Interest, rents, and concessions	2,372	2,363	2,206	(157)	-	2,206
Assessment levies	30	30	48	18	-	48
Contributions and donations	-	13	51	38	-	51
Miscellaneous	124	124	281	157	-	281
Total revenues	346,022	346,143	361,503	15,360	-	361,503
Expenditures:						
Current:						
Mayor/Council	3,120	3,461	3,161	300	-	3,161
City Manager	2,226	3,435	2,561	874	(102)	2,459
City Attorney	4,246	4,398	3,825	573	(9)	3,816
City Clerk	1,212	1,256	1,191	65	2	1,193
City Treasurer	1,874	1,913	1,809	104	(74)	1,735
Finance	5,232	5,161	4,377	784	(40)	4,337
Information technology	4,232	4,755	3,822	933	(49)	3,773
Human resources	2,316	2,396	2,149	247	-	2,149
Subtotal - General government	24,458	26,775	22,895	3,880	(272)	22,623
Police	122,835	124,117	123,431	686	(90)	123,341
Fire	94,798	96,876	95,570	1,306	-	95,570
General services	9,309	9,542	9,441	101	(5)	9,436
Public works	5,914	6,153	5,774	379	(4)	5,770
Convention, culture and leisure	4,782	4,808	4,715	93	10	4,725
Economic development	3,411	3,480	2,612	868	(8)	2,604
Parks and recreation	14,157	14,445	14,349	96	1	14,350
Community development	19,879	21,090	19,689	1,401	(51)	19,638
Library	7,130	7,130	7,130	-	-	7,130
Utilities	1,174	3,567	95	3,472	-	95
Citywide and community support	40,929	38,989	37,022	1,967	(57)	36,965
Capital outlay	24,669	33,641	14,186	19,455	(4,514)	9,672
Debt service:						
Principal	2,254	2,837	2,837	-	-	2,837
Interest and fiscal charges	208	246	303	(57)	-	303
Total expenditures	375,907	393,696	360,049	33,647	(4,990)	355,059
Excess (deficiency) of revenues over (under) expenditures	(29,885)	(47,553)	1,454	49,007	4,990	6,444
Other financing sources (uses):						
Transfers in	27,945	28,566	29,924	1,358	-	29,924
Transfers out	(23,429)	(23,533)	(23,418)	115	-	(23,418)
Proceeds of long-term capital related debt	-	5,998	5,998	-	-	5,998
Total other financing sources (uses)	4,516	11,031	12,504	1,473	-	12,504
Net change in fund balance	\$ (25,369)	\$ (36,522)	\$ 13,958	\$ 50,480	\$ 4,990	\$ 18,948

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Measure U Fund

Statement of Revenues, Expenditures and Change in Fund Balance

- Budget and Actual (Non-GAAP Budgetary Basis)

with Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2014

(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budget to GAAP Reconciliation</u>	<u>Actual Amounts - GAAP Basis</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Taxes	\$ 27,000	\$ 27,000	\$ 43,040	\$ 16,040	\$ -	\$ 43,040
Interest, rents, and concessions	-	-	154	154	-	154
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>43,194</u>	<u>16,194</u>	<u>-</u>	<u>43,194</u>
Expenditures:						
Police	9,121	10,347	6,676	3,671	(215)	6,461
Fire	7,269	8,091	7,778	313	-	7,778
General services	85	85	-	85	-	-
Parks and recreation	4,480	4,480	4,216	264	(127)	4,089
Library	506	506	506	-	-	506
Capital outlay	850	850	114	736	(55)	59
Total expenditures	<u>22,311</u>	<u>24,359</u>	<u>19,290</u>	<u>5,069</u>	<u>(397)</u>	<u>18,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,689</u>	<u>2,641</u>	<u>23,904</u>	<u>11,125</u>	<u>397</u>	<u>24,301</u>
Net change in fund balance	<u>\$ 4,689</u>	<u>\$ 2,641</u>	<u>\$ 23,904</u>	<u>\$ 11,125</u>	<u>\$ 397</u>	<u>\$ 24,301</u>

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ 70,864	\$ 21,439	\$ 31,048	\$ 26,480
Cash and investments held by fiscal agent	-	-	17	1
Securities lending assets	633	93	75	63
Receivables, net:				
Taxes	-	-	-	-
Accounts	18,511	11,182	6,451	11,682
Loans	1,223	125	412	-
Intergovernmental	219	74	856	-
Interest	1,142	170	159	108
Due from other funds	-	-	-	-
Inventories	3,008	65	534	-
Prepaid items	633	-	-	85
Intangible asset, current portion	-	-	-	-
	<u>96,233</u>	<u>33,148</u>	<u>39,552</u>	<u>38,419</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	219,586	21,316	3,764	2,601
Cash and investments held by fiscal agent	7,185	994	765	-
Advances to other funds	-	-	-	-
Loans receivable	4,669	809	3,690	-
Intangible assets	-	-	-	-
Capital assets:				
Land	1,754	1,138	18,724	1,133
Buildings and improvements	37,413	15,216	8,223	31,150
Machinery and equipment	15,930	4,733	17,192	11,380
Vehicles	-	-	-	-
Transmission and distribution system	581,962	151,744	386,057	-
Construction in progress	76,551	13,986	1,019	79
Software	516	324	630	161
Easements	-	-	157	-
Less: accumulated depreciation/amortization	(198,590)	(64,056)	(149,444)	(24,303)
	<u>746,976</u>	<u>146,204</u>	<u>290,777</u>	<u>22,201</u>
Total noncurrent assets				
Total assets	<u>843,209</u>	<u>179,352</u>	<u>330,329</u>	<u>60,620</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	9,406	-	-	1,897
Total deferred outflows of resources	<u>9,406</u>	<u>-</u>	<u>-</u>	<u>1,897</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014

(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ 12,985	\$ 32,525	\$ 195,341	\$ 94,073
Cash and investments held by fiscal agent	171	39	228	184
Securities lending assets	-	71	935	169
Receivables, net:				
Taxes	2,253	-	2,253	-
Accounts	304	1,015	49,145	285
Loans	20	85	1,865	-
Intergovernmental	-	56	1,205	-
Interest	3	122	1,704	289
Due from other funds	-	-	-	3,259
Inventories	-	-	3,607	-
Prepaid items	-	120	838	156
Intangible asset, current portion	-	8	8	-
Total current assets	15,736	34,041	257,129	98,415
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	2,305	36	249,608	-
Cash and investments held by fiscal agent	7,945	1,790	18,679	-
Advances to other funds	-	-	-	13,431
Loans receivable	108	476	9,752	-
Intangible assets	-	167	167	-
Capital assets:				
Land	21,740	5,825	50,314	-
Buildings and improvements	111,161	61,633	264,796	7,159
Machinery and equipment	4,831	7,699	61,765	457
Vehicles	-	-	-	127,613
Transmission and distribution system	-	-	1,119,763	-
Construction in progress	3,605	-	95,240	-
Software	46	4	1,681	256
Easements	-	-	157	-
Less: accumulated depreciation/amortization	(57,744)	(35,918)	(530,055)	(78,887)
Total noncurrent assets	93,997	41,712	1,341,867	70,029
Total assets	109,733	75,753	1,598,996	168,444
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	-	1,522	12,825	82
Total deferred outflows of resources	-	1,522	12,825	82

The notes to the financial statements are an integral part of this statement.

(continued)

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<u>LIABILITIES</u>				
Current liabilities:				
Securities lending obligations	883	173	165	63
Accounts payable	16,229	9,038	1,009	1,643
Accrued payroll	741	260	738	365
Accrued compensated absences	123	21	61	91
Due to other funds	-	-	-	-
Interest payable	4,192	526	258	125
Liability for landfill closure	-	-	-	85
Deposits	2	-	-	10
Unearned revenue	1,707	-	-	-
Accrued claims and judgements	121	62	66	1,298
Capital leases payable	-	142	-	1,881
Revenue and other bonds payable, net	10,873	57	567	1,003
Notes payable	406	736	2,283	-
Total current liabilities	35,277	11,015	5,147	6,564
Noncurrent liabilities:				
Accrued compensated absences	1,768	601	2,171	972
Advances from other funds	-	-	-	-
Water fee credits	1,702	-	-	-
OPEB liability	6,669	2,562	3,285	8,350
Accrued claims and judgements	-	-	-	-
Liability for landfill closure	-	-	-	1,092
Capital leases payable	-	296	-	3,779
Revenue and other bonds payable, net	392,794	32,420	4,109	21,862
Notes payable	9,004	4,578	16,261	-
Total noncurrent liabilities	411,937	40,457	25,826	36,055
Total liabilities	447,214	51,472	30,973	42,619
<u>NET POSITION</u>				
Net investment in capital assets	305,388	104,700	260,219	675
Restricted for:				
Capital projects	28,926	2,024	-	-
Other programs	-	-	770	445
Unrestricted	71,087	21,156	38,367	18,778
Total net position	\$ 405,401	\$ 127,880	\$ 299,356	\$ 19,898

(continued)

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
<u>LIABILITIES</u>				
Current liabilities:				
Securities lending obligations	64	241	1,589	253
Accounts payable	1,444	1,114	30,477	4,537
Accrued payroll	197	308	2,609	335
Accrued compensated absences	28	32	356	78
Due to other funds	250	-	250	-
Interest payable	416	173	5,690	7
Liability for landfill closure	-	-	85	-
Deposits	-	18	30	33
Unearned revenue	2,653	466	4,826	481
Accrued claims and judgements	23	29	1,599	14,152
Capital leases payable	-	-	2,023	24
Revenue and other bonds payable, net	5,587	2,163	20,250	356
Notes payable	-	20	3,445	-
Total current liabilities	10,662	4,564	73,229	20,256
Noncurrent liabilities:				
Accrued compensated absences	498	476	6,486	1,065
Advances from other funds	6,190	-	6,190	-
Water fee credits	-	-	1,702	-
OPEB liability	814	1,393	23,073	3,112
Accrued claims and judgements	-	-	-	49,017
Liability for landfill closure	-	-	1,092	-
Capital leases payable	-	-	4,075	125
Revenue and other bonds payable, net	40,494	28,188	519,867	2,442
Notes payable	-	-	29,843	-
Total noncurrent liabilities	47,996	30,057	592,328	55,761
Total liabilities	58,658	34,621	665,557	76,017
<u>NET POSITION</u>				
Net investment in capital assets	48,401	14,597	733,980	53,651
Restricted for:				
Capital projects	2,305	-	33,255	-
Other programs	-	-	1,215	-
Unrestricted	369	28,057	177,814	38,858
Total net position	\$ 51,075	\$ 42,654	\$ 946,264	\$ 92,509

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ 94,070	\$ 27,544	\$ 35,889	\$ 58,541
Rents and concessions	-	-	-	(74)
Charge to other agencies for contract services	-	948	2,143	-
Miscellaneous	312	1	17	94
Total operating revenues	<u>94,382</u>	<u>28,493</u>	<u>38,049</u>	<u>58,561</u>
Operating expenses:				
Employee services	25,008	8,299	19,505	15,040
Services and supplies	18,062	12,949	4,916	29,435
Depreciation/amortization	16,951	4,216	11,497	1,822
Insurance premiums	-	-	-	-
Claims and judgements	145	74	58	1,416
Total operating expenses	<u>60,166</u>	<u>25,538</u>	<u>35,976</u>	<u>47,713</u>
Operating income (loss)	<u>34,216</u>	<u>2,955</u>	<u>2,073</u>	<u>10,848</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	1,677	345	464	286
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	472	-	20	969
Insurance and other claim recoveries	-	-	-	-
Interest income (expense)	(6,471)	(135)	(688)	(1,296)
Amortization of bond prepaid insurance	(51)	-	-	(5)
Loan forgiveness	-	-	-	-
Gain or (loss) on disposition of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(4,373)</u>	<u>210</u>	<u>(204)</u>	<u>(46)</u>
Income (loss) before contributions and transfers	29,843	3,165	1,869	10,802
Capital contributions	1,790	1,384	1,825	-
Transfers in	298	4	64	67
Transfers out	(10,709)	(3,056)	(4,016)	(6,465)
Change in net position before special item	21,222	1,497	(258)	4,404
Special item	-	-	-	18,527
Total net position (deficit), beginning of year, as restated	<u>384,179</u>	<u>126,383</u>	<u>299,614</u>	<u>(3,033)</u>
Total net position, end of year	<u>\$ 405,401</u>	<u>\$ 127,880</u>	<u>\$ 299,356</u>	<u>\$ 19,898</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Operating revenues:				
Charges for services:				
User fees and charges	\$ 2,837	\$ 23,403	\$ 242,284	\$ 61,961
Rents and concessions	4,826	872	5,624	-
Charge to other agencies for contract services	-	-	3,091	-
Miscellaneous	55	3	482	36
Total operating revenues	7,718	24,278	251,481	61,997
Operating expenses:				
Employee services	5,855	8,704	82,411	10,632
Services and supplies	6,332	9,020	80,714	26,490
Depreciation/amortization	2,423	2,191	39,100	9,554
Insurance premiums	-	-	-	3,056
Claims and judgements	16	25	1,734	15,509
Total operating expenses	14,626	19,940	203,959	65,241
Operating income (loss)	(6,908)	4,338	47,522	(3,244)
Nonoperating revenues (expenses):				
Interest and investment revenue	152	370	3,294	1,225
Transient occupancy taxes	17,943	-	17,943	-
Revenue from other agencies	-	498	1,959	228
Insurance and other claim recoveries	-	-	-	244
Interest expense	(2,575)	(1,588)	(12,753)	(74)
Amortization of bond prepaid insurance	-	(7)	(63)	-
Loan forgiveness	(3)	-	(3)	-
Gain or (loss) on disposition of capital assets	-	-	-	6
Total nonoperating revenues (expenses)	15,517	(727)	10,377	1,629
Income (loss) before contributions and transfers	8,609	3,611	57,899	(1,615)
Capital contributions	-	-	4,999	-
Transfers in	-	1	434	418
Transfers out	(1,568)	(3,722)	(29,536)	(373)
Change in net position before special item	7,041	(110)	33,796	(1,570)
Special item	-	-	18,527	-
Total net position (deficit), beginning of year, as restated	44,034	42,764	893,941	94,079
Total net position, end of year	\$ 51,075	\$ 42,654	\$ 946,264	\$ 92,509

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 95,230	\$ 28,445	\$ 37,543	\$ 60,131
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(17,695)	(12,373)	(5,239)	(30,275)
Payments to employees	(23,927)	(7,915)	(18,723)	(13,907)
Claims and judgements paid	(131)	(64)	(63)	(193)
Net cash provided by (used for) operating activities	53,477	8,093	13,518	15,756
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Transfers in from other funds	29	4	64	67
Transfers out to other funds	(10,671)	(3,005)	(4,016)	(6,344)
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	1,405	-	-	969
Claim and judgement recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(9,237)	(3,001)	(3,952)	(5,308)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(48,907)	(14,091)	(2,008)	(34)
Proceeds from sale of capital assets	61	-	-	-
Principal payments on capital debt	(5,424)	(857)	(2,779)	(3,058)
Interest payments on capital debt	(17,386)	(1,107)	(779)	(1,253)
Intergovernmental revenue received	-	-	20	-
Transfers in from other funds	269	-	-	-
Transfers out to other funds	(38)	(51)	-	(121)
Capital contributions received	644	717	-	-
Loan repayments received	1,183	241	760	-
Net cash used for capital and related financing activities	(69,598)	(15,148)	(4,786)	(4,466)
Cash flows from investing activities:				
Collection of interest and investment revenue	3,910	641	541	271
Loan repayments received	-	-	-	-
Net cash provided by investing activities	3,910	641	541	271
Net increase (decrease) in cash and cash equivalents	(21,448)	(9,415)	5,321	6,253
Cash and cash equivalents, beginning of year	319,083	53,164	30,273	22,829
Cash and cash equivalents, end of year	\$ 297,635	\$ 43,749	\$ 35,594	\$ 29,082

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,505	\$ 24,151	\$ 253,005	\$ -
Receipts from interfund services provided	-	-	-	125,569
Payments to suppliers	(6,550)	(8,996)	(81,128)	(92,200)
Payments to employees	(5,722)	(8,480)	(78,674)	(10,194)
Claims and judgements paid	(18)	(23)	(492)	(12,247)
Net cash provided by (used for) operating activities	(4,785)	6,652	92,711	10,928
Cash flows from noncapital financing activities:				
Transient occupancy taxes	17,914	-	17,914	-
Transfers in from other funds	-	1	165	4
Transfers out to other funds	(1,568)	(2,034)	(27,638)	(322)
Collections on interfund loans	-	-	-	10,106
Loans made to other funds	-	-	-	(3,009)
Interfund loan repayments	(250)	-	(250)	-
Intergovernmental revenue received	-	465	2,839	6
Claim and judgement recoveries	-	-	-	225
Net cash provided by (used for) noncapital financing activities	16,096	(1,568)	(6,970)	7,010
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(809)	(505)	(66,354)	(9,075)
Proceeds from sale of capital assets	-	-	61	569
Principal payments on capital debt	(5,327)	(2,052)	(19,497)	(345)
Interest payments on capital debt	(2,636)	(1,534)	(24,695)	(101)
Intergovernmental revenue received	-	-	20	-
Transfers in from other funds	-	-	269	363
Transfers out to other funds	-	(1,688)	(1,898)	-
Capital contributions received	-	-	1,361	-
Loan repayments received	-	-	2,184	-
Net cash used for capital and related financing activities	(8,772)	(5,779)	(108,549)	(8,589)
Cash flows from investing activities:				
Collection of interest and investment revenue	167	387	5,917	1,214
Loan repayments received	20	85	105	-
Net cash provided by investing activities	187	472	6,022	1,214
Net increase (decrease) in cash and cash equivalents	2,726	(223)	(16,786)	10,563
Cash and cash equivalents, beginning of year	20,680	34,613	480,642	83,694
Cash and cash equivalents, end of year	\$ 23,406	\$ 34,390	\$ 463,856	\$ 94,257

The notes to the financial statements are an integral part of this statement.

(continued)

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 70,864	\$ 21,439	\$ 31,048	\$ 26,480
Cash and investments held by fiscal agent	-	-	17	1
Restricted cash and investments held by City	219,586	21,316	3,764	2,601
Restricted cash and investments held by fiscal agent	7,185	994	765	-
Total cash and cash equivalents, end of year	<u>\$ 297,635</u>	<u>\$ 43,749</u>	<u>\$ 35,594</u>	<u>\$ 29,082</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 34,216	\$ 2,955	\$ 2,073	\$ 10,848
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	16,951	4,216	11,497	1,822
Amortization of intangible assets	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable, net	605	(48)	(98)	1,570
Intergovernmental receivables	-	-	315	-
Inventories	(230)	18	(52)	-
Prepaid items	-	-	-	-
Accounts payable	597	558	(271)	(138)
Accrued payroll	50	24	100	-
Accrued compensated absences	(33)	(14)	141	(100)
OPEB liabilities	1,064	374	541	1,233
Accrued claims and judgements	14	10	(5)	1,223
Liability for landfill closure	-	-	-	(702)
Deposits	2	-	-	-
Unearned revenue	241	-	(723)	-
Net cash provided by (used for) operating activities	<u>\$ 53,477</u>	<u>\$ 8,093</u>	<u>\$ 13,518</u>	<u>\$ 15,756</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 1,038	\$ 551	\$ 1,491	\$ -
Transfer of capital assets from governmental funds, net of depreciation	108	150	334	-
Capitalized interest	8,358	1,145	71	-
Amortization of bond premium and discount	2,053	57	(10)	58
Amortization of bond loss on refunding	(725)	-	-	(118)
Write off gain on refunding	-	-	-	-
Amortization of bond prepaid insurance	(51)	-	-	(5)
Capital asset acquisitions on accounts payable	14,049	755	73	96
Change in securities lending assets	604	88	72	61
Change in securities lending obligations	(604)	(88)	(72)	(61)
Loan forgiveness	-	-	-	-
Change in accounts receivable related to claim and judgement recoveries	-	-	-	-
Interest accrual on loans receivable	-	-	-	-
Change in intergovernmental receivable for capital contributions	219	-	-	-

(continued)

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 12,985	\$ 32,525	\$ 195,341	\$ 94,073
Cash and investments held by fiscal agent	171	39	228	184
Restricted cash and investments held by City	2,305	36	249,608	-
Restricted cash and investments held by fiscal agent	7,945	1,790	18,679	-
Total cash and cash equivalents, end of year	<u>\$ 23,406</u>	<u>\$ 34,390</u>	<u>\$ 463,856</u>	<u>\$ 94,257</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,908)	\$ 4,338	\$ 47,522	\$ (3,244)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	2,423	2,191	39,100	9,554
Amortization of intangible assets	-	8	8	-
Changes in assets and liabilities:				
Accounts receivable, net	(23)	(31)	1,975	36
Intergovernmental receivables	-	(56)	259	-
Inventories	-	-	(264)	-
Prepaid items	-	(4)	(4)	(37)
Accounts payable	(218)	60	588	934
Accrued payroll	12	20	206	29
Accrued compensated absences	(22)	(33)	(61)	(95)
OPEB liabilities	143	237	3,592	504
Accrued claims and judgements	(2)	2	1,242	3,262
Liability for landfill closure	-	-	(702)	-
Deposits	-	18	20	16
Unearned revenue	(190)	(98)	(770)	(31)
Net cash provided by (used for) operating activities	<u>\$ (4,785)</u>	<u>\$ 6,652</u>	<u>\$ 92,711</u>	<u>\$ 10,928</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 3,080	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	-	592	-
Capitalized interest	98	-	9,672	-
Amortization of bond premium and discount	(25)	27	2,160	18
Amortization of bond loss on refunding	-	(95)	(938)	(10)
Write off gain on refunding	-	-	-	18
Amortization of bond prepaid insurance	-	(7)	(63)	-
Capital asset acquisitions on accounts payable	649	79	15,701	1,165
Change in securities lending assets	-	68	893	163
Change in securities lending obligations	-	(68)	(893)	(163)
Loan forgiveness	(3)	-	(3)	-
Change in accounts receivable related to claim and judgement recoveries	-	-	-	(1)
Interest accrual on loans receivable	-	(1)	(1)	-
Change in intergovernmental receivable for capital contributions	-	-	219	-

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2014
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>				
Cash and cash equivalents held by City	\$ 8,620	\$ 130,844	\$ 36,886	\$ 13,060
Cash and investments held by fiscal agent	-	-	25,460	14,816
Securities lending assets	25,107	112	80	-
Receivables, net:				
Taxes	-	-	-	261
Accounts	-	-	-	7
Interest	2,248	457	137	8
Intergovernmental	-	-	556	-
Investments, at fair value:				
U.S. government obligations	2,413	-	-	-
Corporate bonds	68,535	-	-	-
Equity securities	118,027	-	-	-
Exchange traded funds	67,092	-	-	-
Municipal bonds	44,647	-	-	-
Mortgage loans	4,191	-	-	-
Loans receivable	-	-	7,048	-
Capital assets:				
Land	-	-	45,566	-
Buildings and improvements	-	-	16,315	-
Less: accumulated depreciation/amortization	-	-	(2,824)	-
Total assets	<u>340,880</u>	<u>131,413</u>	<u>129,224</u>	<u>28,152</u>
<u>LIABILITIES</u>				
Securities lending obligations	25,744	433	511	-
Accounts payable	27	-	867	267
Benefits payable	2,695	-	-	-
Due to bondholders	-	-	-	27,885
Interest payable	-	-	763	-
OPEB liability	-	-	822	-
Pollution remediation obligations	-	-	1,026	-
Notes payable	-	-	318,929	-
Total liabilities	<u>28,466</u>	<u>433</u>	<u>322,918</u>	<u>\$ 28,152</u>
<u>NET POSITION</u>				
Held in trust for:				
Held in trust for pension benefits	312,414	-	-	
External pool participants	-	130,980	-	
Redevelopment dissolution	-	-	(193,694)	
Total net position	<u>\$ 312,414</u>	<u>\$ 130,980</u>	<u>\$ (193,694)</u>	

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund
Additions:			
Property taxes	\$ -	\$ -	\$ 31,273
Contributions:			
Employer	9,649	-	-
Employees	161	-	-
Total contributions	9,810	-	-
Investment income:			
From investment activities:			
Net appreciation (depreciation) in fair value of investments	29,717	63	-
Interest	7,014	1,627	619
Dividends	4,680	-	-
Total investment income	41,411	1,690	619
Investment expenses:			
Banking, interest, and fiscal agent expenses	111	132	-
Professional services	1,135	-	-
Total investment expenses	1,246	132	-
Net income from investment activities	40,165	1,558	619
From securities lending activities:			
Interest	202	-	-
Net appreciation in fair value of investments	-	1	-
Total securities lending income	202	1	-
Securities lending expenses:			
Management fees	50	-	-
Total securities lending expenses	50	-	-
Net income from securities lending activities	152	1	-
Total net investment income	40,317	1,559	619
Deposits	-	54,570	-
Other	-	-	417
Total additions	50,127	56,129	32,309
Deductions:			
Benefits	33,487	-	-
Withdrawals	201	58,236	-
Project obligation payments	-	-	3,144
Interest expense	-	-	17,018
Loan forgiveness	-	-	2,093
Depreciation expense	-	-	408
Total deductions	33,688	58,236	22,663
Special item - transfer to SHRA	-	-	(3,104)
Change in net position	16,439	(2,107)	6,542
Net position (deficit), beginning of year, as restated	295,975	133,087	(200,236)
Net position (deficit), end of year	<u>\$ 312,414</u>	<u>\$ 130,980</u>	<u>\$ (193,694)</u>

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEFINITION OF REPORTING ENTITY

The City of Sacramento (City) was incorporated in 1849 under the laws of the State of California. Sacramento is a charter city and operates under a City Council – City Manager form of government. The City provides a full range of municipal services including police, fire, water, wastewater, storm drainage, solid waste, construction and maintenance of streets, planning and zoning, code enforcement, parks, recreation programs, and cultural activities.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Component unit financial statements may be obtained from the City's Department of Finance.

Blended Component Unit

The Sacramento City Financing Authority (SCFA) is a joint exercise of powers entity created by the City and the former Redevelopment Agency of the City of Sacramento to facilitate the financing and refinancing of public capital facilities. Most of the debt by the SCFA is backed by the City's General Fund. The SCFA is governed by the City Council.

Fiduciary-type Component Units

Sacramento City Employees' Retirement System (SCERS) is a single employer pension plan sponsored and administered by the City for City employees, except public safety employees, hired before January 29, 1977 and public safety employees who retired with SCERS benefits before December 30, 1989. Under provisions of the City Charter, SCERS is managed by the Administration, Investment and Fiscal Management Board (the Board), consisting of the City Manager, City Director of Finance, City Treasurer and two residents of the City appointed by the City Council. Duties of the Board include the adoption of investment standards for SCERS, the establishment of contribution rates, the administration and investment of funds, the selection of investment advisors, the crediting of interest and any action relating to the fiscal management of SCERS. Complete stand-alone financial statements may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 4th Floor, Sacramento, CA 95814.

The Successor Agency to the Redevelopment Agency of the City of Sacramento (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Sacramento. The City was designated to serve as the Successor Agency subject to control of an Oversight Board. The Oversight Board is comprised of seven member representatives from local government bodies: two appointed by the Mayor, two County of Sacramento (County) representatives, the County Superintendent of Education, the Chancellor of California Community Colleges, and the largest special district taxing entity. Based upon the nature of the Successor Agency's custodial role, it is reported as a fiduciary fund (private purpose trust fund).

Discretely Presented Component Unit

The Sacramento Regional Arts Facilities Financing Authority (SRAFFA) is reported in a separate column in the government-wide financial statements to emphasize its legal separation from the City. The SRAFFA is a joint powers agency between the City and County created for the purpose of financing the expansion of the theater complex located on H Street. The authority is governed by a board of five directors whose members are three designees of the City Council and two designees of the County Board of Supervisors. The members of the board serve at the pleasure of their respective legislative bodies and may be removed at will. Upon future dissolution, any remaining assets revert to the City and County of Sacramento in such manner as determined by the board. The SRAFFA is presented as a business-type activity in the component unit column of the government-wide statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

New Pronouncements

Effective July 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities, as deferred outflows of resources or deferred inflows of resources. As a result of implementing this statement, the City changed the classification of certain liabilities to deferred inflow of resources, as well as restating beginning fund balances and net position for certain City funds, as well as, beginning net position for governmental and business-type activities for previous bond issuance costs. See Note 19 for further description of the restated amounts.

Effective July 1, 2013, the City implemented GASB Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The City has determined that the provisions of this Statement did not have a material impact on the City's basic financial statements.

Effective July 1, 2013, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plan*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Fully disclosed financial statements are issued by SCERS.

Effective July 1, 2013, the City implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City has determined that the provisions of this Statement did not have a material impact on the City's basic financial statements.

Effective July 1, 2013, the City implemented GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The City has determined that the provisions of this Statement did not have a material impact on the City's basic financial statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

The City is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB Statements:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local government for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The City will be required to recognize a liability equal to the net pension liability in its financial statements prepared using the economic resources measurement focus and accrual basis of accounting. The City has not determined what impact this pronouncement will have on the financial statements. The provisions of this Statement are effective for the City's fiscal year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City has not determined what impact this pronouncement will have on the financial statements. The provisions of this Statement are effective for the City's fiscal year ended June 30, 2015.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are allocated to expenses and capital assets of governmental and business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. Internal service fund activity has been eliminated from the statement of activities. The effect of interfund services provided and used between functions, such as the sale of water from the Water Fund to the General Fund, has not been eliminated in the statement of activities. The City's payments in lieu of taxes from its enterprise funds to the General Fund are reported as interfund transfers.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary trust fund financial statements. Agency funds, included in the fiduciary fund financial statements, are also reported using the accrual basis of accounting, however they are not reported using a measurement focus because only assets and liabilities are presented. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility users taxes, intergovernmental revenue, special assessments, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Measure U Special Revenue Fund was established to account for the temporary half-cent sales tax approved by voters on November 6, 2012.

The Capital Grants Fund is used to account for capital improvement program projects that are funded by parties outside of the City including the State and Federal governments.

The 1997 Lease Revenue Bond Fund accounts for the loan receivable, debt service activities and related transactions concerning the acquisition and lease back of a sports and entertainment arena.

The City reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

The Wastewater Fund accounts for the operation and maintenance of the City's wastewater system.

The Storm Drainage Fund accounts for the operation and maintenance of the City's surface drainage system.

The Solid Waste Fund accounts for the collection and disposal of refuse throughout the City and for landfill closure.

The Community Center Fund accounts for the operation and maintenance of the City's Community Center, including the theater and exhibit halls.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types:

Internal service funds account for the financing of fleet and risk management services to other departments on a cost reimbursement basis.

The Pension Trust Fund accounts for the assets held on behalf of the Sacramento City Employees' Retirement System (SCERS) for pension benefit payments to qualified employees.

Investment trust funds account for the resources held on behalf of investors, in the City's investment pool and individual accounts, who are not part of the City's financial reporting entity.

The Private Purpose Trust Fund accounts for the assets received by the Successor Agency from the City's former redevelopment agency in order to liquidate its enforceable obligations, pursuant to Assembly Bill X1 26 which dissolved redevelopment agencies in California.

Agency funds account for assets held by the City as an agent for bonded assessment and community facilities districts.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including fees, fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Program revenues also include earnings on investments that are legally restricted for a specific program. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted net position are available for use, it is the City's practice to use restricted resources first followed by unrestricted resources as they are needed. When all fund balance types are available, it is the City's practice to use restricted resources first, followed by committed, assigned and unassigned resources as they are needed.

Budget Information

The City Manager submits a proposed budget to the City Council no later than 60 days prior to the commencement of the fiscal year. The City Council holds public hearings, modifies the City Manager's recommendations, and adopts a final budget in June. The budget adoption resolution specifies that budgets will be controlled at the department level (e.g., police, fire, public works, parks and recreation etc.) by fund.

Annual budgets are adopted for the General Fund, Measure U Fund, the City/County Office of Metropolitan Water Planning (CCOMWP) Fund, the Cal EPA Fund, as well as certain activities within the Transportation and Development Fund, the Culture and Leisure Fund, and the Parks and Recreation Fund, and the Special Districts Fund. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Multi-year project-length budgets are adopted for the General Fund, capital projects funds, and the Operating Grants special revenue fund where appropriations remain authorized for each project until closed, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Information (Continued)

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. Appropriation adjustments during the year require City Council approval. Significant appropriation adjustments were not required during the year ended June 30, 2014. Unencumbered annual budget appropriations lapse at fiscal year-end. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in future years. Multi-year project-length budget appropriations are automatically carried over into the next fiscal year.

Financial Statement Elements

Investments - City investments are recorded at fair value, except real estate mortgages, which are recorded at cost. The estimated fair value of all investments is the quoted market price. Certain bond covenants require that interest earned on assessment district construction proceeds, which are reported in other governmental funds, be credited to reserve accounts, which are reported in Agency funds. Interest earned on all other cash and investments is credited to the fund which holds the investment.

Property Taxes - Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local governments may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

Property taxes are levied annually by the Sacramento County Assessor on July 1 and become a lien on property on the preceding January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan". The State Revenue and Taxation Code allow counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Sacramento County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue. Under the Teeter Plan code, 5% of the delinquency must remain with the County as a reserve for Teeter Plan funding.

Receivables and Payables – Property taxes, sales taxes, and utility user taxes, and other taxes, related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end.

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available.

Long-term loans receivable reported in the governmental fund statements are recorded with offsetting deferred revenue or nonspendable fund balance for noncurrent assets because the resources cannot be spent. Long-term loans receivable reported in the proprietary fund statements, as well as long-term loans reported in the government-wide statements, are not offset by deferred revenue. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

City of Sacramento
Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2014
 (dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Elements (Continued)

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items - Inventories in the proprietary funds are stated at the lower of average cost or market and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position and balance sheets because their use is limited by applicable bond covenants. Unspent developer impact fees are classified as restricted assets on the statements of net position for the Water and Wastewater enterprise funds.

Capital Assets - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or fair value (as of the date donated for contributed assets) although for certain older assets estimated historical costs are used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	Primarily 15 to 70 years
Transmission and distribution systems	Primarily 15 to 100 years
Machinery, vehicles and equipment	Primarily 5 to 30 years
Software	Primarily 5 to 20 years
Roadway network	Primarily 20 to 70 years
Street light network	Primarily 40 to 50 years
Parks and park improvements	Primarily 15 to 30 years

It is the policy of the City to capitalize all land, buildings and improvements, equipment, and infrastructure assets, except assets costing less than \$20, unless a federal funding source is utilized. The City also capitalizes all intangible capital assets, primarily easements and software, except assets costing less than \$100, unless a federal funding source is utilized. All capital assets in excess of \$5 financed by a federal funding source are capitalized. Costs of capital assets sold or retired (and related amounts of accumulated depreciation/amortization) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related proprietary fund, governmental activities, and business-type activities. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. When the asset constructed is financed by a specific bond issue, the interest included is net of interest earned on the invested bond proceeds over the same period. The total interest cost incurred by the City during the current fiscal year was \$46,880. Of this amount, \$9,672, consisting of interest cost of \$11,949 net of interest earned of \$2,277, was included as part of the cost of capital assets under construction.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Elements (Continued)

The Crocker Art Museum's collection of works of art, held in trust by the City, has not been reported in these financial statements. The City has elected not to report the collection because it meets the three criteria for waiving capitalization: the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for the collection.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then. The City has two items, loss on refunding of debt and accumulated decrease in fair-value of hedging derivative instrument, which qualifies for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as revenue until then. The City has one item recognized in the statement of net position, deferred service concession arrangement revenue, and one item recognized in the governmental funds, unavailable revenue, that qualifies for reporting in this category.

Compensated Absences - Benefit qualified employees accrue vacation, sick, and holiday benefits. A full time employee may accumulate up to sixty days of vacation. Sick leave vests and may be accumulated until retirement. An employee with sixty or more days of accumulated sick leave at the end of a calendar year may elect to receive a 25% payment of any unused sick leave earned in the previous calendar year. The amount of sick leave paid is deducted from the employee's total accumulation. Upon retirement, employees with a minimum of 20 years of City service, excluding SCERS employees, have the option of converting their sick leave accumulation into CalPERS service credit hours, or receiving a cash payment of one-third of the accumulated sick leave. The City accrues expected cash payments of accumulated sick leave at fiscal year end. Employees who leave the City and are not retiring forfeit any remaining sick leave.

Employees receive 14 holidays per calendar year. Employees accrue all or a portion of these 14 days during the year depending on their job classification. Classifications that accrue all 14 days get paid in cash throughout the year whenever their holiday leave balances exceed the 14 day total. All other employees accrue one or two days of "floating" holiday time, depending on the bargaining unit, throughout the year in conjunction with their remaining twelve holidays. Employees who accrue "floating" holiday time get paid annually in January for any calendar year-end balance greater than eight hours.

All hourly employees have the option of being compensated for their overtime pay with compensatory time off (CTO). Depending on the employee's CTO plan, the employee may accrue a maximum of 80, 120 or 160 hours of CTO. The employee's applicable labor agreement or the City Council's resolution for unrepresented employees determines the maximum accruable number of CTO hours.

All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unavailable Revenue / Unearned Revenue - Unavailable revenue in governmental funds arise when potential revenue does not meet the "available" criteria for recognition in the current period. Unearned revenue in accrual based statements arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Elements (Continued)

Long-term Obligations - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses on debt refunding are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt using the straight-line method. Bonds payable are reported net of bond premium or discount. Bond issuance costs are reported as expenditures when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts that are restricted to specific purposes, either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation, are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution are classified as committed fund balances. Amounts that are constrained by the City Council's intent to be used for specific purposes through a resolution, but are neither restricted nor committed, are classified as assigned fund balances. Negative fund balance in governmental funds, after determining the fund balance classifications described above, is reported as unassigned fund balance.

The City's Economic Uncertainty Reserve (Reserve) is a stabilization arrangement in the General Fund reported as committed fund balance. The City Council reaffirmed its policy goal for the Reserve in its resolution number 2014-0179 adopted with the fiscal year 2014/15 annual budget. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund revenue. The City Manager may recommend a release from the Reserve when the gap between projected revenue and expenditures is greater than \$1,000 in the proposed budget. Additions and releases from the Reserve must be approved by City Council by resolution.

Statement of Cash Flows - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2014:

	Government-wide Statement of Net Position		Fiduciary Funds	Total
	Primary Government	Component Units	Statement of Net Position	
Cash and investments	\$ 606,169	\$ -	\$ 534,591	\$ 1,140,760
Securities lending assets	1,924	-	25,299	27,223
Restricted cash and investments	297,848	1,125	-	298,973
Total	\$ 905,941	\$ 1,125	\$ 559,890	\$ 1,466,956

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2013-0266, has delegated its investment authority to the City Treasurer. The City Treasurer manages the City's investments in accordance with the City's Investment Policy, which was last reaffirmed by the City Council on August 8, 2013. The City's investment policy requires compliance with the California Government Code for investments of public funds. The City's investment policy also provides limits on rate anticipation, arbitrage, and other swap investments.

SCERS pension trust fund investments are managed by the Administration, Investment and Fiscal Management Board pursuant to an Investment Policy adopted by the Board and approved by the City Council. Investment standards adopted by the SCERS Board were last approved by the City Council on August 8, 2013. The Investment Policy allows the Board to invest in fixed income and equity securities deemed prudent by the Board. Pursuant to the Investment Policy, the Board annually allocated the funds to different investment groups. For fiscal year 2014, the asset allocations consisted of the following: 45% Fixed Income securities, 30% Large Cap Growth stocks, 15% Equity Income stocks and 10% International stocks. The Investment Policy allows for up to 5% variance from these approved allocation level to provide flexibility to investment activities without altering the risk profile of the SCERS portfolio.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

The table below identifies the investment types that are authorized for public funds of the City by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Local agency bonds	5 years*	None	None	None
U.S. Treasury obligations	5 years*	None	None	None
U.S. agency securities	5 years*	None	None	None
Bankers acceptance	180 days	40%	30%	None
Commerical paper	270 days	25%	10%	A1/P1
Negotiable certificates of deposit	5 years	30%	None	None
Repurchase agreements	1 year	None	None	None
Reverse repurchase and securities lending agreements	92 days	20% of base value	None	None
Medium term notes (bank notes and corporate bonds)	5 years*	30%	None	A
Mutual funds	N/A	20%	10%	Aaa
Money market mutual funds	N/A	20%	10%	Aaa
Collateralized bank deposits	5 years	None	None	None
Mortgage pass-through securities	5 years	20%	None	AA
Time deposits	5 years	None	None	None
Joint Powers Authority pool	N/A	None	None	None
County pooled investment	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

*The City investment policy allows these investments to have maximum maturities of 5 years, plus not more than 30 days. Such approved maturity extensions are authorized by California Government Code section 53601.

The table above does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, or investments held by the SCERS pension trust fund or other trust funds.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy limits interest rate risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. The remaining maturity of the City's investments included in the table below is based on the stated maturity dates of the individual investments, except in the case of variable rate investments where the maturity date below is the next reset date. Variable rate securities are investments with terms that provide for the adjustment of interest rates on specified dates based on predefined mathematical formulas. The fair value of such investments can reasonably be expected to be affected at each interest rate reset date.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Investments in equities, or in debt securities with remaining maturities longer than five years, are held by the SCERS pension trust fund, other trust funds, or by bond trustees pursuant to debt agreements.

The City's cash and investments by maturities as of June 30, 2014 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Fair Value
		Under 1	1-5	Over 5	
Certificates of deposit	\$ -	\$ 10,248	\$ 9,547	\$ -	\$ 19,795
Commercial paper	-	145,000	-	-	145,000
Corporate bonds/notes	-	180,994	168,992	17,864	367,850
Deposits	9,388	-	-	-	9,388
Equities	122,699	-	-	-	122,699
Exchange traded funds	68,676	-	-	-	68,676
Investment Trust of California (CalTRUST)	-	13,753	179,405	-	193,158
Local Agency Investment Fund (LAIF)	-	30,000	-	-	30,000
Mortgage loans	-	-	1,918	2,273	4,191
Municipal bonds	-	36,898	73,449	43,115	153,462
Mutual funds	-	50,906	-	-	50,906
Repurchase agreements	-	27,223	-	-	27,223
U.S. agencies	-	85,821	182,285	2,392	270,498
U.S. Treasury notes	-	-	2,985	-	2,985
	<u>\$ 200,763</u>	<u>\$ 580,843</u>	<u>\$ 618,581</u>	<u>\$ 65,644</u>	<u>1,465,831</u>
Component Unit - SRAFFA					
Mutual funds	\$ -	\$ 122	\$ -	\$ -	122
U.S. agencies	-	-	1,003	-	1,003
Total component unit	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 1,003</u>	<u>\$ -</u>	<u>1,125</u>
Total Cash and Investments					<u>\$ 1,466,956</u>

Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. The fair values of the callable bonds held at June 30, 2014 by investment type are as follows:

Investment Type	Fair Value
Corporate bonds	\$ 24,067
Municipal bonds	24,707
U.S. agencies	194,792

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. At June 30, 2014, the City's deposits and investments, and corresponding credit ratings, are as follows:

Cash and Investment Type	S & P	Moody's	Fair Value
Certificates of deposit	not rated	not rated	\$ 19,795
Commercial paper	A	P1	145,000
Corporate bonds/notes	A	A	127,831
	A	Aa	10,235
	A	Baa	99,427
	A	not rated	2,843
	AA	A	56,821
	AA	Aa	52,412
	AAA	Aaa	2,200
	B	Baa	5,313
	BBB	A	5,199
	BBB	Baa	75
	not rated	A	5,000
	not rated	withdrawn	494
Deposits	not rated	not rated	9,388
Equities (exempt from disclosure)	N/A	N/A	122,699
Exchange traded funds (exempt from disclosure)	N/A	N/A	68,676
Investment Trust of California (CalTRUST)	not rated	not rated	193,158
Local Agency Investment Fund (LAIF)	not rated	not rated	30,000
Mortgage loans	not rated	not rated	4,191
Municipal bonds	A	A	6,847
	A	Aa	41,313
	A	Ba	9,246
	A	not rated	1,459
	AA	A	15,393
	AA	Aa	47,929
	AA	Aaa	2,797
	AA	not rated	11,360
	AAA	Aa	11,067
	SP1	not rated	5,001
	not rated	Aa	1,050
Mutual funds	AAA	Aaa	49,340
	not rated	not rated	1,566

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Cash and Investment Type	S & P	Moody's	Fair Value
Repurchase agreements	AA	Aaa	27,223
U.S. agencies	AA	A	5,494
	AA	Aa	666
	AA	Aaa	223,590
	AA	not rated	15,000
	not rated	not rated	24,000
	N/A	N/A	1,748
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	2,985
Total primary government			1,465,831
Component Unit - SRAFFA			
Mutual funds	AAA	Aaa	122
U.S. agencies	AA	Aaa	1,003
			1,125
Total Cash and Investments			\$ 1,466,956

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2014:

Federal Home Loan Bank (All in City Pools)	\$ 157,530
General Electric Corporation (City Pools)	\$ 74,769
General Electric Corporation (SCERS)	\$ 28,315

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

As of June 30, 2014, investments were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities:

\$ 27,223 Investments purchased with cash collateral from securities lending transactions

Securities Lending

The City engages in securities lending transactions, whereby the City has authorized its custodial bank to loan its securities to approved counterparties for collateral (cash or securities) with a simultaneous agreement to return the collateral for the same securities in the future. Such loans are short-term and the City retains the right to sell, without penalty, the original securities in which it has invested. The City's arrangement with the bank requires the bank to indemnify the City for failure of any counterparty to return the securities loaned. The City's investment policy permits securities loans up to 20% of the fair value of the City's portfolio.

Cash collateral received as of June 30, 2014, was equal to 102% of the market value of the loaned securities. The custodial bank uses the cash collateral to purchase investments. As of June 30, 2014, the weighted average maturity of the securities on loan was 246 days and the weighted average maturity of the investments purchased with cash collateral was 1 day. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

The City received cash collateral of \$31,240. The City does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The following table provides information concerning the fair value of securities lent and investments purchased with the cash collateral as of June 30, 2014:

Type of Investment Lent

Corporate bonds	\$ 1,326
Equities	4,146
Exchange traded funds	22,174
U.S. Treasury notes	2,985
Total securities lent	<u>\$ 30,631</u>

Type of Investment Purchased with Cash Collateral

Repurchase agreements	\$ 27,223
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City Sponsored Investment Pool

As part of the City's total cash and investments portfolio, the City Treasurer manages an investment pool, which includes both internal and external investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The City Treasurer is granted authority for managing the pool by City Charter Section 73 and City Council ordinances and resolutions. Monthly, the City Treasurer reports investment activity to the Council for review.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

City Sponsored Investment Pool (Continued)

The fair value of investments is determined monthly. Participants' shares sold and redeemed are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day to day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments. External participants, including various joint powers agencies, comprise 5.64% of pool participation. The City Sponsored Investment Pool excludes activities of the pension trust fund, SHRA and funds held by fiscal agents.

The following represents a condensed statement of net position and changes in net position for the City Sponsored Investment Pool as of June 30, 2014:

Statement of Net Position:

Investments at fair value	\$ 976,233
Interest receivables	2,839
Securities lending obligations	(4,800)
Net Position	<u>\$ 974,272</u>

Equity of internal pool participants	\$ 919,344
Equity of external pool participants	54,928
Total equity	<u>\$ 974,272</u>

Statement of Changes in Net Position:

Net position at July 1, 2013	\$ 992,844
Net change in investments by pool participants	(18,572)
Net position at June 30, 2014	<u>\$ 974,272</u>

A summary of the investment classifications as of June 30, 2014 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Certificates of deposit	\$ 17,797	\$ 17,798	0.24-2.00%	08/14-11/18
Commercial paper	145,000	144,891	0.18-0.25%	07/14-02/15
Corporate bonds/notes	279,349	278,323	0.50-6.50%	07/14-06/19
Deposits	7,496	7,496	N/A	N/A
Investment Trust of California (CalTRUST)	150,617	150,617	0.07-0.73%	N/A
Municipal bonds	100,504	99,835	0.29-7.28%	08/14-05/19
Mutual funds	1,450	1,450	0.01%	N/A
Repurchase agreements	1,658	1,658	0.11-0.12%	07/14
State of California Treasurer's				
Local Agency Investment Fund	30,000	30,000	N/A	N/A
U.S. government and agency securities	242,362	242,716	0.08-5.62%	08/14-06/19
Total cash and investments in City sponsored investment pool	<u>\$ 976,233</u>	<u>\$ 974,784</u>		

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Participation in External Investment Pools

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The balance available for withdrawal is based on the accounting records maintained by the LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. As of June 30, 2014, the City's investment in LAIF is \$30,000. The total amount invested by all public agencies in LAIF at that date is \$21,119,834. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2014 had a balance of \$64,870,214. Of that amount, 98.14% is invested in non-derivative financial products, and 1.86% is invested in derivative financial products.

The City is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2014, the City's investment in CalTRUST is \$193,158, of which \$13,753 was invested in the Money Market Fund, \$68,188 in the Short-term pool and \$111,217 in the Medium-term pool. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2014, were as follows:

	Taxes	Accounts	Loans	Inter- govern- mental	Interest	Total
Governmental activities						
General Fund	\$ 21,380	\$ 12,547	\$ 5	\$ 2,180	\$ 340	\$ 36,452
Measure U Fund	7,925	-	-	-	86	8,011
Capital Grants Fund	-	6,610	-	11,756	-	18,366
1997 Lease Revenue Bond Fund	-	-	62,015	-	716	62,731
Other governmental funds	-	3,755	15,676	52,345	219	71,995
Internal service funds	-	285	-	-	289	574
	<u>\$ 29,305</u>	<u>\$ 23,197</u>	<u>\$ 77,696</u>	<u>\$ 66,281</u>	<u>\$ 1,650</u>	<u>\$ 198,129</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,364</u>	<u>\$ 39,248</u>	<u>\$ -</u>	<u>\$ 103,612</u>
Business-type activities						
Water Fund	\$ -	\$ 18,511	\$ 5,892	\$ 219	\$ 1,142	\$ 25,764
Wastewater Fund	-	11,182	934	74	170	12,360
Storm Drainage Fund	-	6,451	4,102	856	159	11,568
Solid Waste Fund	-	11,682	-	-	108	11,790
Community Center Fund	2,253	304	128	-	3	2,688
Other enterprise funds	-	1,015	561	56	122	1,754
	<u>\$ 2,253</u>	<u>\$ 49,145</u>	<u>\$ 11,617</u>	<u>\$ 1,205</u>	<u>\$ 1,704</u>	<u>\$ 65,924</u>
Component unit						
Sacramento Regional Arts Facilities Financing Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,940</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$2,543 in governmental activities and \$9,752 in business-type activities.

Included in the Loans Receivable amount related to Other governmental funds above is the present value of the installment payments under the golf service concession arrangement of \$7,976, reported with the associated deferred inflow in the government-wide statement of net position.

The California Music Theater is required to make payment to the SRAFFA component unit to repay the loan receivable.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS

Summary

The following is a summary of capital assets as of June 30, 2014:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated/amortized			
Land	\$ 191,636	\$ 50,314	\$ 241,950
Easements	697	157	854
Construction in progress	143,390	95,240	238,630
Total capital assets not being depreciated/amortized	335,723	145,711	481,434
Depreciable/amortizable capital assets			
Buildings and improvements	627,107	264,796	891,903
Equipment	70,018	61,765	131,783
Software	4,866	1,681	6,547
Vehicles	127,613	-	127,613
Transmission and distribution system	3,622	1,119,763	1,123,385
Roadway network	1,548,315	-	1,548,315
Streetlight network	199,719	-	199,719
Park improvements	164,473	-	164,473
Total depreciable/amortizable capital assets	2,745,733	1,448,005	4,193,738
Less accumulated depreciation/amortization for:			
Buildings and improvements	(196,780)	(130,387)	(327,167)
Equipment	(42,156)	(36,843)	(78,999)
Software	(1,016)	(446)	(1,462)
Vehicles	(74,003)	-	(74,003)
Transmission and distribution system	(670)	(362,379)	(363,049)
Roadway network	(914,215)	-	(914,215)
Street light network	(68,495)	-	(68,495)
Park improvements	(36,838)	-	(36,838)
Total accumulated depreciation/amortization	(1,334,173)	(530,055)	(1,864,228)
Depreciable/amortizable capital assets, net	1,411,560	917,950	2,329,510
Total capital assets, net	\$ 1,747,283	\$ 1,063,661	\$ 2,810,944

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

Governmental Activities

Governmental capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance *	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 190,749	\$ 1,161	\$ (335)	\$ 61	\$ 191,636
Easements	697	-	-	-	697
Construction in progress	95,876	47,514	-	-	143,390
Total capital assets not being depreciated/amortized	287,322	48,675	(335)	61	335,723
Depreciable/amortizable capital assets					
Buildings and improvements	617,425	16,668	(6,986)	-	627,107
Equipment	75,998	374	(6,354)	-	70,018
Software	4,493	373	-	-	4,866
Vehicles	123,502	9,931	(5,820)	-	127,613
Transmission and distribution system	3,622	592	-	(592)	3,622
Roadway network	1,542,684	10,713	(5,082)	-	1,548,315
Streetlight network	195,930	3,789	-	-	199,719
Park improvements	154,519	9,954	-	-	164,473
Total depreciable/amortizable capital assets	2,718,173	52,394	(24,242)	(592)	2,745,733
Less accumulated depreciation/amortization for:					
Buildings and improvements	(189,931)	(13,835)	6,986	-	(196,780)
Equipment	(43,928)	(4,582)	6,354	-	(42,156)
Software	(704)	(312)	-	-	(1,016)
Vehicles	(70,181)	(9,328)	5,506	-	(74,003)
Transmission and distribution system	(622)	(48)	-	-	(670)
Roadway network	(867,539)	(51,758)	5,082	-	(914,215)
Streetlight network	(64,020)	(4,475)	-	-	(68,495)
Park improvements	(30,906)	(5,932)	-	-	(36,838)
Total accumulated depreciation/amortization	(1,267,831)	(90,270)	23,928	-	(1,334,173)
Depreciable/amortizable capital assets, net	1,450,342	(37,876)	(314)	(592)	1,411,560
Governmental activities capital assets, net	\$ 1,737,664	\$ 10,799	\$ (649)	\$ (531)	\$ 1,747,283

* The beginning balances of governmental activities capital assets have been restated, see Note 19.

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 5,451
Police	2,737
Fire	1,178
Public works	56,578
Economic development	100
Convention, culture and leisure	4,488
Parks and recreation	8,767
Community development	208
Library	1,209
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets	9,554
Total governmental activities depreciation/amortization expense	\$ 90,270

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

Business-type Activities

Business-type capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance *	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 50,375	\$ -	\$ -	\$ (61)	\$ 50,314
Easements	157	-	-	-	157
Construction in progress	36,020	59,220	-	-	95,240
Total capital assets not being depreciated/amortized	<u>86,552</u>	<u>59,220</u>	<u>-</u>	<u>(61)</u>	<u>145,711</u>
Depreciable/amortizable capital assets					
Buildings and improvements	265,031	135	(370)	-	264,796
Equipment	59,762	2,651	(648)	-	61,765
Software	1,487	194	-	-	1,681
Transmission and distribution system	1,117,471	26,335	(24,635)	592	1,119,763
Total depreciable/amortizable capital assets	<u>1,443,751</u>	<u>29,315</u>	<u>(25,653)</u>	<u>592</u>	<u>1,448,005</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(124,438)	(6,319)	370	-	(130,387)
Equipment	(33,722)	(3,769)	648	-	(36,843)
Software	(324)	(122)	-	-	(446)
Transmission and distribution system	(358,122)	(28,890)	24,633	-	(362,379)
Total accumulated depreciation/amortization	<u>(516,606)</u>	<u>(39,100)</u>	<u>25,651</u>	<u>-</u>	<u>(530,055)</u>
Depreciable/amortizable capital assets, net	<u>927,145</u>	<u>(9,785)</u>	<u>(2)</u>	<u>592</u>	<u>917,950</u>
Business-type activities capital assets, net	<u>\$ 1,013,697</u>	<u>\$ 49,435</u>	<u>\$ (2)</u>	<u>\$ 531</u>	<u>\$ 1,063,661</u>

* The beginning balances of business-type activities capital assets have been restated, see Note 19.

Depreciation/amortization expense was charged to functions as follows:

Water	\$ 16,951
Wastewater	4,216
Storm drainage	11,497
Solid waste	1,822
Community center	2,423
Parking	2,114
Child development	77
Total business-type activities depreciation/amortization expense	<u>\$ 39,100</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 5 – PAYABLES

Payables as of June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
Governmental activities					
General Fund	\$ 10,706	\$ 13,186	\$ -	\$ 32	\$ 23,924
Measure U Fund	1,825	-	-	-	1,825
Capital Grants Fund	11,720	-	-	-	11,720
1997 Lease Revenue Bond Fund	-	-	716	539	1,255
Other governmental funds	7,830	177	2,623	2,199	12,829
Internal service funds	4,537	335	7	33	4,912
Total governmental activities	\$ 36,618	\$ 13,698	\$ 3,346	\$ 2,803	\$ 56,465
Business-type activities					
Water Fund	\$ 16,229	\$ 741	\$ 4,192	\$ 2	\$ 21,164
Wastewater Fund	9,038	260	526	-	9,824
Storm Drainage Fund	1,009	738	258	-	2,005
Solid Waste Fund	1,643	365	125	10	2,143
Community Center Fund	1,444	197	416	-	2,057
Other enterprise funds	1,114	308	173	18	1,613
Total business-type activities	\$ 30,477	\$ 2,609	\$ 5,690	\$ 30	\$ 38,806
Component unit					
Sacramento Regional Arts Facilities Financing Authority	\$ 155	\$ -	\$ -	\$ -	\$ 155

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 6 – OPERATING LEASES

City as Lessee

The City is obligated under various operating leases for the use of land, buildings, office space, and equipment. Lease expenditures, primarily for governmental funds, for the fiscal year ended June 30, 2014, were \$627.

Sublease rental income for the fiscal year ended June 30, 2014 was \$691. The total amount of minimum rentals to be received in the future under non-cancelable subleases is \$2,790.

Future minimum lease payments required by non-cancellable lease agreements that have initial lease terms in excess of one year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2015	\$ 599
2016	497
2017	420
2018	324
2019	319
2020-2024	974
2025-2029	974
2030-2034	923
2035-2039	338
2040-2044	200
2045-2049	200
2050-2054	199
2055-2059	199
2060-2062	<u>73</u>
Total future minimum lease payments	<u>\$ 6,239</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES

Activity

The following is a summary of changes in long-term liabilities. Certain long-term liabilities provide financing to both governmental and business-type activities.

GOVERNMENTAL ACTIVITIES:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 11,601	\$ -	\$ (1,198)	\$ 10,403	\$ 1,262
1993 Refunded Revenue Bonds, Series B	19,473	-	(2,022)	17,451	2,125
1996 Lighting and Landscaping Bonds	2,090	-	(480)	1,610	510
1997 Lease Revenue Bonds	64,005	-	(1,990)	62,015	2,225
1999 CFD No. 2 Revenue Bonds, Series A	2,005	-	(125)	1,880	130
2002 Capital Improvement Revenue Bonds	7,720	-	(5,310)	2,410	1,135
2003 Capital Improvement Revenue Bonds	22,820	-	(5,510)	17,310	1,915
2005 Refunding Revenue Bonds	58,534	-	(1,294)	57,240	5,754
2006 Capital Improvement Revenue Bonds, Ser. A	79,630	-	(3,095)	76,535	3,220
2006 Capital Improvement Revenue Bonds, Ser. B	50,230	-	(1,000)	49,230	1,060
2006 Capital Improvement Revenue Bonds, Ser. C	25,605	-	-	25,605	-
2006 Capital Improvement Revenue Bonds, Ser. D	2,430	-	(620)	1,810	650
2006 Capital Improvement Revenue Bonds, Ser. E	80,803	-	-	80,803	-
Subtotal, revenue and other bonds	<u>426,946</u>	<u>-</u>	<u>(22,644)</u>	<u>404,302</u>	<u>19,986</u>
Notes Payable:					
1997 State Department of Boating & Waterways	530	-	(79)	451	82
1985 Marina Phase I	1,625	-	(42)	1,583	44
1985 Marina Phase II	2,481	-	(56)	2,425	58
1985 Marina Phase III	771	-	(115)	656	120
1985 Marina Phase IV	527	-	(66)	461	69
2008 Sacramento Marina South Basin	10,477	-	-	10,477	368
Subtotal, notes payable	<u>\$ 16,411</u>	<u>\$ -</u>	<u>\$ (358)</u>	<u>\$ 16,053</u>	<u>\$ 741</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

GOVERNMENTAL ACTIVITIES (Continued):	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Obligations:					
JP Morgan Fleet Financing	\$ 2,544	\$ -	\$ (554)	\$ 1,990	\$ 560
JP Morgan Capital Lease Refinance	3,340	-	(1,278)	2,062	805
Fire trucks and equipment #3	3,388	-	(423)	2,965	442
Liquid nitrate gas (LNG) - refueling trailer	174	-	(23)	151	24
Parking meters system with AutoVu	-	5,998	(583)	5,415	1,177
Bank of America - Marina South Basin	1,073	-	(94)	979	98
Subtotal, capital lease obligations	<u>10,519</u>	<u>5,998</u>	<u>(2,955)</u>	<u>13,562</u>	<u>3,106</u>
Plus deferred amounts:					
For issuance discounts	(143)	-	8	(135)	(8)
For issuance premiums	16,267	-	(957)	15,310	957
For gain on refunding	18	-	(18)	-	-
Subtotal deferred amounts	<u>16,142</u>	<u>-</u>	<u>(967)</u>	<u>15,175</u>	<u>949</u>
Subtotal, debt governmental activities	<u>470,018</u>	<u>5,998</u>	<u>(26,924)</u>	<u>449,092</u>	<u>24,782</u>
Other Long-term Liabilities:					
Accrued claims and judgements	62,706	15,615	(12,212)	66,109	17,092
Compensated absences	32,466	31,462	(31,963)	31,965	1,837
OPEB liability	112,258	34,509	(15,643)	131,124	-
Pollution remediation obligations	603	-	(71)	532	69
Derivative instrument - interest rate swap	10,426	-	(2,209)	8,217	-
Financing plan fee credits:					
North Natomas	36,438	-	(178)	36,260	198
Jacinto Creek	899	-	-	899	-
Park Development	3,713	53	(251)	3,515	166
Subtotal, other long-term liabilities	<u>259,509</u>	<u>81,639</u>	<u>(62,527)</u>	<u>278,621</u>	<u>19,362</u>
Total governmental activities	<u>\$ 729,527</u>	<u>\$ 87,637</u>	<u>\$ (89,451)</u>	<u>\$ 727,713</u>	<u>\$ 44,144</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

BUSINESS-TYPE ACTIVITIES:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 47,901	\$ -	\$ (4,947)	\$ 42,954	\$ 5,213
1993 Refunded Revenue Bonds, Series B	21,267	-	(2,208)	19,059	2,320
2005 Refunding Revenue Bonds	97,410	-	(6,681)	90,729	7,016
2006 Capital Improvement Revenue Bonds, Ser. E	92,277	-	-	92,277	-
Water Revenue Bonds, Series 2013	215,195	-	-	215,195	3,540
Wastewater Revenue Bonds, Series 2013	30,855	-	-	30,855	-
Subtotal, revenue and other bonds	<u>504,905</u>	<u>-</u>	<u>(13,836)</u>	<u>491,069</u>	<u>18,089</u>
Notes Payable:					
State Water Resources Control Board	767	-	(146)	621	149
State Water Resources Control Board	17,189	-	(1,990)	15,199	2,033
State Water Resources Control Board	2,164	-	(286)	1,878	293
State Water Resources Control Board	2,837	-	(323)	2,514	332
State Water Resources Control Board	1,180	-	(134)	1,046	138
California Department of Education	40	-	(20)	20	20
California Department of Public Health	9,806	-	(396)	9,410	406
California Infrastructure and Economic Development Bank (I-Bank)	2,672	-	(72)	2,600	74
Subtotal, notes payable	<u>36,655</u>	<u>-</u>	<u>(3,367)</u>	<u>33,288</u>	<u>3,445</u>
Capital Lease Obligations:					
Recycle Containers #5	979	-	(646)	333	332
Refuse Trucks - Schedule 16	4,083	-	(974)	3,109	1,005
Sewer Cleaning Trucks - Schedule 17	575	-	(137)	438	545
JP Morgan Capital Lease Refinance	2,756	-	(538)	2,218	141
Subtotal, capital lease obligations	<u>8,393</u>	<u>-</u>	<u>(2,295)</u>	<u>6,098</u>	<u>2,023</u>
Less deferred amounts:					
For issuance discounts	(425)	-	60	(365)	(60)
For issuance premiums	51,632	-	(2,219)	49,413	2,219
Subtotal, deferred amounts	<u>51,207</u>	<u>-</u>	<u>(2,159)</u>	<u>49,048</u>	<u>2,159</u>
Subtotal, debt, business type activities	<u>601,160</u>	<u>-</u>	<u>(21,657)</u>	<u>579,503</u>	<u>25,716</u>
Other Long-term Liabilities:					
Compensated absences	6,951	6,180	(6,289)	6,842	358
OPEB liability	19,481	5,422	(1,830)	23,073	-
Accrued claims and judgments	357	1,242	-	1,599	1,599
Water fee credits	1,702	-	-	1,702	-
Liability for landfill closure	20,406	-	(19,229)	1,177	85
Subtotal, other long-term liabilities	<u>48,897</u>	<u>12,844</u>	<u>(27,348)</u>	<u>34,393</u>	<u>2,042</u>
Total business-type activities	<u>\$ 650,057</u>	<u>\$ 12,844</u>	<u>\$ (49,005)</u>	<u>\$ 613,896</u>	<u>\$ 27,758</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

COMPONENT UNIT:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of Participation Sacramento Regional Arts Facilities, 2002 Series COPS	\$ 13,335	\$ -	\$ (425)	\$ 12,910	\$ 440
Less deferred amounts: For issuance discounts	<u>(99)</u>	<u>-</u>	<u>5</u>	<u>(94)</u>	<u>(5)</u>
Total component unit	<u>13,236</u>	<u>-</u>	<u>(420)</u>	<u>12,816</u>	<u>435</u>
Total long-term liabilities	<u>\$ 1,392,820</u>	<u>\$ 100,481</u>	<u>\$ (138,876)</u>	<u>\$ 1,354,425</u>	<u>\$ 72,337</u>

FY14 beginning balance of net loss on refunding of debt in the amount of \$20,891 was reclassified to deferred outflows of resources in accordance with GASB 65.

The following is a list of long-term debt issues outstanding at June 30, 2014, including the amount of original debt issuance, a description of the debt issue, and disclosure of pledged revenue.

Revenue and Other Bonds

Issued Amount

- \$130,425 1993 Refunded Revenue Bonds, Series A
Authorized and issued September 1993, due in annual installments of \$2,186 to \$8,875 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1986 Public Facilities Certificates of Participation and a portion of the 1991 Marks-Roos Revenue Bonds.
- \$95,480 1993 Refunded Revenue Bonds, Series B
Authorized and issued September 1993, due in annual installments of \$1,634 to \$6,070 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1989 Public Facilities Certificates of Participation.
- \$7,290 1996 Lighting and Landscaping Bonds
Authorized and issued October 1996, due in annual installments of \$235 to \$565 through fiscal year 2017, bearing interest rates of 4.5% to 5.5%, for the purpose of financing park and lighting maintenance and capital improvements. The debt service on the bonds is payable from special assessments to be levied and collected from property owners. The City pledged future Citywide lighting and landscaping special assessment revenues to repay the bonds. The bonds are payable solely from special assessment revenue through September 2016. Total principal and interest remaining to be paid on the bonds is \$1,746. Current year principal and interest paid was \$582 and special assessment revenue in the Citywide Lighting and Landscaping District was \$14,921.
- \$73,725 1997 Lease Revenue Bonds
Authorized and issued July 1997, due in annual installments of \$1,060 to \$2,665 through July 2017, at which time there will be a mandatory remarketing. The bonds were issued to finance the acquisition and lease back of a sports and entertainment arena. The bonds were issued as variable rate bonds for which a ten-year interest rate hedge was purchased to mitigate risk of interest rate fluctuations to a fixed rate of 5.607%. The debt service on the bonds is paid from lease revenue from the arena owner. The City pledged future lease revenues to repay the bonds. The bonds are payable solely from lease revenue through July 2027. Total remaining principal and interest of \$90,513 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$5,485 and lease revenue was \$5,485.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

Issued Amount

- \$2,910 1999 Community Facilities District No. 2 Revenue Bonds, Series A
Authorized and issued January 1999, due in annual installments of \$35 to \$255 through September 2023, bearing interest rates of 4.8% to 6.25%, for the purpose of financing capital improvements of the North Natomas CFD of benefit to City property.
- \$160,475 2002 Capital Improvement Revenue Bonds
Authorized and issued July 2, 2002, for the purpose of financing certain capital projects within the City of Sacramento and to make a loan to the Redevelopment Agency of Sacramento for certain redevelopment projects within the City of Sacramento. In July 2005, \$32,935 of the bonds were defeased through the issuance of the 2005 Refunding Revenue bonds, and in December 2006, \$51,285 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance is due in annual installments of \$250 to \$5,310 through December 2017, bearing interest rates of 4% to 5.38%.
- \$68,470 2003 Capital Improvement Revenue Bonds
Authorized and issued September 30, 2003, with the net proceeds of \$67,841 utilized for financing construction of the 911 Call Center and certain other capital projects within the City of Sacramento. In December 2006, \$35,805 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance was due in annual installments of \$150 to \$3,360 through December 2033, bearing interest rates of 2.25% to 5%.
- \$167,860 2005 Refunding Revenue Bonds
Authorized and issued July 12, 2005, due in annual installments of \$360 to \$15,315 through December 1, 2029, bearing interest rates of 4% to 5%. Net proceeds of \$187,563 were utilized for the purpose of establishing an irrevocable escrow to refund \$173,440 principal amount of the outstanding 2000 Capital Improvement Revenue Bonds and a portion of the outstanding 1999, 2001 and 2002 Capital Improvement Revenue Bonds. As a result, the refunded bonds are considered defeased and the liabilities have been removed from the governmental and business-type activities columns of the statement of net position.
- \$95,900 2006 Capital Improvement Revenue Bonds Series A (Tax Exempt)
Authorized and issued June 15, 2006, due in annual installments of \$2,060 to \$5,070 through December 1, 2036, bearing interest rates of 3.75% to 5%. Net proceeds of \$89,808 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including the expansion of the Crocker Art Museum, the new Valley Hi–North Laguna Library and other capital projects within the City of Sacramento.
- \$55,235 2006 Capital Improvement Revenue Bonds Series B (Taxable)
Authorized and issued June 15, 2006, due in annual installments of \$720 to \$3,760 through December 1, 2036, bearing interest rates of 5.4% to 5.8%. Net proceeds of \$50,692 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento.
- \$28,825 2006 Capital Improvement Revenue Bonds Series C (Tax Exempt)
Authorized and issued December 12, 2006, due in annual installments of \$245 to \$1,955 through December 1, 2036, bearing interest rates of 4% to 5%. Net proceeds of \$30,500 were utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

Issued Amount

- \$2,430 2006 Capital Improvement Revenue Bonds Series D (Tax Exempt)
Authorized and issued December 12, 2006, due in annual installments of \$475 to \$685 through December 1, 2016, bearing an interest rate of 5.16%. Net proceeds of \$2,400 were utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento.
- \$186,950 2006 Capital Improvement Revenue Bonds Series E (Refunding)
Authorized and issued December 12, 2006, due in annual installments of \$402 to \$8,570 through December 1, 2033, bearing interest rates of 4% to 5.25%. Net proceeds of \$216,661 plus cash of \$13,441 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000 principal amount of the outstanding 2001 Capital Improvement Revenue Bonds and a portion of the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, and the associated liabilities have been removed from the governmental and business-type activities columns of the statement of net position.
- \$215,195 Water Revenue Bonds, Series 2013
Authorized and issued March 2013, due in annual installments of \$9,731 to \$14,018 through fiscal year 2043, bearing interest rates of 1% to 5%, for the purpose of financing the costs of improvements to the City's municipal water system. The debt service on the bonds is secured by the pledge of, and payable solely from, the Trust Estate, which consist primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$406,453 as of June 30, 2014. Current year principal and interest paid was \$9,731 and Water Fund system revenue was \$94,070.
- \$30,855 Wastewater Revenue Bonds, Series 2013
Authorized and issued June 2013, due in annual installments of \$951 to \$1,958 through fiscal year 2043, bearing interest rates of 3% to 5%, for the purpose of financing the costs of improvements to the City's wastewater system. The debt service on the bonds is secured by a pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$56,156 as of June 30, 2014. Current year principal and interest paid was \$951 and Wastewater Fund system revenue was \$27,544.

Certificates of Participation

- \$16,580 Sacramento Regional Arts Facilities 2002 Series Certificates of Participation (COPs)
Authorized and issued in August 2002, due in annual principal and interest installments of \$754 to \$1,063 through September 2032, bearing interest rates of 2% to 5%. Net proceeds of \$16,428 were utilized for the purpose of financing and refinancing the acquisition, renovation and construction of the H Street Theatre facilities. The City pledged future lease revenues to repay the COPs. The COPs are payable solely from lease revenue through September 2032. Total remaining principal and interest of \$19,834 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$1,052 and lease payments received were \$1,052.

Notes Payable

- \$2,220 1985 Sacramento Marina Note Payable, Phase I
Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

- \$3,229 1985 Sacramento Marina Note Payable, Phase II
Authorized July 1985, issued September 1987, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$27 to \$150 through August 2037, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,829 1985 Sacramento Marina Note Payable, Phase III
Authorized July 1985, issued March 1988, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$50 to \$120 through August 2018, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,117 1985 Sacramento Marina Note Payable, Phase IV
Authorized July 1985, issued February 1989, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$29 to \$73 through August 2019, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$10,477 2008 Sacramento Marina Note Payable, South Basin
Authorized February 2005, the City has made loan draws of \$9,000 plus accrued interest of \$1,477 through June 30, 2013, from the California Department of Boating and Waterways, for the purpose of constructing the South Basin Improvements at the Sacramento Marina. Principal and interest is due in 30 annual installments of \$204 to \$662, through August 2041, bearing an interest rate of 4.603%. The City made a partial payment on its scheduled debt service in August 2012, and no payment for the year ended June 30, 2014. As a result of the missed payment, DB&W and the City are working together to restructure the loan.
- \$1,380 1997 State Department of Boating and Waterways Note Payable
Authorized January 1997, issued May 1999, due in annual installments of \$89 to \$98 through 2018, for the purpose of financing a visitor dock at Old Sacramento.
- \$2,619 State Water Resources Control Board Note Payable
Authorized July 1998, issued September 1998, due in annual installments of \$166 through March 2018, bearing an interest rate of 2.6% for the purpose of financing the City's reservoir rehabilitation project. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through March 2018. Total principal and interest remaining to be paid on the note is \$663. Current year principal and interest paid was \$166 and wastewater and storm drain fee revenue was \$63,433.
- \$37,016 State Water Resources Control Board Note Payable
Authorized March 1999, issued beginning July 1999, due in annual installments of \$2,373 through November 2020, bearing an interest rate of 2.2%, for the purpose of financing various wastewater projects. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through November 2020. Total principal and interest remaining to be paid on the note is \$16,570. Current year principal and interest paid was \$2,367 and wastewater and storm drain fee revenue was \$63,433.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

- \$5,177 State Water Resources Control Board Note Payable
Authorized March 2001, issued July 2001, due in annual installments of \$342 through September 2019, bearing an interest rate of 2.6%, for the purpose of financing the construction of underground storage and pumping facilities. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through September 2019. Total principal and interest remaining to be paid on the note is \$2,052. Current year principal and interest paid was \$342 and wastewater and storm drain fee revenue was \$63,433.
- \$2,603 State Water Resources Control Board Note Payable
Authorized June 2001, issued beginning May 2002, due in annual installments of \$149 through May 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. In fiscal year 2003 there was an additional draw of \$250. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through May 2021. Total principal and interest remaining to be paid on the note is \$1,155. Current year principal and interest paid was \$165 and wastewater and storm drain fee revenue was \$63,433.
- \$5,672 State Water Resources Control Board Note Payable
Authorized February 2002, issued beginning February 2002, due in annual installments of \$397 through February 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through February 2021. Total principal and interest remaining to be paid on the note is \$2,780. Current year principal and interest paid was \$397 and wastewater and storm drain fee revenue was \$63,433.
- \$400 California Department of Education Note Payable
To finance the construction of temporary classrooms at Two Rivers School and Sequoia School with maturities of \$20 per year through 2015. The note bears no interest.
- \$10,000 California Department of Public Health
Authorized September 2009 for the installation of approximately 13,000 water meters. The note, with a 2.5% interest rate, will be repaid over 20 years with annual principal and interest payments of approximately \$639. The City pledged future water enterprise fund revenue to repay the note. The note is payable solely from water enterprise fund revenue through 2033.
- \$2,975 California Infrastructure and Economic Development Bank (I-Bank)
Authorized in December 2007, due in annual principal and interest installments from \$187 to \$196 through August 2032, bearing an interest rate of 3.17%, for the purpose of financing the purchase and construction of the Basin 31 Detention Basin. The City pledged future storm drainage fee revenue to repay the note. The note is payable solely from the storm drainage fee revenue through August 2032. Total principal and interest remaining to be paid on the note is \$3,820. Current year principal and interest paid was \$163 and storm drainage fee revenue was \$35,889.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Capital Lease Obligations

The City has entered into several long-term leases to finance the acquisition of building improvements and equipment. The leases qualify as capital leases for accounting purposes as defined under the GASB Statement No. 62 and have been recorded at the present value of the future minimum lease payments. As of June 30, 2014, future minimum lease payments to be made by the City's General, Solid Waste, Wastewater and Marina Funds are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2015	\$ 3,388	\$ 2,156	\$ 5,544
2016	3,388	1,817	5,205
2017	3,006	1,818	4,824
2018	2,271	570	2,841
2019	1,358	-	1,358
2020-2024	1,072	-	1,072
Total minimum lease payments	14,483	6,361	20,844
Less amounts representing interest	(921)	(263)	(1,184)
Net present value of minimum lease payments	\$ 13,562	\$ 6,098	\$ 19,660

The following is a schedule of property under capital leases by major classes at June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Buildings and improvements	\$ 1,523	\$ -	\$ 1,523
Equipment	18,859	13,386	32,245
Less: accumulated depreciation	(5,797)	(6,615)	(12,412)
Total	\$ 14,585	\$ 6,771	\$ 21,356

Other Long-term Liabilities

Accrued claims and judgments – Estimated liabilities of the City's workers' compensation, auto, and general liability self-insurance programs administered through the Risk Management Internal Service Fund. The first year of salary continuation in the City's workers compensation program is accrued and paid by the City's General Fund, enterprise funds, and internal service funds.

Compensated absences – Estimated amounts due to employees for earned, but unused, compensated absence accounts, including leave balances for vacation, sick, holiday and compensated time off. Compensated absences are generally liquidated by the City's General Fund, enterprise funds, and internal service funds.

OPEB liability (other post-employment benefits) – Actuarially determined obligation for retiree medical benefits. The City established its OPEB liability at zero as of June 30, 2007. This liability reflects six years of contributing less than the annual required contribution. OPEB liabilities are generally liquidated by the City's General Fund, internal service funds and enterprise funds. See note 9 for more information.

Pollution remediation obligations – Estimated liabilities to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

Derivative instrument - interest rate swap – Amount represents the fair value of the interest rate swap associated with the 1997 Lease Revenue bonds. See additional disclosures regarding interest rate swap below.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Other Long-term Liabilities (Continued)

Financing plan fee credits – Issued to developers as consideration for infrastructure and other capital improvements constructed on behalf of the City within the scope of the North Natomas, Jacinto Creek and other development impact fee programs. Credits are redeemable from or against future impact fees assessed within the geographic boundaries of the finance plan.

Water fee credits – Issued to developers as consideration for infrastructure constructed on behalf of the City. Credits are redeemable from or against future water development impact fees.

Liability for landfill closure – Estimated post-closure maintenance and monitoring costs for the closed landfill sites.

Future Debt Service Requirements

The following tables disclose the annual debt service requirements for the City and the Sacramento Regional Arts Facilities Financing Authority component unit long-term debt outstanding as of June 30, 2014.

Annual debt service requirements of governmental activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 19,986	\$ 20,546	\$ 741	\$ 725
2016	21,221	19,574	586	700
2017	22,379	18,421	611	674
2018	21,629	17,309	640	645
2019	19,110	16,292	668	616
2020 - 2024	89,993	67,065	2,068	2,742
2025 - 2029	98,578	42,093	2,478	2,243
2030 - 2034	80,669	18,553	3,099	1,622
2035 - 2039	30,737	2,519	3,346	862
2040 2044	-	-	1,816	170
Subtotals	404,302	222,372	16,053	10,999
Less: Issuance discounts	(135)	-	-	-
Plus: Issuance premiums	15,310	-	-	-
Totals	\$ 419,477	\$ 222,372	\$ 16,053	\$ 10,999

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Future Debt Service Requirements (Continued)

Annual debt service requirements for business-type activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 18,089	\$ 24,070	\$ 3,445	\$ 814
2016	19,504	23,190	3,506	733
2017	20,456	22,217	3,589	649
2018	21,494	21,155	3,673	564
2019	22,547	20,076	3,595	477
2020 - 2024	94,217	84,284	8,872	1,325
2025 - 2029	90,292	62,891	3,273	716
2030 - 2034	88,581	38,845	2,756	268
2035 - 2039	57,985	21,868	579	42
2040 - 2044	57,904	5,971	-	-
Subtotals	491,069	324,567	33,288	5,588
Less: Issuance discounts	(365)	-	-	-
Plus: Issuance premiums	49,413	-	-	-
Totals	\$ 540,117	\$ 324,567	\$ 33,288	\$ 5,588

Annual debt service requirements of component unit activities to maturity are as follows:

Fiscal Year Ending June 30,	Certificates of Participation	
	Principal	Interest
2015	\$ 440	\$ 610
2016	460	591
2017	480	572
2018	500	551
2019	520	529
2020 - 2024	2,975	2,255
2025 - 2029	3,780	1,429
2030 - 2034	3,755	387
Subtotals	12,910	6,924
Less: Issuance discounts	(94)	-
Totals	\$ 12,816	\$ 6,924

Derivative Instrument - Interest Rate Swap

Objective of the interest rate swap. The Sacramento City Financing Authority (the "Authority") entered into an interest-rate swap in 2007 in connection with remarketing of its 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-rate bonds (the "Bonds"). In effect, the swap changed the Bonds variable rate to a synthetic fixed rate of 5.607% through the end of the swap agreement's term, thereby hedging the Authority's interest-rate risk and lowering the Authority's borrowing cost compared to the cost of issuing traditional fixed-rate bonds. As of June 30, 2014, the amount of outstanding Bonds was \$62,015. The interest and principal payments on the Bonds are insured.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Derivative Instrument - Interest Rate Swap (Continued)

Terms. The Bonds mature on July 15, 2027; are subject to remarketing on July 19, 2017; and carry an interest rate equal to 3-month London Interbank Offered Rate (“LIBOR”) plus 0.25% (total rate not to exceed 14%), payable quarterly, until July 19, 2017. The swap was entered at the same time the Bonds were remarketed in July 2007. The swap agreement terminates on July 19, 2017, and has a notional amount as of June 30, 2014, of \$62,015. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through 2017. Under the swap, the Authority pays the swap provider a fixed interest payment of 5.607% and receives a variable-interest payment of LIBOR plus 0.25% (total rate not to exceed 14%). As of June 30, 2014, the 3-month LIBOR rate in effect was 0.23%. The Authority’s payments to the swap provider are insured.

Fair value. As of June 30, 2014, the swap had a negative value to the Authority of \$8,217, which reflects the decline in interest rates since 2007. (Because the interest rates on the Bonds adjust as LIBOR adjusts, the Bonds do not have a corresponding value increase.) The swap’s value was estimated using the zero-coupon method, which calculates the future net-settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot-interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Provider credit risk. The value of the swap to the Authority depends on the “provider credit risk,” which is the swap provider’s ability to meet its payment obligations under the swap. Often this risk is addressed by requiring the swap provider to enter into a “collateral agreement” if its credit rating falls below specified levels. Such an agreement provides for the collateralization of the swap provider’s obligations under the swap, as measured by the estimated “settlement amount” if the swap is terminated. But when the Authority entered into this swap, the swap provider, Goldman Sachs Capital Markets, L.P., was not rated by credit rating agencies, so a rated affiliate of the swap provider, The Goldman Sachs Group, Inc., provided credit support. Goldman Sachs Capital Markets, L.P. was subsequently replaced by a rated swap provider, Goldman Sachs Bank USA. The swap agreement requires the swap provider to enter into a collateral agreement if the credit support provider is rated A3 or lower by Moody’s Investor Service or A- or lower by Standard & Poor’s. As of June 30, 2014, the swap provider was rated A2 by Moody’s Investors Services and A by Standard & Poor’s, the credit support provider was rated Baa1 by Moody’s Investors Service and A- by Standard & Poor’s, and the swap provider and the Authority had not entered into a collateral agreement. As of June 30, 2014, the swap was a liability to the Authority in the amount of \$8,217 and an asset in the same amount to the swap provider. Therefore, swap provider had not entered into a collateral agreement.

Basis risk. The swap agreement provides that the payment received by the Authority must be at LIBOR plus 0.25% (total rate not to exceed 14%), which is identical to the interest rate on the Bonds. This mitigates the Authority’s exposure to basis risk.

Termination risk. Under certain circumstances, either the swap provider or the Authority may terminate the swap. If the swap is terminated, then the Authority would no longer pay a synthetic fixed-interest rate on the Bonds but would instead pay the variable rate. And if, at the time of termination, the swap has a negative value, then the Authority would be liable to the swap provider for a payment equal to the swap’s value.

Rollover Risk. The Authority is exposed to rollover risk on the swap because the maturity date of the swap agreement is July 2017 whereas the Bonds mature in July 2027.

City of Sacramento
Notes to the Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Derivative Instrument - Interest Rate Swap (Continued)

Swap payments and associated debt. Using rates in effect on June 30, 2014 (LIBOR 0.23% plus 0.25%), the debt-service requirements of the Bonds and the net swap payments, assuming interest rates remain the same through the July 2017 termination date of the swap and tender date on the Bonds, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	\$ 2,225	\$ 292	\$ 3,082	\$ 5,599
2016	2,475	286	3,007	5,768
2017	2,665	268	2,825	5,758
2018	54,650	66	700	55,416
TOTAL	\$ 62,015	\$ 912	\$ 9,614	\$ 72,541

The interest rates on the Bonds will vary after July 2017, when the swap terminates and the Bonds must be remarketed.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and determined the liability to be zero at June 30, 2014.

Special Assessment Debt

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$151,085 at June 30, 2014. The City acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The City is not liable for repayment of the special district bonds, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable for the districts are reported in the Assessment Districts and Community Facilities Districts Agency Funds.

Conduit Debt

Outstanding obligations related to special facility and redevelopment agency revenue bonds total \$260,840 at June 30, 2014. Special facility revenue bonds were issued to provide administrative and service facilities for four non-profit organizations and for offices leased to the State of California Department of General Services (State). The bonds issued are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from loan or lease agreements between the City and the non-profit organizations or the State. The redevelopment agency bonds were issued by the Sacramento City Financing Authority to finance redevelopment activities and to refund certain other obligations of the redevelopment agency. The City is not liable for repayment of these bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

City of Sacramento
Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2014
 (dollar amounts expressed in thousands)

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Defined Benefit Plan Descriptions

The City of Sacramento provides defined benefit retirement benefits through the California Public Employees' Retirement System (CalPERS) and the Sacramento City Employees' Retirement System (SCERS). CalPERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

CalPERS

All full-time and certain part-time City employees hired after January 28, 1977 and City safety employees, regardless of date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within CalPERS is not available.

SCERS

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension trust fund. SCERS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 4th Floor, Sacramento, CA 95814. The following is a summary of significant accounting policies:

Basis of Accounting – SCERS' financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value, except mortgage loans which are recorded at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Net Position – The Pension Trust Fund's net position is determined on the same basis used by pension plan.

Funding Policy

Participants are required to contribute a percentage of their annual covered salary, as follows:

CalPERS - Miscellaneous	6.75 – 7%
CalPERS - Safety	9 – 12
SCERS - (varies with entry age)	3 – 10

The City makes the following participant contributions on their behalf and for their account (percent of annual covered payroll):

CalPERS - Certain miscellaneous employees	3%
CalPERS - Safety	9

The City is required to contribute at actuarially determined rates. Rates for the fiscal year ended June 30, 2014 were as follows (percent of annual covered payroll):

CalPERS - Miscellaneous	14.163%
CalPERS - Safety	29.457
SCERS	423.4

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Annual Pension Cost

CalPERS

For the fiscal year ended June 30, 2014, the City's annual CalPERS pension cost of \$49,861 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.30% to 14.20%. Both (a) and (b) included an inflation component of 2.75% and an annual production growth of .25%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period. Unfunded actuarial accrued liabilities and excess assets as of June 30, 2011 are being amortized, using the level percentage of payroll method, over a closed period that depends on the plan's date of entry into CalPERS. The remaining amortization period at June 30, 2011 was 31 years for the safety employees' plan and 28 years for the miscellaneous employees' plan. Subsequent plan amendments are amortized as a level percentage of projected payrolls over a closed 20-year period. Annual gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year.

SCERS

For the fiscal year ended June 30, 2014, the City's annual SCERS pension cost of \$9,649 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.50% investment rate of return (net of administrative expenses), (b) 3% projected annual salary increases, (c) an inflation component of 3%, and (d) 3.25% per year social security wage base adjustments. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Unfunded liabilities are being amortized over a 14 year rolling period, as a level dollar amount of projected payrolls.

Three-Year Trend Information

CalPERS – Miscellaneous

Fiscal Year	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$18.8	100%	\$ -
June 30, 2013	20.1	100	-
June 30, 2014	22.0	100	-

CalPERS – Safety

Fiscal Year	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$29.7	100%	\$ -
June 30, 2013	27.6	100	-
June 30, 2014	27.8	100	-

SCERS

Fiscal Year	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$10.4	100%	\$ -
June 30, 2013	10.6	100	-
June 30, 2014	9.6	100	-

City of Sacramento
Notes to the Financial Statements
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NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Funded Status

The funded status of the plans as of the most recent actuarial valuation dates is as follows (dollars in millions):

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	(Overfunded) Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	(Overfunded) Unfunded AAL as a % of Covered Payroll {(b) - (a)}/(c)
<u>CalPERS - Miscellaneous</u>						
6/30/13	\$ 677	\$ 914	\$ 237	74%	\$ 151	157%
<u>CalPERS - Safety</u>						
6/30/13	992	1,371	379	72%	108	364%
<u>SCERS</u>						
6/30/14	313	373	60	84%	2	2,643%

The actuarial assumptions used by CalPERS to determine the annual required contributions for the fiscal year ended June 30, 2014 are the same as the prior year. The assumptions for the SCERS plan are the same as those used to determine the annual required contributions for the fiscal year ended June 30, 2014.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp/down.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the assets are increasing or decreasing over time relative to AALs for benefits.

Defined Contribution Plan

The City also provides defined contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the Plan). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by City Council. Unrepresented exempt and certain represented employees may elect to participate. Participating employees of the aforementioned groups are required to contribute 5% and 2%, and the City contributes 4% and 2%, respectively, of covered salary. For the year ended June 30, 2014, employees contributed \$2,732 and the City contributed \$2,354 to the Plan.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS

Plan Description

The City provides contributions for post-employment medical, dental and vision benefits to employees who retire directly from the City and their dependents through a single-employer defined benefit OPEB plan (the plan). Participants have the choice of enrolling in one of several health plans, one of two dental plans and one vision plan. To be eligible for the City paid benefits, the employee must retire with a minimum of ten full years of active service and be 55 or 50 years of age for miscellaneous and safety employees, respectively. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit. Participants with more than fifteen years but less than twenty years of service are eligible for 75% of the maximum benefit. Participants with more than ten years but less than fifteen years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental care employer contributions range from \$0 and \$780 per month per participant, which covers between 0% and 100% of the benefit cost, depending on the choice of plan and number of dependents. The post employment health, dental and vision care contributions are defined by labor agreements and resolutions approved by the City Council. The City does not issue a separate stand-alone financial report for its OPEB plan.

Funding Policy

The City is currently funding the OPEB plan on a pay-as-you-go basis. However, the City Council authorized the City Manager to establish an OPEB trust fund with CalPERS. As of June 30, 2014, the City had deposited \$4,000 to the trust fund from the General Fund. Additional deposits may be made in the future.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The current ARC rate is 16.3 percent of annual covered payroll. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$	43,974
Interest on beginning OPEB liability		5,928
Adjustment to the ARC		(9,971)
Annual OPEB cost		<u>39,931</u>
Contributions made		(13,473)
Trust prefunding		<u>(4,000)</u>
Increase in net OPEB obligation		22,458
Net OPEB obligation - Beginning of year		<u>131,739</u>
Net OPEB obligation - End of year	\$	<u>154,197</u>
Covered payroll (active plan members)	\$	257,498
UAAL as a percentage of covered payroll		168.4%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 37,191	\$ 12,191	33%	\$ 105,203
6/30/2013	39,379	12,843	33	131,739
6/30/2014	39,930	17,473	43	154,197

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
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NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS (Continued)

Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date of the plan was 0% funded. The actuarial accrued liability was \$433,695 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$433,695. The annual covered payroll was \$257,498 and the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 168.4%. The Schedule of Funding Progress is presented as RSI following the notes to the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into future. Examples of these estimates and assumptions include future employment trends, mortality and the health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the June 30, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions utilized a 3% inflation rate, a 4.5% discount rate and a medical trend rate of 8.7% for fiscal year 2014, reduced by decrements of 0.5% each year to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 was 23 years.

NOTE 10 – FUND EQUITY AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, the government-wide statement of net position reported restricted net position of \$186,999 in governmental activities. Of this amount, \$12,703 is restricted for enabling legislation.

The Culture and Leisure Fund, a special revenue fund, had a deficit fund balance of \$3,209 as of June 30, 2014. The Golf program within this fund had a deficit balance of \$5,950. It is anticipated that this deficit will be funded by future operating subsidies and surpluses.

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations in the Parks and Recreation special revenue funds by \$68. This overspending was funded by revenue collected in excess of budgeted amounts.

City of Sacramento
Notes to the Financial Statements
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NOTE 11 – INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 2014:

	<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental activities:				
General Fund	Debt service	\$ 2,117	\$ (22,329)	\$ (20,212)
General Fund	In-lieu tax transfers	27,064	-	27,064
General Fund	Program support	743	(1,089)	(346)
Capital Grants Fund	Program support	-	(11)	(11)
Other Governmental Funds	Debt service	28,566	(6,737)	21,829
Other Governmental Funds	Program support	5,094	(4,361)	733
Internal Service Funds	Debt service	414	(51)	363
Internal Service Funds	Program support	4	(322)	(318)
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	61	(592)	(531)
Total governmental activities		<u>64,063</u>	<u>(35,492)</u>	<u>28,571</u>
Business-type activities:				
Water Fund	Debt service	-	(38)	(38)
Water Fund	In-lieu tax transfers	-	(10,216)	(10,216)
Water Fund	Program support	298	(455)	(157)
Wastewater Fund	Debt service	-	(51)	(51)
Wastewater Fund	In-lieu tax transfers	-	(3,005)	(3,005)
Wastewater Fund	Program support	4	-	4
Storm Drainage Fund	Debt service	-	(83)	(83)
Storm Drainage Fund	In-lieu tax transfers	-	(3,933)	(3,933)
Storm Drainage Fund	Program support	64	-	64
Solid Waste Fund	Debt service	-	(121)	(121)
Solid Waste Fund	In-lieu tax transfers	-	(6,344)	(6,344)
Solid Waste Fund	Program support	67	-	67
Community Center Fund	In-lieu tax transfers	-	(1,532)	(1,532)
Community Center Fund	Program support	-	(36)	(36)
Other Enterprise Funds	Debt service	-	(1,688)	(1,688)
Other Enterprise Funds	In-lieu tax transfers	-	(2,034)	(2,034)
Other Enterprise Funds	Program support	1	-	1
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	592	(61)	531
Total business-type activities		<u>1,026</u>	<u>(29,597)</u>	<u>(28,571)</u>
Total government-wide statements		<u>\$ 65,089</u>	<u>\$ (65,089)</u>	<u>\$ -</u>

City of Sacramento
Notes to the Financial Statements
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NOTE 11 – INTERFUND TRANSACTIONS (Continued)

Interfund Balances

Interfund balances report lending transactions between funds. The following is a summary of interfund balances as of June 30, 2014:

	<u>Receivables</u>	<u>Payables</u>	<u>Interfund Balances</u>
Capital Grants Fund	\$ -	\$ (3,009)	\$ (3,009)
Other Governmental Funds	-	(7,241)	(7,241)
Internal Service Funds	16,690	-	16,690
Total governmental activities	<u>16,690</u>	<u>(10,250)</u>	<u>6,440</u>
Community Center Fund	-	(6,440)	(6,440)
Total business-type activities	<u>-</u>	<u>(6,440)</u>	<u>(6,440)</u>
Total	<u>\$ 16,690</u>	<u>\$ (16,690)</u>	<u>\$ -</u>

\$16,690 was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$3,009) and to assist in development of community resources (approximately \$13,681).

\$3,009 was borrowed by the Capital Grants Fund for short-term loans.

\$7,241 was borrowed by the Golf Fund for development of community resources.

\$6,440 was borrowed by the Community Center Fund for development of community resources.

City of Sacramento
Notes to the Financial Statements
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NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to following: worker’s compensation; torts including errors and omissions; employment practices; theft of, damage to and destruction of assets; and natural disasters for which the City self-insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City.

The Risk Management Internal Service Fund self-insures the first \$2,000 of each workers’ compensation claim. Excess worker’s compensation insurance is purchased through the California State Association of Counties’ Excess Insurance Authority and it provides statutory coverage over the City’s \$2,000 self-insured retention. The fund self-insures the first \$2,000 of general and auto liability claims plus claim costs that exceed commercial insurance coverage. Commercial insurance for general and automobile liability claims provides \$30,000 in coverage, with a \$1,000 loss corridor deductible, for claims over the City’s self-insured retention.

Liabilities are estimated based on recommendations from an independent actuarial evaluation. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other social and economic factors. Estimated liability is then discounted by the City’s expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For the fiscal year ended June 30, 2014, the expected rate of return was 3 percent. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Internal Service Fund based on estimates of the amounts needed to pay operating costs, insurance premiums, and prior and current year claims. At June 30, 2014, the Risk Management Internal Service Fund had a net position of \$36,748.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, economic and social factors, and trends in damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the Risk Management Internal Service Fund’s claims liability for the past two fiscal years are summarized as follows:

	2014	2013
Accrued claims and judgements, July 1	\$ 59,850	\$ 55,933
Incurring claims and adjustment expenses	15,469	16,445
Claim payments	<u>(12,212)</u>	<u>(12,528)</u>
Accrued claims and judgements, June 30	<u>\$ 63,107</u>	<u>\$ 59,850</u>

City of Sacramento
Notes to the Financial Statements
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NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitment of Enterprise Fund Revenues

Revenues of the Wastewater and Storm Drainage Enterprise Funds are pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable. Revenue of the Wastewater Enterprise Fund is pledged to the payment of principal and interest on the Wastewater Revenue Bonds, Series 2013. Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Notes Payable and the Water Revenue Bonds, Series 2013. Revenue of the Storm Drainage Enterprise Fund is pledged to the payment of principal and interest on the California Infrastructure and Economic Development Bank Loan. See note 7 for more information.

Construction and Other Commitments

The City has commitments of \$190,477 for contracts awarded but not completed as of June 30, 2014. The following table shows the distribution of those commitments among major and nonmajor funds.

Governmental Activities:		Business-type Activities:	
General Fund	\$ 5,656	Water Fund	\$ 103,415
Measure U	598	Wastewater Fund	1,875
Capital Grants Fund	48,843	Storm Drainage Fund	2,433
Other governmental funds	19,145	Solid Waste Fund	1,433
Internal service funds	5,161	Community Center Fund	1,410
		Other enterprise funds	508
	<hr/>		<hr/>
Total governmental activities	<u>\$ 79,403</u>	Total business-type activities	<u>\$ 111,074</u>

The major contracts outstanding are \$92,293 for water treatment plant upgrades and replacements, \$34,299 for road and interchange improvements on Consumnes Boulevard, \$8,209 for construction of the 5th Street and Railyards Boulevard development project, \$7,532 for development and improvement of City parks \$3,189 for design and construction of intermodal transportation facility, \$3,159 for a revenue control system upgrade in the parking garages, \$2,655 for the residential water meter retrofit program, \$1,911 for replacement of the I Street Bridge, and \$1,599 for the rehabilitation of the Guy West Bridge.

Contingent Liabilities

The City participates in a number of federal, state and local grant programs, the principal of which is the Federal Highway Planning and Construction program. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for earlier years and the year ended June 30, 2014 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City believes any such claims would be immaterial to the City's financial position at June 30, 2014. Receipt of these grant revenues is not assured in the future.

The City has engaged an actuarial firm to review the accuracy of SCERS pension benefit calculations. The actuarial review is expected to be completed by February 2015 and, as a result, the final determination of the amount, if any, owed by the City to SCERS cannot be determined at this time. However, the City believes any amount due to the plan would be immaterial to the City's financial position at June 30, 2014.

Litigation

Various claims and lawsuits are pending against the City. As discussed in Note 12, the City is primarily self-insured and has accrued a liability for estimated claims outstanding. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that final outcome of these matters will not have a material adverse effect on the financial condition of the City.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Closure and Postclosure Care Cost

The City has several landfill sites which have stopped accepting waste, have been covered, and are closed. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at these sites after closure. A recent engineering report estimated that \$1,177 is required for future postclosure monitoring costs as of June 30, 2014. As a result of these recent reports, a special item in the amount of \$18,527 has been recognized in the Solid Waste Fund at June 30, 2014. The estimate is based on current cost and may change due to inflation or deflation, technology, or applicable laws and regulations. The City received approval from state regulators to fund the postclosure costs, along with cost increases due to inflation, with user charges for solid waste disposal.

Pollution Remediation Obligations

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The City is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. Regulatory agencies providing oversight of the City's pollution remediation obligations and activities include the State of California Regional Water Quality Control Board, the State of California Department of Toxic Substance Control, and the Sacramento County Department of Environmental Management. The estimated obligation was \$603 at June 30, 2013 and \$532 at June 30, 2014. Pollution remediation outlays totaled approximately \$86 for the fiscal year ended June 30, 2014. Pollution remediation obligations are measured based on outlays expected to be incurred to settle all estimable remediation efforts. Pollution remediation obligations are measured at the current value of reasonable and supportable assumptions about future events that may affect the eventual settlement of the obligations. Pollution remediation obligations are measured using the expected cash flow technique, which measures the obligation as the sum of probability-weighted amounts in a range of possible cash flows. Estimates are based on all currently available information, as well as the facts and circumstances of each situation, but may change due to price changes, changes in laws or regulations, changes in remediation technologies, or as additional information become available. Estimated recoveries from other parties that are included in the calculation of the City's pollution remediation obligations total \$80.

NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

JOINT VENTURES

Sacramento Housing and Redevelopment Agency

The City is a participant with the County of Sacramento in the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a stand-alone agency governed by the County Board of Supervisors over County housing activities and the City Council over City housing activities. Although the City does not have an equity interest in SHRA, it does have an ongoing financial interest. Based upon the approval process for activities of the Housing Authority of the City of Sacramento (Housing Authority), the City has the ability to directly influence SHRA to undertake projects for the citizenry of the City. Because the City's primary government does not have an equity interest in SHRA, SHRA's financial information is not included in these financial statements. Separately issued financial statement may be obtained from the Sacramento Housing and Redevelopment Agency, 801 12th Street, Sacramento, California, 95814.

SHRA administered the redevelopment agencies of the City and County until February 1, 2012. In 2011 the California Legislature enacted AB 1x 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies. Upon the dissolution of the redevelopment agency, the City elected to become the successor agency for the non-housing redevelopment agency activities. More information can be found in Note 15 – Successor Agency Trust Fund. The City designated the Housing Authority as the local authority to retain the housing assets and functions previously performed by the redevelopment agency, and the Housing Authority affirmatively elected pursuant to Health and Safety Code Section 34176 that it would serve as the "Successor Housing Agency" to the former redevelopment agency.

City of Sacramento
Notes to the Financial Statements
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NOTE 14 – JOINTLY GOVERNED AND RELATED ORGANIZATIONS (Continued)

Sacramento Public Library Authority

The City is a participant with the County of Sacramento and the cities of Citrus Heights, Elk Grove, Galt, Isleton and Rancho Cordova in the Sacramento Public Library Authority (Library), a joint powers agency created to provide library services to the residents of the participating municipalities. The Library is governed by a board made up of five County appointees and various numbers of appointees from each city, depending upon population. As of June 30, 2014, five of seventeen members of the Library board were appointed by the City. The current joint powers agreement was effective beginning July 1, 2007. After June 30, 2010, any party may withdraw from the Authority upon no less than one year's written notice. Upon withdrawal a party shall retain ownership of those capital facilities to which it holds title. The City is committed to fund annual contributions to operate library branches in the City. The City's General Fund contributions for the fiscal year ended June 30, 2014, were \$7,635. The City also contributed the use of its library facilities to the Library. In order to provide funding for additional services and hours in City libraries, the City also levies and passes through to the Library a parcel tax which totaled \$4,846 for the fiscal year ended June 30, 2014. Financial statements may be obtained from the Sacramento Public Library Authority, 828 I Street, Sacramento, California, 95814.

Sacramento Regional Fire/EMS Communication Center

The City is a participant with Sacramento Metropolitan Fire District and other local fire agencies in the Sacramento Regional Fire/EMS Communication Center (SRFECC), a fire dispatch center. SRFECC provides fire protection and emergency medical service dispatching for 1,000 square miles and 1.3 million residents in Sacramento and Placer Counties. The City provided \$3,492 of support to SRFECC during the fiscal year ended June 30, 2014. Financial statements may be obtained from the Sacramento Regional Fire/EMS Communication Center, 10230 Systems Parkway, Sacramento, California, 95827.

Northern California Regional Public Safety Training Authority

The City is a participant with the County of Sacramento, the Los Rios Community College District and the Regional Fire and Rescue Authority in the Northern California Regional Public Safety Training Authority (NCRPSTA) which operates the Northern California Regional Public Safety Training College located at McClellan Park. During the fiscal year ended June 30, 2014, the City provided \$451 of annual support to the NCRPSTA. The City also subleases space from the NCRPSTA at the McClellan Park site for various public safety emergency services offices and trainings. Rent payments during the fiscal year ended June 30, 2014 were \$102. The City also paid \$71 to provide upgrades to the firing ranges at NCRPSTA facilities and to reimburse costs for facility improvements. Financial statements may be obtained from the NCRPSTA Administrative Offices, 2409 Dean Street, Suite 119, McClellan, California, 95652.

Regional Fire and Rescue Training Authority

The City is a participant with the Sacramento Metropolitan Fire District and the California Governor's Office of Emergency Services in the Regional Fire and Rescue Training Authority which provides training for fire and rescue personnel throughout the region as well as operating the California Regional Fire Academy. During the fiscal year ended June 30, 2014, the City provided general support of \$45, paid \$210 for training courses for City staff and provided staff support. Financial statements may be obtained from the Regional Fire and Rescue Training Authority Business Office, 9320 Tech Center Drive, Sacramento, CA 95826.

City of Sacramento
Notes to the Financial Statements
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(dollar amounts expressed in thousands)

NOTE 14 – JOINTLY GOVERNED AND RELATED ORGANIZATIONS (Continued)

JOINTLY GOVERNED ORGANIZATIONS WITH RELATED PARTY TRANSACTIONS

The City participates in several jointly governed organizations for which it appoints a minority of board members. The City may also provide minor financial support or have other financial transactions with these organizations, but it does not have a financial interest in or responsibility to the organizations. The following organizations had financial transactions with the City during the fiscal year ended June 30, 2014:

The City provided \$74 in annual support and \$6 in project management fees to the Regional Water Authority.

The City provided \$62 in annual support and \$41 for participation in the Downtown/Riverfront transit project to the Sacramento Area Council of Governments.

The City processed payroll for the Sacramento Area Flood Control Agency (SAFCA) and received an administrative fee for the service. During FY14, the City also received \$460 from SAFCA in reimbursement for levee maintenance costs.

The City paid \$93 for services provided related to safe neighborhood and gang violence reduction programs to the Sacramento Employment and Training Agency.

The City provided \$114 in annual support to the Sacramento Groundwater Authority.

NOTE 15 – SUCCESSOR AGENCY TRUST FUND

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) which dissolved all redevelopment agencies in the State of California. The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. Successor agencies are allocated property tax revenue in an amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entity as of February 1, 2012.

On January 31, 2012, the City Council elected to become the successor agency for the former Redevelopment Agency of the City of Sacramento (Agency) in accordance with the Bill. Also on January 1, 2012, the City Council elected not to serve as the successor agency for the former redevelopment agency’s housing assets and functions, but instead designated the City’s Housing Authority to serve as the successor housing agency.

Prior to February 1, 2012, California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of redevelopment financing, the former Agency liabilities exceeded its assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to repay its outstanding long-term debt. This deficit was transferred to the successor agency on February 1, 2012. At June 30, 2014, the successor agency had a deficit of \$193,694 which will be eliminated with future property tax revenue distributions from the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Assembly Bill 1484, enacted on June 27, 2012 required two due diligence reviews to be performed to determine if successor agencies held unobligated cash balances available for distribution to affected taxing entities. The State Department of Finance (DOF) concurred with the balances identified by the City as available for distribution to the affected taxing entities. A payment of \$4,710 was transferred to the County Auditor-Controller on September 16, 2013 for distribution to the taxing entities, as determined during the due diligence reviews, and pursuant to HSC section 34179.6(f).

On September 20, 2013, the DOF granted RASA a Finding of Completion. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the RASA does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a finding of Completion, the RASA may place loan agreements between the former Agency and the City on the ROPS, as an enforceable obligation; utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants; and submit a Long-Range Property Management Plan (“LRPMP”) to the Oversight Board and the DOF approval. The LRPMP addresses the disposition and use of real properties held by RASA.

On September 10, 2013, the Oversight Board and RASA filed a writ of mandate (Successor Agency to the Redevelopment Agency of the City of Sacramento, et al. v. Matosantos, et al., Sacramento Superior Court Case No. 34-2013-80001637) to overturn DOF’s final determination that the 700 Block Agreements were no longer enforceable obligations. At a court hearing on May 30, 2014, the parties reached the basic terms of a settlement to allow for the 700 Block Property and the \$1,026 in bond funds to be transferred to the City to allow for the 700 Block of K Street Project to be implemented, but the \$2,574 in tax increment funds would be forfeited. The Settlement Agreement has been approved by the DOF, the Developer, RASA and the Oversight Board.

Capital Assets

The following is a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 45,566	\$ -	\$ -	\$ 45,566
Depreciable/amortizable capital assets				
Buildings and improvements	16,315	-	-	16,315
Less accumulated depreciation/amortization for:				
Buildings and improvements	(2,416)	(408)	-	(2,824)
Depreciable/amortizable capital assets, net	13,899	(408)	-	13,491
Total activities capital assets, net	<u>\$ 59,465</u>	<u>\$ (408)</u>	<u>\$ -</u>	<u>\$ 59,057</u>

Note: Beginning balance was restated to exclude 600 K Street and 111 N 12th Street properties with a net book value of \$2,398 at June 30, 2013. Title to these properties were transferred prior to FY14.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
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NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt

The following is a summary of changes in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
1998 Merged Downtown TABS, Series A	\$ 4,530	\$ -	\$ (4,530)	\$ -	\$ -
1998 Merged Downtown TX TABS, Series B	1,475	-	(1,475)	-	-
1998 Merged Downtown TX TABS, Series C	2,510	-	(2,510)	-	-
2000 Merged Downtown, Series A	745	-	(745)	-	-
Subtotal, revenue and other bonds	<u>\$ 9,260</u>	<u>\$ -</u>	<u>\$ (9,260)</u>	<u>\$ -</u>	<u>\$ -</u>
Notes Payable:					
1993 Merged Downtown TABS ^{(1) (2)}	\$ 39,453	\$ 1,913	\$ (373)	\$ 40,993	\$ 3,268
1999 Oak Park Refunding	1,990	-	(155)	1,835	160
2002 Merged Downtown TABS	9,030	-	(1,965)	7,065	1,630
2002 Merged Downtown Master Lease	1,950	-	(1,950)	-	-
2002 Stockton Blvd Master Lease	430	-	(80)	350	80
2003 Alkali Flat TE TABS, Series C	4,785	-	(385)	4,400	400
2003 Del Paso TE TABS, Series A ^{(1) (2)}	7,734	252	-	7,986	-
2003 North Sacramento TE TABS, Series C	4,530	-	(80)	4,450	85
2005 Del Paso Master Lease	1,300	-	(160)	1,140	165
2005 Del Paso Refunding	5,335	-	(660)	4,675	695
2005 Merged Downtown Master Lease Refunding	8,865	-	(25)	8,840	2,050
2005 Merged Downtown TE, Series A ^{(1) (2)}	115,620	5,738	-	121,358	-
2005 Merged Downtown TX, Series B	32,305	-	(435)	31,870	465
2005 North Sacramento Master Lease Refund	4,190	-	(160)	4,030	180
2005 Oak Park Master Lease Refunding	1,120	-	(85)	1,035	90
2005 Oak Park TE, Series ^{(1) (2)}	9,686	150	-	9,836	-
2005 Oak Park TX, Series B	7,070	-	(820)	6,250	865
2005 Richards Master Lease Refunding	4,820	-	(190)	4,630	200
2006 65th Street TE Master Lease, Series A	1,570	-	(35)	1,535	40
2006 65th Street TX Master Lease, Series B	3,815	-	(75)	3,740	80
2006 Del Paso TE, Series A	5,200	-	(60)	5,140	60
2006 Del Paso TX, Series B	2,325	-	(135)	2,190	140
2006 North Sacramento TE Master Lease, Series A	475	-	(10)	465	10
2006 North Sacramento TX Master Lease, Series B	4,460	-	(90)	4,370	95
2006 Oak Park Refunding TE, Series A	7,830	-	(655)	7,175	680
2006 Stockton Blvd Master Lease	1,990	-	-	1,990	-
2008 BOA Public Capital Corporation	2,598	-	(118)	2,480	124
2009 Army Depot TX Swap	3,074	-	(62)	3,012	65
2009 Army Depot TE Swap	6,555	-	(155)	6,400	160
2009 River District TX Swap	2,876	-	(58)	2,818	60
2009-10 SERAF Borrowing	4,000	-	-	4,000	1,602
Boating and Waterways Loan	530	-	(79)	451	82
Globe Mills	4,478	-	(209)	4,269	222
City of Sacramento CIEDB - Utilities/Detention Basin	1,336	-	(36)	1,300	37
Franklin Blvd Redevelopment Area	152	-	(47)	105	51
North Sacramento CIEDB Loan	3,618	-	(111)	3,507	115
Railyards Parking Loan	305	1	-	306	26
Stockton Blvd CIEDB Loan	3,028	-	(95)	2,933	97
Subtotal, notes payable	<u>320,428</u>	<u>8,054</u>	<u>(9,553)</u>	<u>318,929</u>	<u>14,079</u>
Total, long-term debt	<u>\$ 329,688</u>	<u>\$ 8,054</u>	<u>\$ (18,813)</u>	<u>\$ 318,929</u>	<u>\$ 14,079</u>

Notes: (1) Beginning balance was restated to reflect accreted value of the 1993 Merged Downtown TABS, 2003 Del Paso TE TABS, Series A, 2005 Merged Downtown TE TABS, Series A, and 2005 Oak Park TE, Series A for the fiscal year ended June 30, 2013.

(2) Increase in accreted value of the 1993 Merged Downtown TABS, 2003 Del Paso TE TABS, Series A, 2005 Merged Downtown TE TABS, Series A, and 2005 Oak Park TE, Series A for the fiscal year ended June 30, 2014 was recorded as additions.

City of Sacramento
Notes to the Financial Statements
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NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Future Debt Service Requirements

The following tables disclose the annual debt service requirements outstanding as of June 30, 2014:

Fiscal Year Ending June 30,	Notes Payable	
	Principal	Interest
2015	\$ 23,231	\$ 6,788
2016	22,800	6,321
2017	23,184	5,852
2018	23,655	5,384
2019	21,083	4,746
2020 - 2024	112,097	15,055
2025 - 2029	105,700	9,676
2030 - 2034	84,879	4,583
2035 - 2038	15,008	451
Subtotal	431,637	58,856
Less: Unaccreted interest	(112,708)	-
Total	<u>\$ 318,929</u>	<u>\$ 58,856</u>

Special Item

The special item recognized in the fiduciary fund statements was for the transfer of housing loans with a book value of \$3,104 at June 30, 2014 to the Housing Authority of the City of Sacramento, the designated Housing Successor Agency for the City. These loans met the definition of a housing asset pursuant to HSC section 34176 (e) (3).

Net Position (Deficit) Restatement

The beginning net position (deficit) has been restated and decreased by \$99,327. The capital asset beginning balance has been restated to delete two parcels recorded in error, which were transferred on June 30, 2012. The loan receivable beginning balance has been restated to its estimated net realizable value by establishing an allowance for deferred and forgivable loans. In addition, seven loans identified as housing assets were transferred in the prior year and one loan was written off in FY12. The long-term debt beginning balance has been restated to include accreted interest on the 1993 Merged Downtown TABS, 2003 Del Paso TE TABS, Series A, 2005 Merged Downtown TE, Series A, and 2005 Oak Park TE, Series A capital appreciation bonds.

The net position (deficit) reported in the fiduciary fund statements as of June 30, 2013, has been restated as follows:

	Private Purpose Trust Fund
Fiduciary net position (deficit), as of June 30, 2013, as originally reported	<u>\$ (100,909)</u>
Restatements:	
Capital asset adjustment	(2,398)
Loan receivable adjustment	(35,147)
Long-term debt adjustment	(61,782)
Total restatements	<u>(99,327)</u>
Fiduciary net position (deficit), as of June 30, 2013, as restated	<u>\$ (200,236)</u>

City of Sacramento
Notes to the Financial Statements
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(dollar amounts expressed in thousands)

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Subsequent Event

On July 21, 2014, the Oversight Board adopted Resolution No. 2014-0020 to authorize actions to implement the 700 Block of K Street Settlement Agreement. The Oversight Board resolved the assignment of the 700 Block of K Street Project Disposition and Development Agreement with 700 Block, LLC, the Funding Commitment Letter with the Downtown Sacramento Revitalization Corporation by the Agency, the transfer of the \$1,026 in Merged Downtown tax increment bond funds allocated for the 700 Block of K Street Project to the City, the transfer of the 700 Block properties with a net book value of \$20,610 at June 30, 2014 from RASA to the City, and the amendment to LRPMP to reflect the transfer.

On April 29, 2014, the Oversight Board adopted Resolution No. 2014-0002 to authorize the transfer of 38 government use parcels with a book value of \$9,999 at June 30, 2014 to the City of Sacramento. DOF approved the transfer of 25 parcels and disallowed transfer of 13 parcels to the City for governmental purposes. It is their understanding that these parcels serve a commercial purpose, or are vacant lots subject to future development. Therefore, these assets do not meet the definition of governmental purpose and cannot be transferred to the City pursuant to HSC section 34181 (a). The Agency requested reconsideration of the seven disallowed transfer of parcels in the Old Sacramento Historic District to the City for governmental purpose. However, Finance upholds its determination.

OB Resolution No. 2014-0016, authorizing Exclusive Right to Negotiate Agreement (ERN) with Domus Development, LLC for the 1022-1341 Del Paso Boulevard properties, is approved by DOF. The Agency will enter in an ERN in order to establish the terms and conditions of a purchase and sales agreement that will lead to the Agency's disposition of seven properties located at 1022-1314 Del Paso Boulevard. These properties have been included in the Agency's LRPMP. However, actual disposition of the properties cannot take place until receipt of Finance's approval of the LRPMP.

The OPEB liability reported in the private-purpose trust fund is an allocation of the SHRA OPEB liability for the former redevelopment agency employees.

NOTE 16 – SHORT-TERM DEBT

The City issued \$32,630 of Tax and Revenue Anticipation Notes (TRANS) on July 18, 2013, and redeemed them on June 27, 2014. The notes were issued to supplement City General Fund cash flows until taxes and other revenues were collected. Short-term activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Notes	<u>\$ -</u>	<u>\$ 32,630</u>	<u>\$ (32,630)</u>	<u>\$ -</u>

NOTE 17 – SPECIAL ITEMS

The City recognized two special item transactions during the fiscal year ended June 30, 2014. A special item, due to the change in estimated landfill closure liability, of \$18,527 was recognized in the Solid Waste Fund. A special item for forgiveness of \$2,500 of the Crocker Art Museum Association loan receivable, approved by the City Council in Resolution 2013-1444 and ratified in Resolution 2013-0247, was recognized in the government-wide statement of activities by the City during the fiscal year ended June 30, 2014.

City of Sacramento
Notes to the Financial Statements
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(dollar amounts expressed in thousands)

NOTE 18 – SERVICE CONCESSION ARRANGEMENT FOR CITY GOLF COURSES

In the prior fiscal year, the City entered into agreement number 2011-1245 with Morton Golf LLC (Morton) under which Morton will operate and collect user fees from City golf courses over the next 10 years. Morton will pay the City minimum installment payments plus a percentage of gross revenues over the 10 year period. The present value of the installment payments was estimated to be \$10,634. Morton is required to operate and maintain the golf courses in accordance with the agreement. The City reports a deferred inflow and loan receivable of \$7,976 in the government-wide statement of net position as of June 30, 2014.

NOTE 19 – RECLASSIFICATIONS AND RESTATEMENTS

Implementation of GASB 65

For the year ended June 30, 2014, the City implemented GASB 65 which requires debt issuance costs to be expensed when incurred, instead of amortizing these costs over the life of the bonds. As a result, in accordance with the pronouncement, the beginning net position of government-wide statements and the beginning fund balance/net position of certain fund statements has been restated. In addition, the beginning net position of the City's component unit has been restated. The restatement, as shown in the tables below, is to remove debt issuance costs previously reported as deferred charges.

Fund Reclassification

The City reclassified the Marina fund from a business-type activity to a governmental activity in the fiscal year ended June 30, 2014. The City's Marina activity has been reclassified from a non-major enterprise fund to the non-major Culture and Leisure Special Revenue Fund. Beginning governmental and business-type activities net position and beginning governmental fund balance, as shown in the tables below, have been restated to reflect this reclassification.

Net position reported in the government-wide statements as of June 30, 2013, has been restated as follows:

	Net position, as of June 30, 2013, as originally reported	Restatement due to the implementation of GASB 65	Reclassification of the Marina Fund	Total Reclassifications and Restatements	Net position, as of June 30, 2013, as restated
Governmental activities	\$ 1,579,083	\$ (2,894)	\$ (2,587)	\$ (5,481)	\$ 1,573,602
Business-type activities	895,888	(4,534)	2,587	(1,947)	893,941
Total	\$ 2,474,971	\$ (7,428)	\$ -	\$ (7,428)	\$ 2,467,543
Component unit	\$ 573	\$ (362)	\$ -	\$ (362)	\$ 211

Fund balance reported in other governmental funds as of June 30, 2013, has been restated as follows:

	Net position, as of June 30, 2013, as originally reported	Restatement due to the implementation of GASB 65	Reclassification of the Marina Fund	Total Reclassifications and Restatements	Net position, as of June 30, 2013, as restated
Other governmental funds	\$ 218,855	\$ -	\$ 1,051	\$ 1,051	\$ 219,906

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 19 – RECLASSIFICATIONS AND RESTATEMENTS (Continued)

Fund Reclassification (Continued)

Net position reported in the proprietary funds as of June 30, 2013, has been restated as follows:

	Net position, as of June 30, 2013, as originally reported	Restatement due to the implementation of GASB 65	Reclassification of the Marina Fund	Total Reclassifications and Restatements	Net position, as of June 30, 2013, as restated
Water Fund	\$ 387,070	\$ (2,891)	\$ -	\$ (2,891)	\$ 384,179
Wastewater Fund	126,876	(493)	-	(493)	126,383
Storm Drainage Fund	299,645	(31)	-	(31)	299,614
Solid Waste Fund	(2,888)	(145)	-	(145)	(3,033)
Community Center Fund	44,798	(764)	-	(764)	44,034
Other enterprise funds	40,387	(210)	2,587	2,377	42,764
Total	\$ 895,888	\$ (4,534)	\$ 2,587	\$ (1,947)	\$ 893,941
Internal service funds	\$ 94,104	\$ (25)	\$ -	\$ (25)	\$ 94,079

NOTE 20 – SUBSEQUENT EVENT

On July 30, 2014, the City entered into a forward bond purchase agreement in connection with the Entertainment and Sport Center (ESC) project and financing plan approved by the City Council on May 20, 2014. The forward commitment allows for the simultaneous close of the financing with Sacramento Basketball Holdings, LLC (SBH), the owners of the Sacramento Kings NBA Basketball franchise, in summer 2014 and the commencement of construction, and ensures that the City will have the funds available after all outstanding matters have been resolved. Development of the ESC is expected to transform Downtown Plaza into a center of entertainment and activity and provide Sacramento with a first-class venue for sports, entertainment and cultural events.

The total development cost for ESC is estimated to be \$477,000. Of that amount, \$223,130 in cash will come from the City of Sacramento and \$253,870 will come from SBH and their affiliates. The City's cash contributions come from three sources: a) net proceeds from sale of lease-revenue bonds backed by General Fund totaling \$212,500, b) Parking Fund \$5,630, and c) Master Owner Participation Agreement (MOPA) Fund proceeds from the City's sale of the Sheraton Grand Hotel \$5,000. The gross borrowing of the lease-revenue bonds – including the debt service reserve, capitalized interest and the cost of issuance is estimated at \$298,400 (and may not exceed \$325,000). The source of the annual debt-service payments will be revenues generated by the City's parking system, ESC facility lease payments made to the City, other ESC generated revenues, and hotel taxes.

Required Supplementary Information

City of Sacramento
Required Supplementary Information
Schedule of Funding Progress (Unaudited)
Pension Plans
(in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a) *	Actuarial Accrued Liability (AAL) – Entry Age (b)	(Overfunded) Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	(Overfunded) Unfunded AAL as a % of Covered Payroll {(b)-(a)}/(c)
<u>CalPERS - Miscellaneous</u>						
6/30/11	\$ 660	\$ 819	\$ 159	81%	\$ 165	96%
6/30/12	709	861	152	82	151	101
6/30/13	677	914	237	74	151	157
<u>CalPERS - Safety</u>						
6/30/11	1,035	1,249	214	83	109	196
6/30/12	1,077	1,313	236	82	108	219
6/30/13	992	1,371	379	72	104	364
<u>SCERS</u>						
6/30/12	294	389	95	76	3	3,211
6/30/13	292	382	90	76	2	3,949
6/30/14	313	373	60	84	2	2,643

* Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equal Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

City of Sacramento
Required Supplementary Information
Schedule of Funding Progress (Unaudited)
Other Post Employment Benefits
(in millions)

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	\$ -	\$ 440	\$ 440	0.00%	\$ 254	173.4%
6/30/2012	-	447	447	0.00	262	170.9
6/30/2013	-	434	434	0.00	257	168.4

Notes to the Required Supplementary Information

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

OTHER GOVERNMENTAL FUNDS

Other governmental funds are nonmajor funds reported in the other governmental funds column of the governmental funds financial statements and include:

SPECIAL REVENUE FUNDS are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter or ordinance to finance specific governmental functions. The individual funds are listed in the special revenue funds section of the CAFR.

OTHER DEBT SERVICE FUNDS are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The individual funds are listed in the other debt service funds section of the CAFR.

OTHER CAPITAL PROJECTS FUNDS are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets. The individual funds are listed in the other capital projects funds section of the CAFR.

PERMANENT FUNDS are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The individual funds are listed in the permanent funds section of the CAFR.

City of Sacramento
Other Governmental Funds
Combining Balance Sheet
 June 30, 2014
 (in thousands)

	Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS					
Cash and investments held by City	\$ 126,966	\$ 7,397	\$ 63,134	\$ 5,200	\$ 202,697
Cash and investments held by fiscal agent	16	294	-	-	310
Securities lending assets	255	-	67	250	572
Receivables, net:					
Accounts	3,736	-	19	-	3,755
Loans	1,266	3,934	2,500	-	7,700
Intergovernmental	9,822	42,523	-	-	52,345
Interest	92	2	114	11	219
Prepaid items	24	-	-	-	24
Restricted assets:					
Cash and investments held by City	669	826	7,800	-	9,295
Cash and investments held by fiscal agent	732	15,565	-	-	16,297
Total assets	\$ 143,578	\$ 70,541	\$ 73,634	\$ 5,461	\$ 293,214
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Securities lending obligations	\$ 715	\$ -	\$ 1,065	\$ 270	\$ 2,050
Accounts payable	6,193	-	1,637	-	7,830
Accrued payroll	177	-	-	-	177
Accrued claims and judgements	1,601	-	-	-	1,601
Matured notes and interest payable	662	-	-	-	662
Deposits	1,258	846	95	-	2,199
Unearned revenue	345	-	604	-	949
Advances from other funds	7,241	-	-	-	7,241
Total liabilities	18,192	846	3,401	270	22,709
Deferred Inflows of resources:					
Unavailable revenue	5,595	46,009	2,514	-	54,118
Total deferred inflows of resources	5,595	46,009	2,514	-	54,118
Fund balances:					
Nonspendable:					
Prepaid items	24	-	-	-	24
Noncurrent assets	-	451	-	-	451
Permanent fund principal	-	-	-	878	878
Restricted:					
Capital projects	56,963	-	67,259	-	124,222
Debt service	1,983	15,565	-	-	17,548
Public works programs	11,830	-	-	-	11,830
Economic development programs	22,484	-	-	-	22,484
Other programs	25,151	-	460	4,313	29,924
Committed:					
Capital projects	3,288	-	-	-	3,288
Debt service	-	6,583	-	-	6,583
Economic development programs	5,125	-	-	-	5,125
Other programs	3,382	-	-	-	3,382
Assigned:					
Debt service	-	973	-	-	973
Unrealized investment gains	-	3	-	-	3
Other programs	1,721	111	-	-	1,832
Unassigned	(12,160)	-	-	-	(12,160)
Total fund balances	119,791	23,686	67,719	5,191	216,387
Total liabilities, deferred inflows of resources and fund balances	\$ 143,578	\$ 70,541	\$ 73,634	\$ 5,461	\$ 293,214

City of Sacramento
Other Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:					
Taxes	\$ 3,061	\$ -	\$ -	\$ -	\$ 3,061
Intergovernmental	58,531	3,135	-	-	61,666
Charges for services	7,570	-	-	-	7,570
Fines, forfeits and penalties	654	-	-	-	654
Interest, rents, and concessions	4,118	2,919	747	747	8,531
Community service fees	3,175	-	1,518	-	4,693
Assessment levies	36,298	-	2,322	-	38,620
Contributions and donations	1,699	1,355	11	1	3,066
Miscellaneous	289	-	-	-	289
Total revenues	115,395	7,409	4,598	748	128,150
Expenditures:					
Current:					
General government	3,170	-	278	99	3,547
Police	8,851	-	-	-	8,851
Fire	4,190	-	-	-	4,190
General services	128	-	-	-	128
Public works	28,936	-	-	-	28,936
Convention, culture and leisure	5,756	-	-	-	5,756
Economic development	9,814	-	-	-	9,814
Parks and recreation	17,031	-	162	-	17,193
Community development	3,975	-	289	-	4,264
Library	4,846	-	-	-	4,846
Utilities	512	-	-	-	512
Capital outlay	23,856	-	6,927	-	30,783
Debt service:					
Principal	1,602	19,360	429	-	21,391
Interest and fiscal charges	1,393	17,529	52	-	18,974
Total expenditures	114,060	36,889	8,137	99	159,185
Excess (deficiency) of revenues over (under) expenditures	1,335	(29,480)	(3,539)	649	(31,035)
Other financing sources (uses):					
Transfers in	5,095	28,565	-	-	33,660
Transfers out	(4,361)	(86)	(6,651)	-	(11,098)
Issuance of long-term debt	-	-	52	-	52
Proceeds from sale of capital assets	597	4,305	-	-	4,902
Total other financing sources (uses)	1,331	32,784	(6,599)	-	27,516
Net change in fund balances	2,666	3,304	(10,138)	649	(3,519)
Fund balances, beginning of year, as restated	117,125	20,382	77,857	4,542	219,906
Fund balances, end of year	\$ 119,791	\$ 23,686	\$ 67,719	\$ 5,191	\$ 216,387

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter or ordinance to finance specific government functions. The following special revenue funds have been classified as nonmajor funds:

THE TRANSPORTATION AND DEVELOPMENT FUND accounts for the receipts and disbursements of taxes, fees and fines which are used to construct and maintain streets, bridges and bikeways as well as for traffic safety and community development activities. Programs in the Transportation and Development Fund include the State Gasoline Tax Program, the Sacramento Transportation Sales Tax Program, the Major Street Construction Tax Program, the Transportation Development Act Program and the Private Development Program.

THE CULTURE AND LEISURE FUND is used to account for a variety of cultural arts and leisure activities. Programs in the Culture and Leisure Fund include the Sacramento Zoo, Fairytale Town, Art in Public Places, Old Sacramento Market, H Street Theatre, Golf, Marina, the Crocker Master Trust and the Winchester G. and Mary Alice Felt Endowment.

THE PARKS AND RECREATION FUND is used to account for a variety of parks programs and recreation activities. Programs in the Parks and Recreation Fund include START, Quimby, Special Recreation, Land Park, Sutter Park Sites, Special Program Donations and the Ethel MacLeod Hart Trust.

THE ECONOMIC DEVELOPMENT FUND accounts for the receipts and disbursements of former redevelopment property tax revenues as well as the Brownfield Revolving Loan Program and the Sheraton Master Owner Participation Agreement (MOPA).

THE OPERATING GRANTS FUND is used to account for federal, state and other agency grants received for various specific purposes.

THE CCOMWP FUND is used to account for the revenue and expenditures associated with the City/County Office of Metropolitan Water Planning. The CCOMWP was formed to develop the Water Forum Agreement with objectives to provide a reliable water supply for planned development to the year 2030, and to preserve the region's Lower American River.

SPECIAL REVENUE FUNDS (continued)

THE SPECIAL DISTRICTS SPECIAL REVENUE FUND is used to account for a variety of programs that provide infrastructure maintenance and other services for specific areas of the City where special assessments or special taxes are levied. The Special Districts Special Revenue Fund includes the Business Improvement Districts Program, the Landscaping and Lighting Districts Program, the Maintenance Benefit Area Program and the Assessment District Maintenance Program.

THE CAL EPA FUND is used to account for the expenditures associated with the maintenance of the Joe Serna, Jr. California EPA Headquarters Building.

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City of Sacramento
Special Revenue Funds
Combining Balance Sheet
June 30, 2014
(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
ASSETS				
Cash and investments held by City	\$ 57,655	\$ 3,856	\$ 13,600	\$ 26,471
Cash and investments held by fiscal agent	-	16	-	-
Securities lending assets	-	-	208	47
Receivables, net:				
Accounts	727	318	116	-
Loans	-	61	-	1,205
Intergovernmental	3,822	-	849	-
Interest	-	-	3	89
Prepaid items	-	-	11	-
Restricted assets:				
Cash and investments held by City	-	70	-	-
Cash and investments held by fiscal agent	-	732	-	-
Total assets	<u>\$ 62,204</u>	<u>\$ 5,053</u>	<u>\$ 14,787</u>	<u>\$ 27,812</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Securities lending obligations	\$ 222	\$ -	\$ 299	\$ 194
Accounts payable	2,457	25	731	-
Accrued payroll	-	22	141	-
Accrued claims and judgements	1,601	-	-	-
Matured notes and interest payable	-	662	-	-
Deposits	889	143	135	-
Unearned revenue	-	22	231	-
Advances from other funds	-	7,241	-	-
Total liabilities	<u>5,169</u>	<u>8,115</u>	<u>1,537</u>	<u>194</u>
Deferred Inflows of resources:				
Unavailable revenue	<u>2122</u>	<u>147</u>	<u>74</u>	<u>9</u>
Total deferred inflows of resources	<u>2122</u>	<u>147</u>	<u>74</u>	<u>9</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	11	-
Restricted:				
Capital projects	42,880	-	8,853	-
Debt service	-	802	-	-
Public works programs	11,830	-	-	-
Economic development programs	-	-	-	22,484
Other programs	-	2,038	2,592	-
Committed:				
Capital projects	240	447	101	-
Economic development programs	-	-	-	5,125
Other programs	1,752	11	1,619	-
Assigned:				
Other programs	-	598	-	-
Unassigned	<u>(1,789)</u>	<u>(7,105)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>54,913</u>	<u>(3,209)</u>	<u>13,176</u>	<u>27,609</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 62,204</u>	<u>\$ 5,053</u>	<u>\$ 14,787</u>	<u>\$ 27,812</u>

City of Sacramento
Special Revenue Funds
Combining Balance Sheet
June 30, 2014
(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Total Special Revenue Funds
ASSETS					
Cash and investments held by City	\$ 2,795	\$ 1,587	\$ 17,416	\$ 3,586	\$ 126,966
Cash and investments held by fiscal agent	-	-	-	-	16
Securities lending assets	-	-	-	-	255
Receivables, net:					
Accounts	1,051	321	1,203	-	3,736
Loans	-	-	-	-	1,266
Intergovernmental	5,114	-	-	37	9,822
Interest	-	-	-	-	92
Prepaid items	10	3	-	-	24
Restricted assets:					
Cash and investments held by City	-	-	599	-	669
Cash and investments held by fiscal agent	-	-	-	-	732
Total assets	\$ 8,970	\$ 1,911	\$ 19,218	\$ 3,623	\$ 143,578
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Securities lending obligations	\$ -	\$ -	\$ -	\$ -	\$ 715
Accounts payable	1,895	183	902	-	6,193
Accrued payroll	-	14	-	-	177
Accrued claims and judgements	-	-	-	-	1,601
Matured notes and interest payable	-	-	-	-	662
Deposits	91	-	-	-	1,258
Unearned revenue	92	-	-	-	345
Advances from other funds	-	-	-	-	7,241
Total liabilities	2,078	197	902	-	18,192
Deferred Inflows of resources:					
Unavailable revenue	3,243	-	-	-	5,595
Total deferred inflows of resources	3,243	-	-	-	5,595
Fund balances:					
Nonspendable:					
Prepaid items	10	3	-	-	24
Restricted:					
Capital projects	-	-	5,230	-	56,963
Debt service	-	-	1,181	-	1,983
Public works programs	-	-	-	-	11,830
Economic development programs	-	-	-	-	22,484
Other programs	6,892	1,711	11,918	-	25,151
Committed:					
Capital projects	-	-	-	2,500	3,288
Economic development programs	-	-	-	-	5,125
Other programs	-	-	-	-	3,382
Assigned:					
Other programs	-	-	-	1,123	1,721
Unassigned	(3,253)	-	(13)	-	(12,160)
Total fund balances (deficit)	3,649	1,714	18,316	3,623	119,791
Total liabilities, deferred inflows of resources and fund balances	\$ 8,970	\$ 1,911	\$ 19,218	\$ 3,623	\$ 143,578

City of Sacramento
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
Revenues:				
Taxes	\$ 595	\$ -	\$ -	\$ 2,466
Intergovernmental	36,267	-	4,983	-
Charges for services	5,005	1,424	291	-
Fines, forfeits and penalties	654	-	-	-
Interest, rents, and concessions	537	1,555	1,490	291
Community service fees	197	-	2,978	-
Assessment levies	90	-	-	-
Contributions and donations	-	38	245	-
Miscellaneous	-	19	-	270
Total revenues	43,345	3,036	9,987	3,027
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
General services	-	-	-	-
Public works	17,028	-	-	-
Convention, culture and leisure	-	1,055	-	-
Economic development	-	-	-	1,643
Parks and recreation	-	-	9,351	-
Community development	3,736	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	19,961	252	1,830	-
Debt service:				
Principal	-	1,122	-	-
Interest and fiscal charges	-	1,291	-	-
Total expenditures	40,725	3,720	11,181	1,643
Excess (deficiency) of revenues over (under) expenditures	2,620	(684)	(1,194)	1,384
Other financing sources (uses):				
Transfers in	3,968	-	553	119
Transfers out	(3,553)	-	(288)	(119)
Proceeds from sale of capital assets	-	-	-	597
Total other financing sources (uses)	415	-	265	597
Net change in fund balances	3,035	(684)	(929)	1,981
Fund balances (deficit), beginning of year, as restated	51,878	(2,525)	14,105	25,628
Fund balances (deficit), end of year	\$ 54,913	\$ (3,209)	\$ 13,176	\$ 27,609

City of Sacramento
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Total Special Revenue Funds
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,061
Intergovernmental	15,405	1,695	-	181	58,531
Charges for services	850	-	-	-	7,570
Fines, forfeits and penalties	-	-	-	-	654
Interest, rents, and concessions	-	13	201	31	4,118
Community service fees	-	-	-	-	3,175
Assessment levies	-	-	36,208	-	36,298
Contributions and donations	1,416	-	-	-	1,699
Miscellaneous	-	-	-	-	289
Total revenues	17,671	1,708	36,409	212	115,395
Expenditures:					
Current:					
General government	-	2,304	866	-	3,170
Police	8,851	-	-	-	8,851
Fire	4,190	-	-	-	4,190
General services	17	-	100	11	128
Public works	-	-	11,908	-	28,936
Convention, culture and leisure	67	-	4,634	-	5,756
Economic development	1,536	-	6,635	-	9,814
Parks and recreation	2,016	-	5,664	-	17,031
Community development	103	-	136	-	3,975
Library	-	-	4,846	-	4,846
Utilities	-	-	512	-	512
Capital outlay	478	-	1,335	-	23,856
Debt service:					
Principal	-	-	480	-	1,602
Interest and fiscal charges	-	-	102	-	1,393
Total expenditures	17,258	2,304	37,218	11	114,060
Excess (deficiency) of revenues over (under) expenditures	413	(596)	(809)	201	1,335
Other financing sources (uses):					
Transfers in	-	455	-	-	5,095
Transfers out	-	-	(401)	-	(4,361)
Proceeds from sale of capital assets	-	-	-	-	597
Total other financing sources (uses)	-	455	(401)	-	1,331
Net change in fund balances	413	(141)	(1,210)	201	2,666
Fund balances (deficit), beginning of year, as restated	3,236	1,855	19,526	3,422	117,125
Fund balances (deficit), end of year	\$ 3,649	\$ 1,714	\$ 18,316	\$ 3,623	\$ 119,791

City of Sacramento
Transportation and Development Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 21,619	\$ 22,019	\$ 24,099	\$ 2,080
Fines, forfeits and penalties	800	400	654	254
Interest, rents, and concessions	213	213	223	10
Total revenues	<u>22,632</u>	<u>22,632</u>	<u>24,976</u>	<u>2,344</u>
Expenditures:				
Current:				
Public works	17,030	17,418	16,758	660
Capital outlay	18,739	17,507	7,315	10,192
Total expenditures	<u>35,769</u>	<u>34,925</u>	<u>24,073</u>	<u>10,852</u>
Net change in fund balance for budgeted activities	<u>\$ (13,137)</u>	<u>\$ (12,293)</u>	903	<u>\$ 13,196</u>
Net change in fund balance for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted.			<u>2,132</u>	
Net change in fund balance			<u>\$ 3,035</u>	

City of Sacramento
Culture and Leisure Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,435	\$ 1,687	\$ 1,424	\$ (263)
Interest, rents and concessions	1,521	1,521	1,540	19
Contributions and donations	45	45	38	(7)
Total revenues	3,001	3,253	3,002	(251)
Expenditures:				
Current:				
Convention, culture and leisure	1,077	1,367	1,055	312
Capital outlay	623	705	238	467
Debt service:				
Principal	1,171	1,034	1,122	(88)
Interest and fiscal charges	1,252	810	1,291	(481)
Total expenditures	4,123	3,916	3,706	210
Net change in fund balance for budgeted activities	\$ (1,122)	\$ (663)	(704)	\$ (41)
Net change in fund balance for Culture and Leisure Special Revenue Fund activities for which annual budgets are not adopted.				
			<u>20</u>	
Net change in fund balance			<u>\$ (684)</u>	

City of Sacramento
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,208	\$ 5,524	\$ 4,983	\$ (541)
Charges for services	10	10	291	281
Interest, rents and concessions	702	702	987	285
Community service fees	1,704	1,791	2,144	353
Contributions and donations	12	12	9	(3)
Total revenues	<u>7,636</u>	<u>8,039</u>	<u>8,414</u>	<u>375</u>
Expenditures:				
Current:				
Parks and recreation	8,254	8,774	8,943	(169)
Capital outlay	82	101	-	101
Total expenditures	<u>8,336</u>	<u>8,875</u>	<u>8,943</u>	<u>(68)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(700)</u>	<u>(836)</u>	<u>(529)</u>	<u>307</u>
Other financing sources (uses):				
Transfers in	553	553	553	-
Transfers out	-	-	(19)	(19)
Total other financing sources (uses)	<u>553</u>	<u>553</u>	<u>534</u>	<u>(19)</u>
Net change in fund balance for budgeted activities	<u>\$ (147)</u>	<u>\$ (283)</u>	<u>5</u>	<u>\$ 288</u>
Net change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			<u>(934)</u>	
Net change in fund balance			<u>\$ (929)</u>	

City of Sacramento
CCOMWP Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,023	\$ 1,613	\$ 1,695	\$ 82
Interest, rents and concessions	-	-	13	13
Total revenues	<u>1,023</u>	<u>1,613</u>	<u>1,708</u>	<u>95</u>
Expenditures:				
Current:				
General government	<u>2,730</u>	<u>3,320</u>	<u>2,304</u>	<u>1,016</u>
Excess (deficiency) of revenues over (under) expenditures	(1,707)	(1,707)	(596)	1,111
Other financing sources				
Operating transfers in	<u>455</u>	<u>455</u>	<u>455</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,252)</u>	<u>\$ (1,252)</u>	<u>\$ (141)</u>	<u>\$ 1,111</u>

City of Sacramento
Special Districts Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Interest, rents, and concessions	\$ -	\$ -	\$ 201	\$ 201
Assessment levies	32,676	36,111	36,208	97
Total revenues	32,676	36,111	36,409	298
Expenditures:				
Current:				
General government	852	818	866	(48)
General services	112	112	100	12
Public works	12,702	11,801	11,908	(107)
Convention, culture and leisure	2,128	5,218	4,634	584
Economic development	6,978	8,975	6,635	2,340
Parks and recreation	5,466	5,693	5,664	29
Community development	150	150	136	14
Library	4,889	4,889	4,846	43
Utilities	1,120	805	512	293
Capital outlay	4,064	4,064	1,335	2,729
Debt service:				
Principal	480	480	480	-
Interest and fiscal charges	102	102	102	-
Total expenditures	39,043	43,107	37,218	5,889
Other financing sources (uses):				
Transfers out	-	-	(401)	401
Total other financing sources (uses)	-	-	(401)	401
Net change in fund balance	\$ (6,367)	\$ (6,996)	\$ (1,210)	\$ (5,190)

City of Sacramento
Cal EPA Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 7,874	\$ 7,874	\$ 181	\$ (7,693)
Interest, rents, and concessions	-	-	31	31
Total revenues	<u>7,874</u>	<u>7,874</u>	<u>212</u>	<u>(7,662)</u>
Expenditures:				
Current:				
General services	<u>7,702</u>	<u>7,702</u>	<u>11</u>	<u>7,691</u>
Net change in fund balance	<u>\$ 172</u>	<u>\$ 172</u>	<u>\$ 201</u>	<u>\$ 29</u>

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OTHER DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The following debt service funds have been classified as nonmajor funds:

THE 1993 SERIES A REVENUE BOND FUND is used to account for refunded debt service activities related to the City of Sacramento's 1986 COP issue and for the debt service activity related to the partial refunding of the City of Sacramento's 1991 Marks-Roos Revenue Bond issuance.

THE 1993 SERIES B REVENUE BOND FUND is used to account for refunded debt service activities related to the City of Sacramento's 1989 COP issuance.

THE 2002 CAPITAL IMPROVEMENT REVENUE BOND FUND is used to account for debt service activities related to financing various capital improvements and redevelopment projects including the new Civic Center, I-5 Arena Interchange and certain fire trucks and fire stations. These bonds were partially refunded with the 2005 Refunding Revenue Bonds, and with the 2006 Series E Refunding Revenue Bonds.

THE 2002 REFUNDING REVENUE BOND LIGHT RAIL PROJECTS FUND is used to account for refunded debt service activities related to the City of Sacramento's 1991 Refunded Certificates of Participation (Light Rail Transit Projects).

THE 2002 REFUNDING REVENUE BOND PUBLIC FACILITIES PROJECTS FUND is used to account for refunded debt service activities related to the City of Sacramento's 1991 Refunded Certificates of Participation (1987 Public Facilities Projects).

THE 2003 CAPITAL IMPROVEMENT REVENUE BOND FUND is used to account for debt service activities related to financing the acquisition and construction of the 911 Dispatch and Training Facility, a regional park, a corporation yard, a library, fire stations and other municipal projects. These bonds were partially refunded by the 2006 Series E Refunding Revenue Bonds.

THE 2005 REFUNDING REVENUE BOND FUND is used to account for refunded debt service related to refinancing all of the 2000 Capital Improvement Revenue Bonds and a portion of the 1999, 2001 and 2002 Capital Improvement Revenue Bonds.

THE 2006 SERIES A REVENUE BOND FUND is used to account for debt service activities related to financing the expansion of the Crocker Art Museum and other public capital improvements and redevelopment projects.

OTHER DEBT SERVICE FUNDS (continued)

THE 2006 SERIES B REVENUE BOND FUND is used to account for debt service activities related to financing an arts rehearsal facility and other public capital improvements and redevelopment projects.

THE 2006 SERIES C REVENUE BOND FUND is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

THE 2006 SERIES D REVENUE BOND FUND is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

THE 2006 SERIES E REVENUE BOND FUND is used to account for refunding debt service related to refinancing all of the 2001 Capital Improvement Revenue Bonds and a portion of the 2002 and 2003 Capital Improvement Revenue Bonds.

THE OTHER CITY DEBT FUND is used to account for debt service activities related to financing equipment for street lighting and other programs of the City.

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2014

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ 24	\$ 381	\$ 132
Cash and investments held by fiscal agent	26	72	-
Receivables, net:			
Loans	-	-	-
Intergovernmental	-	-	350
Interest	1	1	-
Restricted assets:			
Cash and investments held by City	-	-	-
Cash and investments held by fiscal agent	1,212	3,314	-
Total assets	<u>\$ 1,263</u>	<u>\$ 3,768</u>	<u>\$ 482</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of resources:			
Unavailable revenue	1	1	350
Total deferred inflows of resources	<u>1</u>	<u>1</u>	<u>350</u>
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	1,212	3,314	-
Committed:			
Debt service	-	-	-
Assigned:			
Debt service	49	451	21
Unrealized investment gains	1	2	-
Other programs	-	-	111
Total fund balances	<u>1,262</u>	<u>3,767</u>	<u>132</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,263</u>	<u>\$ 3,768</u>	<u>\$ 482</u>

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2014

(in thousands)

	2005	2006	2006
	Refunding	Series A	Series B
	Revenue	Revenue	Revenue
	Bond Fund	Bond Fund	Bond Fund
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ -	\$ 85	\$ 6,708
Cash and investments held by fiscal agent	-	158	38
Receivables, net:			
Loans	-	3,484	-
Intergovernmental	19,675	7,702	12,806
Interest	-	-	-
Restricted assets:			
Cash and investments held by City	-	826	-
Cash and investments held by fiscal agent	-	6,808	3,960
Total assets	<u>\$ 19,675</u>	<u>\$ 19,063</u>	<u>\$ 23,512</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ 826	\$ 20
Total liabilities	-	826	20
Deferred Inflows of resources:			
Unavailable revenue	19,675	11,186	12,806
Total deferred inflows of resources	19,675	11,186	12,806
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	-	6,808	3,960
Committed:			
Debt service	-	-	6,583
Assigned:			
Debt service	-	243	143
Unrealized investment gains	-	-	-
Other programs	-	-	-
Total fund balances	-	7,051	10,686
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,675</u>	<u>\$ 19,063</u>	<u>\$ 23,512</u>

(continued)

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2014

(in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
<u>ASSETS</u>				
Assets:				
Cash and investments held by City	\$ 3	\$ 45	\$ 19	\$ 7,397
Cash and investments held by fiscal agent	-	-	-	294
Receivables, net:				
Loans	-	-	450	3,934
Intergovernmental	-	1,990	-	42,523
Interest	-	-	-	2
Restricted assets:				
Cash and investments held by City	-	-	-	826
Cash and investments held by fiscal agent	-	-	271	15,565
Total assets	<u>\$ 3</u>	<u>\$ 2,035</u>	<u>\$ 740</u>	<u>\$ 70,541</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Deposits	\$ -	\$ -	\$ -	\$ 846
Total liabilities	-	-	-	846
Deferred Inflows of resources:				
Unavailable revenue	-	1,990	-	46,009
Total deferred inflows of resources	-	1,990	-	46,009
Fund balances:				
Nonspendable:				
Noncurrent assets	-	-	451	451
Restricted:				
Debt service	-	-	271	15,565
Committed:				
Debt service	-	-	-	6,583
Assigned:				
Debt service	3	45	18	973
Unrealized investment gains	-	-	-	3
Other programs	-	-	-	111
Total fund balances	<u>3</u>	<u>45</u>	<u>740</u>	<u>23,686</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3</u>	<u>\$ 2,035</u>	<u>\$ 740</u>	<u>\$ 70,541</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund	2002 Refunding Revenue Bond Light Rail Projects Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 2,030	\$ -
Interest, rents, and concessions	9	25	63	-
Contributions from property owners	-	-	-	-
Total revenues	<u>9</u>	<u>25</u>	<u>2,093</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	709	2,022	4,995	-
Interest and fiscal charges	355	985	199	-
Total expenditures	<u>1,064</u>	<u>3,007</u>	<u>5,194</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,055)</u>	<u>(2,982)</u>	<u>(3,101)</u>	<u>-</u>
Other financing sources:				
Transfers in	1,031	2,925	2,953	-
Transfers out	-	-	-	(39)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>1,031</u>	<u>2,925</u>	<u>2,953</u>	<u>(39)</u>
Net change in fund balances	(24)	(57)	(148)	(39)
Fund balances, beginning of year	<u>1,286</u>	<u>3,824</u>	<u>280</u>	<u>39</u>
Fund balances, end of year	<u>\$ 1,262</u>	<u>\$ 3,767</u>	<u>\$ 132</u>	<u>\$ -</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	2002 Refunding Revenue Bond Public Facilities Projects Fund	2003 Capital Improvement Revenue Bond Fund	2005 Refunding Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 620
Interest, rents, and concessions	-	-	978
Contributions from property owners	-	-	-
Total revenues	-	-	1,598
Expenditures:			
Debt service:			
Principal	-	5,510	1,205
Interest and fiscal charges	-	874	2,732
Total expenditures	-	6,384	3,937
Excess (deficiency) of revenues over (under) expenditures	-	(6,384)	(2,339)
Other financing sources:			
Transfers in	-	6,384	2,339
Transfers out	(47)	-	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	(47)	6,384	2,339
Net change in fund balances	(47)	-	-
Fund balances, beginning of year	47	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	2006 Series A Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series C Revenue Bond Fund	2006 Series D Revenue Bond Fund
Revenues:				
Intergovernmental	\$ 200	\$ 285	\$ -	\$ -
Interest, rents, and concessions	816	902	-	-
Contributions and donations	1,355	-	-	-
Total revenues	<u>2,371</u>	<u>1,187</u>	<u>-</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	3,095	1,000	-	620
Interest and fiscal charges	3,763	2,959	1,278	109
Total expenditures	<u>6,858</u>	<u>3,959</u>	<u>1,278</u>	<u>729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,487)</u>	<u>(2,772)</u>	<u>(1,278)</u>	<u>(729)</u>
Other financing sources:				
Transfers in	4,268	2,386	1,278	729
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	4,305	-	-
Total other financing sources (uses)	<u>4,268</u>	<u>6,691</u>	<u>1,278</u>	<u>729</u>
Net change in fund balances	(219)	3,919	-	-
Fund balances, beginning of year	<u>7,270</u>	<u>6,767</u>	<u>-</u>	<u>3</u>
Fund balances, end of year	<u>\$ 7,051</u>	<u>\$ 10,686</u>	<u>\$ -</u>	<u>\$ 3</u>

(continued)

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 3,135
Interest, rents, and concessions	104	22	2,919
Contributions and donations	-	-	1,355
Total revenues	<u>104</u>	<u>22</u>	<u>7,409</u>
Expenditures:			
Debt service:			
Principal	-	204	19,360
Interest and fiscal charges	4,130	145	17,529
Total expenditures	<u>4,130</u>	<u>349</u>	<u>36,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,026)</u>	<u>(327)</u>	<u>(29,480)</u>
Other financing sources:			
Transfers in	4,026	246	28,565
Transfers out	-	-	(86)
Proceeds from sale of capital assets	-	-	4,305
Total other financing sources (uses)	<u>4,026</u>	<u>246</u>	<u>32,784</u>
Net change in fund balances	-	(81)	3,304
Fund balances, beginning of year	<u>45</u>	<u>821</u>	<u>20,382</u>
Fund balances, end of year	<u>\$ 45</u>	<u>\$ 740</u>	<u>\$ 23,686</u>

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OTHER CAPITAL PROJECTS FUNDS

Other capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for governmental capital assets. The following capital projects funds have been classified as nonmajor funds:

THE GENERAL FUND CAPITAL PROJECTS FUND is used to account for the proceeds of bond issues and associated capital projects.

THE CROCKER ART MUSEUM EXPANSION FUND is used to account for contributions from the Crocker Art Museum Association (CAMA) and related expenditures for the museum expansion project.

THE FINANCING PLANS FUND is used to account for the construction of public infrastructure funded by developer impact fees authorized under financing plans.

THE SPECIAL DISTRICTS CAPITAL PROJECTS FUND is used to account for the proceeds of special assessment bond issues which are used in the construction of street lighting, curbs, gutters, sidewalks and drainage infrastructure.

City of Sacramento
Other Capital Projects Funds
Combining Balance Sheet
 June 30, 2014
 (in thousands)

	General Fund Capital Projects Fund	Crocker Art Museum Expansion Fund	Financing Plans Fund	Special Districts Capital Projects Fund	Total Other Capital Projects Funds
ASSETS					
Cash and investments held by City	\$ 236	\$ 195	\$ 53,950	\$ 8,753	\$ 63,134
Securities lending assets	-	-	67	-	67
Receivables, net:					
Accounts	-	-	14	5	19
Loans	-	2,500	-	-	2,500
Interest	-	-	114	-	114
Restricted assets:					
Cash and investments held by City	7,705	95	-	-	7,800
Total assets	\$ 7,941	\$ 2,790	\$ 54,145	\$ 8,758	\$ 73,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Securities lending obligations	\$ 169	\$ 195	\$ 647	\$ 54	\$ 1,065
Accounts payable	143	-	1,408	86	1,637
Deposits	-	-	95	-	95
Unearned revenue	-	-	604	-	604
Total liabilities	312	195	2,754	140	3,401
Deferred Inflows of resources:					
Unavailable revenue	-	2,500	14	-	2,514
Total deferred inflows of resources	-	2,500	14	-	2,514
Fund balances:					
Restricted:					
Capital projects	7,629	95	50,917	8,618	67,259
Other programs	-	-	460	-	460
Total fund balances	7,629	95	51,377	8,618	67,719
Total liabilities, deferred inflows of resources and fund balances	\$ 7,941	\$ 2,790	\$ 54,145	\$ 8,758	\$ 73,634

City of Sacramento
Other Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	General Fund Capital Projects Fund	Crocker Art Museum Expansion Fund	Financing Plans Fund	Special Districts Capital Projects Fund	Total Other Capital Projects Funds
Revenues:					
Interest, rents, and concessions	\$ 73	\$ 3	\$ 594	\$ 77	\$ 747
Community service fees	-	-	1,518	-	1,518
Assessment levies	-	-	-	2,322	2,322
Miscellaneous	-	-	11	-	11
Total revenues	73	3	2,123	2,399	4,598
Expenditures:					
Current:					
General government	-	-	256	22	278
Parks and recreation	-	-	162	-	162
Community development	-	-	289	-	289
Capital outlay	1,071	-	3,903	1,953	6,927
Debt service:					
Principal	-	-	429	-	429
Interest and fiscal charges	-	-	52	-	52
Total expenditures	1,071	-	5,091	1,975	8,137
(Deficiency) excess of revenues (under) over expenditures	(998)	3	(2,968)	424	(3,539)
Other financing sources (uses):					
Transfers out	-	-	(6,651)	-	(6,651)
Issuance of long-term debt	-	-	52	-	52
Total other financing sources (uses)	-	-	(6,599)	-	(6,599)
Net change in fund balances	(998)	3	(9,567)	424	(10,138)
Fund balances, beginning of year, as restated	8,627	92	60,944	8,194	77,857
Fund balances, end of year	\$ 7,629	\$ 95	\$ 51,377	\$ 8,618	\$ 67,719

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The resources must be spent as provided in legal trust agreements and related state laws. The following permanent funds have been classified as nonmajor funds:

THE ANN LAND FUND is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

THE BERTHA HENSCHEL FUND is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

THE GEORGE CLARK SCHOLARSHIP FUND is used to account for an endowment established by George Clark, Mayor of Sacramento in 1900. The investment income is available to provide college scholarships for Sacramento high school seniors.

THE ALICE MILLER FUND is used to account for gifts to the City. The investment income is available to care for a specific area of the Old City Cemetery.

THE SACRAMENTO HISTORY MUSEUM FUND is used to account for gifts to the Museum. The investment income is available to help pay the operating expenses of the Museum.

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City of Sacramento

Permanent Funds

Combining Balance Sheet

June 30, 2014
(in thousands)

	Ann Land Fund	Bertha Henschel Fund	George Clark Scholarship Fund
<u>ASSETS</u>			
Cash and investments held by City	\$ 954	\$ 2,858	\$ 1,002
Securities lending assets	38	114	98
Receivables, net:			
Interest	<u>2</u>	<u>7</u>	<u>2</u>
Total assets	<u>\$ 994</u>	<u>\$ 2,979</u>	<u>\$ 1,102</u>
<u>LIABILITIES</u>			
Liabilities:			
Securities lending obligations	<u>\$ 42</u>	<u>\$ 128</u>	<u>\$ 100</u>
Total liabilities	<u>42</u>	<u>128</u>	<u>100</u>
Fund balances:			
Nonspendable:			
Permanent fund principal	272	278	25
Restricted:			
Other programs	<u>680</u>	<u>2,573</u>	<u>977</u>
Total fund balances	<u>952</u>	<u>2,851</u>	<u>1,002</u>
Total liabilities and fund balances	<u>\$ 994</u>	<u>\$ 2,979</u>	<u>\$ 1,102</u>

City of Sacramento
Permanent Funds
Combining Balance Sheet

June 30, 2014
(in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
<u>ASSETS</u>			
Cash and investments held by City	\$ 50	\$ 336	\$ 5,200
Securities lending assets	-	-	250
Receivables, net:			
Interest	-	-	11
Total assets	<u>\$ 50</u>	<u>\$ 336</u>	<u>\$ 5,461</u>
<u>LIABILITIES</u>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 270
Total liabilities	<u>-</u>	<u>-</u>	<u>270</u>
Fund balances:			
Nonspendable:			
Permanent fund principal	3	300	878
Restricted:			
Other programs	47	36	4,313
Total fund balances	<u>50</u>	<u>336</u>	<u>5,191</u>
Total liabilities and fund balances	<u>\$ 50</u>	<u>\$ 336</u>	<u>\$ 5,461</u>

City of Sacramento
Permanent Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>
Revenues:			
Interest, rents, and concessions	\$ 144	\$ 432	\$ 168
Contributions and donations	-	1	-
Total revenues	<u>144</u>	<u>433</u>	<u>168</u>
Expenditures:			
Current:			
General government	<u>19</u>	<u>57</u>	<u>23</u>
Net change in fund balances	125	376	145
Fund balances, beginning of year	<u>827</u>	<u>2,475</u>	<u>857</u>
Fund balances, end of year	<u>\$ 952</u>	<u>\$ 2,851</u>	<u>\$ 1,002</u>

City of Sacramento
Permanent Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Alice Miller Fund</u>	<u>Sacramento History Museum Fund</u>	<u>Total Permanent Funds</u>
Revenues:			
Interest, rents, and concessions	\$ -	\$ 3	\$ 747
Contributions and donations	-	-	1
Total revenues	<u>-</u>	<u>3</u>	<u>748</u>
Expenditures:			
Current:			
General government	-	-	99
Net change in fund balances	-	3	649
Fund balances, beginning of year	<u>50</u>	<u>333</u>	<u>4,542</u>
Fund balances, end of year	<u>\$ 50</u>	<u>\$ 336</u>	<u>\$ 5,191</u>

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OTHER ENTERPRISE FUNDS

Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the general public. The following enterprise funds have been classified as nonmajor funds:

THE PARKING FUND is used to account for the operation and maintenance of the City's off-street parking facilities throughout the City.

THE 4th R CHILD DEVELOPMENT FUND is used to account for a program that provides school age child care services at various locations throughout the City.

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City of Sacramento
Other Enterprise Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ 32,472	\$ 53	\$ 32,525
Cash and investments held by fiscal agent	39	-	39
Securities lending assets	71	-	71
Receivables, net:			
Accounts	826	189	1,015
Loans	85	-	85
Intergovernmental	-	56	56
Interest	122	-	122
Prepaid items	113	7	120
Intangible asset, current portion	-	8	8
Total current assets	<u>33,728</u>	<u>313</u>	<u>34,041</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	-	36	36
Cash and investments held by fiscal agent	1,790	-	1,790
Loans receivable	476	-	476
Intangible assets	-	167	167
Capital assets:			
Land	5,825	-	5,825
Buildings and improvements	60,087	1,546	61,633
Machinery and equipment	7,699	-	7,699
Software	4	-	4
Less: accumulated depreciation/amortization	<u>(35,125)</u>	<u>(793)</u>	<u>(35,918)</u>
Total noncurrent assets	<u>40,756</u>	<u>956</u>	<u>41,712</u>
Total assets	<u>74,484</u>	<u>1,269</u>	<u>75,753</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Loss on refunding of debt	<u>1,522</u>	<u>-</u>	<u>1,522</u>
Total deferred outflows of resources	<u>1,522</u>	<u>-</u>	<u>1,522</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<u>LIABILITIES</u>			
Current liabilities:			
Securities lending obligations	241	-	241
Accounts payable	945	169	1,114
Accrued payroll	108	200	308
Accrued compensated absences	14	18	32
Interest payable	173	-	173
Deposits	18	-	18
Unearned revenue	414	52	466
Accrued claims and judgements	16	13	29
Revenue and other bonds payable, net	2,163	-	2,163
Notes payable	-	20	20
Total current liabilities	<u>4,092</u>	<u>472</u>	<u>4,564</u>
Noncurrent liabilities:			
Accrued compensated absences	200	276	476
OPEB liability	1,201	192	1,393
Revenue and other bonds payable, net	<u>28,188</u>	<u>-</u>	<u>28,188</u>
Total noncurrent liabilities	<u>29,589</u>	<u>468</u>	<u>30,057</u>
Total liabilities	<u>33,681</u>	<u>940</u>	<u>34,621</u>
<u>NET POSITION</u>			
Net investment in capital assets	13,864	733	14,597
Unrestricted	<u>28,461</u>	<u>(404)</u>	<u>28,057</u>
Total net position	<u>\$ 42,325</u>	<u>\$ 329</u>	<u>\$ 42,654</u>

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City of Sacramento
Other Enterprise Funds
Combining Statement of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Parking Fund</u>	<u>4th R Child Development Fund</u>	<u>Total Other Enterprise Funds</u>
Operating revenues:			
Charges for services:			
User fees and charges	\$ 17,771	\$ 5,632	\$ 23,403
Rents and concessions	872	-	872
Miscellaneous	3	-	3
Total operating revenues	<u>18,646</u>	<u>5,632</u>	<u>24,278</u>
Operating expenses:			
Employee services	3,387	5,317	8,704
Services and supplies	8,142	878	9,020
Depreciation/amortization	2,114	77	2,191
Claims and judgements	-	25	25
Total operating expenses	<u>13,643</u>	<u>6,297</u>	<u>19,940</u>
Operating income (loss)	<u>5,003</u>	<u>(665)</u>	<u>4,338</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	374	(4)	370
Revenue from other agencies	2	496	498
Interest expense	(1,588)	-	(1,588)
Amortization of bond prepaid insurance	(7)	-	(7)
Total nonoperating revenues (expenses)	<u>(1,219)</u>	<u>492</u>	<u>(727)</u>
Income (loss) before transfers	3,784	(173)	3,611
Transfers in	1	-	1
Transfers out	(3,722)	-	(3,722)
Change in net position	63	(173)	(110)
Total net position (deficit), beginning of year, as restated	<u>42,262</u>	<u>502</u>	<u>42,764</u>
Total net position (deficit), end of year	<u>\$ 42,325</u>	<u>\$ 329</u>	<u>\$ 42,654</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 18,547	\$ 5,604	\$ 24,151
Payments to suppliers	(8,193)	(803)	(8,996)
Payments to employees	(3,219)	(5,261)	(8,480)
Claims and judgements paid	-	(23)	(23)
Net cash provided by (used for) operating activities	<u>7,135</u>	<u>(483)</u>	<u>6,652</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	1	-	1
Transfers out to other funds	(2,034)	-	(2,034)
Intergovernmental revenue received	2	463	465
Net cash provided by (used for) noncapital financing activities	<u>(2,031)</u>	<u>463</u>	<u>(1,568)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(505)	-	(505)
Principal payments on capital debt	(2,032)	(20)	(2,052)
Interest payments on capital debt	(1,534)	-	(1,534)
Transfers out to other funds	(1,688)	-	(1,688)
Net cash provided by (used for) capital and related financing activities	<u>(5,759)</u>	<u>(20)</u>	<u>(5,779)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	391	(4)	387
Loan repayments received	85	-	85
Net cash provided by (used for) investing activities	<u>476</u>	<u>(4)</u>	<u>472</u>
Net increase (decrease) in cash and cash equivalents	(179)	(44)	(223)
Cash and cash equivalents, beginning of year	<u>34,480</u>	<u>133</u>	<u>34,613</u>
Cash and cash equivalents, end of year	<u>\$ 34,301</u>	<u>\$ 89</u>	<u>\$ 34,390</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 32,472	\$ 53	\$ 32,525
Cash and investments held by fiscal agent	39	-	39
Restricted cash and investments held by City	-	36	36
Restricted cash and investments held by fiscal agent	<u>1,790</u>	<u>-</u>	<u>1,790</u>
Total cash and cash equivalents, end of year	<u>\$ 34,301</u>	<u>\$ 89</u>	<u>\$ 34,390</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Parking Fund</u>	<u>4th R Child Development Fund</u>	<u>Total Other Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 5,003	\$ (665)	\$ 4,338
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	2,114	77	2,191
Amortization of intangible assets	-	8	8
Changes in assets and liabilities:			
Accounts receivable, net	(19)	(12)	(31)
Intergovernmental receivables	-	(56)	(56)
Prepaid items	3	(7)	(4)
Accounts payable	(54)	114	60
Accrued payroll	(1)	21	20
Accrued compensated absences	(33)	-	(33)
Deposits	18	-	18
Accrued claims and judgements	-	2	2
OPEB liabilities	202	35	237
Unearned revenue	(98)	-	(98)
Net cash provided by (used for) operating activities	<u>\$ 7,135</u>	<u>\$ (483)</u>	<u>\$ 6,652</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 27	\$ -	\$ 27
Amortization of bond loss on refunding	(95)	-	(95)
Amortization of bond prepaid insurance	(7)	-	(7)
Capital asset acquisitions on accounts payable	79	-	79
Change in securities lending assets	68	-	68
Change in securities lending obligations	(68)	-	(68)
Interest accrual on loans receivable	(1)	-	(1)

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WATER FUND

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City of Sacramento
Water Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Total Water Fund
<u>ASSETS</u>					
Current assets:					
Cash and investments held by City	\$ -	\$ 70,953	\$ (89)	\$ -	\$ 70,864
Securities lending assets	-	633	-	-	633
Receivables, net:					
Accounts	-	18,511	-	-	18,511
Loans	1,223	-	-	-	1,223
Intergovernmental	-	-	219	-	219
Interest	58	1,084	-	-	1,142
Inventories	-	3,008	-	-	3,008
Prepaid items	-	633	-	-	633
	<u>1,281</u>	<u>94,822</u>	<u>130</u>	<u>-</u>	<u>96,233</u>
Total current assets					
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	23,477	-	-	196,109	219,586
Cash and investments held by fiscal agent	-	96	-	7,089	7,185
Loans receivable	4,669	-	-	-	4,669
Capital assets:					
Land	584	1,170	-	-	1,754
Buildings and improvements	-	37,376	37	-	37,413
Machinery and equipment	-	15,886	44	-	15,930
Transmission and distribution systems	1,282	573,694	1,343	5,643	581,962
Construction in progress	2,661	12,388	-	61,502	76,551
Software	-	516	-	-	516
Less: accumulated depreciation/amortization	(37)	(198,336)	(154)	(63)	(198,590)
	<u>32,636</u>	<u>442,790</u>	<u>1,270</u>	<u>270,280</u>	<u>746,976</u>
Total noncurrent assets					
Total assets	<u>33,917</u>	<u>537,612</u>	<u>1,400</u>	<u>270,280</u>	<u>843,209</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Loss on refunding of debt	-	9,406	-	-	9,406
Total deferred outflows of resources	<u>-</u>	<u>9,406</u>	<u>-</u>	<u>-</u>	<u>9,406</u>

City of Sacramento
Water Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Total Water Fund
<u>LIABILITIES</u>					
Current liabilities:					
Securities lending obligations	-	883	-	-	883
Accounts payable	501	3,498	15	12,215	16,229
Accrued payroll	-	741	-	-	741
Accrued compensated absences	-	123	-	-	123
Interest payable	-	686	-	3,506	4,192
Deposits	-	2	-	-	2
Unearned revenue	-	1,592	115	-	1,707
Accrued claims and judgements	-	121	-	-	121
Revenue and other bonds payable, net	-	6,222	-	4,651	10,873
Notes payable	-	406	-	-	406
	<u>501</u>	<u>14,274</u>	<u>130</u>	<u>20,372</u>	<u>35,277</u>
Total current liabilities					
Noncurrent liabilities:					
Accrued compensated absences	-	1,768	-	-	1,768
Water fee credits	-	1,702	-	-	1,702
OPEB liability	-	6,669	-	-	6,669
Revenue and other bonds payable, net	-	150,598	-	242,196.00	392,794
Notes payable	-	9,004	-	-	9,004
	<u>-</u>	<u>169,741</u>	<u>-</u>	<u>242,196</u>	<u>411,937</u>
Total noncurrent liabilities	-	169,741	-	242,196	411,937
Total liabilities	<u>501</u>	<u>184,015</u>	<u>130</u>	<u>262,568</u>	<u>447,214</u>
<u>NET POSITION</u>					
Net investment in capital assets	4,490	286,502	1,270	13,126	305,388
Restricted for:					
Capital projects	28,926	-	-	-	28,926
Unrestricted	-	76,501	-	(5,414)	71,087
Total net position	<u>\$ 33,416</u>	<u>\$ 363,003</u>	<u>\$ 1,270</u>	<u>\$ 7,712</u>	<u>\$ 405,401</u>

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City of Sacramento
Water Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue bonds Funds	Eliminations	Total Water Fund
Operating revenues:						
Charges for services:						
User fees and charges	\$ -	\$ 94,070	\$ -	\$ -	\$ -	\$ 94,070
Miscellaneous	-	312	-	-	-	312
Total operating revenues	-	94,382	-	-	-	94,382
Operating expenses:						
Employee services	-	25,003	5	-	-	25,008
Services and supplies	-	17,864	198	-	-	18,062
Depreciation/amortization	16	16,783	89	63	-	16,951
Claims and judgements	-	145	-	-	-	145
Total operating expenses	16	59,795	292	63	-	60,166
Operating income (loss)	(16)	34,587	(292)	(63)	-	34,216
Nonoperating revenues (expenses):						
Interest and investment revenue	408	1,236	-	33	-	1,677
Revenue from other agencies	-	272	200	-	-	472
Interest expense	-	(6,471)	-	-	-	(6,471)
Amortization of bond prepaid insurance	-	(51)	-	-	-	(51)
Total nonoperating revenues (expenses)	408	(5,014)	200	33	-	(4,373)
Income (loss) before contributions and transfers	392	29,573	(92)	(30)	-	29,843
Capital contributions	644	1,146	-	-	-	1,790
Transfers in	-	298	-	9,730	(9,730)	298
Transfers out	-	(20,439)	-	-	9,730	(10,709)
Change in net position	1,036	10,578	(92)	9,700	-	21,222
Total net position (deficit), beginning of year, as restated	32,380	352,425	1,362	(1,988)	-	384,179
Total net position (deficit), end of year	\$ 33,416	\$ 363,003	\$ 1,270	\$ 7,712	\$ -	\$ 405,401

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	Water Revenue Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ -	\$ 95,230	\$ -	\$ -	\$ -	\$ 95,230
Payments to suppliers	-	(17,494)	(201)	-	-	(17,695)
Payments to employees	-	(23,922)	(5)	-	-	(23,927)
Claims and judgements paid	-	(131)	-	-	-	(131)
Net cash provided by (used for) operating activities	-	53,683	(206)	-	-	53,477
Cash flows from noncapital financing activities:						
Transfers in from other funds	-	29	-	-	-	29
Transfers out to other funds	-	(10,671)	-	-	-	(10,671)
Intergovernmental revenue received	-	272	1,133	-	-	1,405
Net cash provided by (used for) noncapital financing activities	-	(10,370)	1,133	-	-	(9,237)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(228)	(4,413)	(31)	(44,235)	-	(48,907)
Proceeds from sale of capital assets	-	61	-	-	-	61
Principal payments on capital debt	-	(5,424)	-	-	-	(5,424)
Interest payments on capital debt	-	(7,656)	-	(9,730)	-	(17,386)
Transfers in from other funds	-	269	-	9,730	(9,730)	269
Transfers out to other funds	-	(9,768)	-	-	9,730	(38)
Capital contributions received	644	-	-	-	-	644
Loan repayments received	1,183	-	-	-	-	1,183
Net cash provided by (used for) capital and related financing activities	1,599	(26,931)	(31)	(44,235)	-	(69,598)
Cash flows from investing activities:						
Collection of interest and investment revenue	422	1,436	-	2,052	-	3,910
Net cash provided by (used for) investing activities	422	1,436	-	2,052	-	3,910
Net increase (decrease) in cash and cash equivalents	2,021	17,818	896	(42,183)	-	(21,448)
Cash and cash equivalents, beginning of year	21,456	53,231	(985)	245,381	-	319,083
Cash and cash equivalents, end of year	\$ 23,477	\$ 71,049	\$ (89)	\$ 203,198	\$ -	\$ 297,635
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Cash and investments held by City	\$ -	\$ 70,953	\$ (89)	\$ -	\$ -	\$ 70,864
Restricted cash and investments held by City	23,477	-	-	196,109	-	219,586
Restricted cash and investments held by fiscal agent	-	96	-	7,089	-	7,185
Total cash and cash equivalents, end of year	\$ 23,477	\$ 71,049	\$ (89)	\$ 203,198	\$ -	\$ 297,635

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	Water Revenue Bonds Fund	Eliminations	Total Water Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (16)	\$ 34,587	\$ (292)	\$ (63)	\$ -	\$ 34,216
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation/amortization expense	16	16,783	89	63	-	16,951
Changes in assets and liabilities:						
Accounts receivable, net	-	605	-	-	-	605
Inventories	-	(230)	-	-	-	(230)
Accounts payable	-	600	(3)	-	-	597
Accrued payroll	-	50	-	-	-	50
Accrued compensated absences	-	(33)	-	-	-	(33)
OPEB liabilities	-	1,064	-	-	-	1,064
Accrued claims and judgements	-	14	-	-	-	14
Deposits	-	2	-	-	-	2
Unearned revenue	-	241	-	-	-	241
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 53,683</u>	<u>\$ (206)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,477</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets	\$ -	\$ 1,038	\$ -	\$ -	\$ -	\$ 1,038
Transfer of capital assets from governmental funds, net of depreciation	-	108	-	-	-	108
Capitalized interest	-	944	-	7,414	-	8,358
Amortization of bond premium and discount	-	942	-	1,111	-	2,053
Amortization of bond loss on refunding	-	(725)	-	-	-	(725)
Amortization of bond prepaid insurance	-	(51)	-	-	-	(51)
Capital asset acquisitions on accounts payable	501	1,333	-	12,215	-	14,049
Change in securities lending assets	-	604	-	-	-	604
Change in securities lending obligations	-	(604)	-	-	-	(604)
Intergovernmental receivable for capital contributions	-	-	219	-	-	219

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WASTEWATER FUND

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City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
ASSETS					
Current assets:					
Cash and investments held by City	\$ -	\$ 21,489	\$ (50)	\$ -	\$ 21,439
Securities lending assets	-	93	-	-	93
Receivables, net:					
Accounts	-	11,182	-	-	11,182
Loans	-	125	-	-	125
Intergovernmental	-	-	74	-	74
Interest	-	170	-	-	170
Inventories	-	65	-	-	65
Total current assets	-	33,124	24	-	33,148
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	2,035	812	-	18,469	21,316
Cash and investments held by fiscal agent	-	-	-	994	994
Loans receivable	-	809	-	-	809
Capital assets:					
Land	-	1,138	-	-	1,138
Buildings and improvements	-	15,216	-	-	15,216
Machinery and equipment	-	4,733	-	-	4,733
Transmission and distribution systems	938	149,542	525	739	151,744
Construction in progress	69	799	308	12,810	13,986
Software	-	324	-	-	324
Less: accumulated depreciation/amortization	(5)	(64,042)	(3)	(6)	(64,056)
Total noncurrent assets	3,037	109,331	830	33,006	146,204
Total assets	3,037	142,455	854	33,006	179,352

City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
LIABILITIES					
Current liabilities:					
Securities lending obligations	-	173	-	-	173
Accounts payable	11	8,357	24	646	9,038
Accrued payroll	-	260	-	-	260
Accrued compensated absences	-	21	-	-	21
Interest payable	-	59	-	467	526
Accrued claims and judgements	-	62	-	-	62
Capital leases payable	-	142	-	-	142
Revenue and other bonds payable, net	-	-	-	57	57
Notes payable	-	736	-	-	736
Total current liabilities	11	9,810	24	1,170	11,015
Noncurrent liabilities:					
Accrued compensated absences	-	601	-	-	601
OPEB liability	-	2,562	-	-	2,562
Capital leases payable	-	296	-	-	296
Revenue and other bonds payable, net	-	-	-	32,420	32,420
Notes payable	-	4,578	-	-	4,578
Total noncurrent liabilities	-	8,037	-	32,420	40,457
Total liabilities	11	17,847	24	33,590	51,472
NET POSITION					
Net investment in capital assets	1,002	102,396	830	472	104,700
Restricted for:					
Capital projects	2,024	-	-	-	2,024
Unrestricted	-	22,212	-	(1,056)	21,156
Total net position (deficit)	\$ 3,026	\$ 124,608	\$ 830	\$ (584)	\$ 127,880

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City of Sacramento
Wastewater Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
Operating revenues:					
Charges for services:					
User fees and charges	\$ -	\$ 27,544	\$ -	\$ -	\$ 27,544
Charge to other agencies for contract services	-	948	-	-	948
Miscellaneous	-	1	-	-	1
Total operating revenues	-	28,493	-	-	28,493
Operating expenses:					
Employee services	-	8,248	-	51	8,299
Services and supplies	-	12,897	1	51	12,949
Depreciation/amortization	5	4,202	3	6	4,216
Claims and judgements	-	74	-	-	74
Total operating expenses	5	25,421	4	108	25,538
Operating income (loss)	(5)	3,072	(4)	(108)	2,955
Nonoperating revenues (expenses):					
Interest and investment revenue	20	319	-	6	345
Interest expense	-	(135)	-	-	(135)
Total nonoperating revenues (expenses)	20	184	-	6	210
Income (loss) before contributions and transfers	15	3,256	(4)	(102)	3,165
Capital contributions	73	701	610	-	1,384
Transfers in	-	4	-	-	4
Transfers out	-	(3,056)	-	-	(3,056)
Change in net position	88	905	606	(102)	1,497
Total net position (deficit), beginning of year, as restated	2,938	123,703	224	(482)	126,383
Total net position (deficit), end of year	\$ 3,026	\$ 124,608	\$ 830	\$ (584)	\$ 127,880

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ -	\$ 28,445	\$ -	\$ -	\$ 28,445
Payments to suppliers	-	(12,321)	(1)	(51)	(12,373)
Payments to employees	-	(7,864)	-	(51)	(7,915)
Claims and judgements paid	-	(64)	-	-	(64)
Net cash provided by (used for) operating activities	-	8,196	(1)	(102)	8,093
Cash flows from noncapital financing activities:					
Transfers in from other funds	-	4	-	-	4
Transfers out to other funds	-	(3,005)	-	-	(3,005)
Net cash provided by (used for) noncapital financing activities	-	(3,001)	-	-	(3,001)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(796)	(1,358)	(585)	(11,352)	(14,091)
Principal payments on capital debt	-	(857)	-	-	(857)
Interest payments on capital debt	-	(156)	-	(951)	(1,107)
Transfers out to other funds	-	(51)	-	-	(51)
Capital contributions received	73	-	644	-	717
Loan repayments received	-	241	-	-	241
Net cash provided by (used for) capital and related financing activities	(723)	(2,181)	59	(12,303)	(15,148)
Cash flows from investing activities:					
Collection of interest and investment revenue	20	396	-	225	641
Net cash provided by (used for) investing activities	20	396	-	225	641
Net increase (decrease) in cash and cash equivalents	(703)	3,410	58	(12,180)	(9,415)
Cash and cash equivalents, beginning of year	2,738	18,891	(108)	31,643	53,164
Cash and cash equivalents, end of year	\$ 2,035	\$ 22,301	\$ (50)	\$ 19,463	\$ 43,749
Reconciliation of cash and cash equivalents to the Statement of Net Position:					
Cash and investments held by City	\$ -	\$ 21,489	\$ (50)	\$ -	\$ 21,439
Restricted cash and investments held by City	2,035	812	-	18,469	21,316
Restricted cash and investments held by fiscal agent	-	-	-	994	994
Total cash and cash equivalents, end of year	\$ 2,035	\$ 22,301	\$ (50)	\$ 19,463	\$ 43,749

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (5)	\$ 3,072	\$ (4)	\$ (108)	\$ 2,955
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation/amortization expense	5	4,202	3	6	4,216
Changes in assets and liabilities:					
Accounts receivable, net	-	(48)	-	-	(48)
Inventories	-	18	-	-	18
Accounts payable	-	558	-	-	558
Accrued payroll	-	24	-	-	24
Accrued compensated absences	-	(14)	-	-	(14)
Accrued claims and judgements	-	10	-	-	10
OPEB liabilities	-	374	-	-	374
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 8,196</u>	<u>\$ (1)</u>	<u>\$ (102)</u>	<u>\$ 8,093</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	\$ -	\$ 551	\$ -	\$ -	\$ 551
Transfer of capital assets from governmental funds, net of depreciation	-	150	-	-	150
Capitalized interest	-	14	-	1,131	1,145
Amortization of bond premium and discount	-	-	-	57	57
Capital asset acquisitions on accounts payable	11	74	24	646	755
Change in securities lending assets	-	88	-	-	88
Change in securities lending obligations	-	(88)	-	-	(88)

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INTERNAL SERVICE FUNDS

Internal service funds are established to account for goods or services provided by one department within the City to other departments on a cost reimbursement basis. The following are internal service funds:

THE FLEET MANAGEMENT FUND is used to account for the operation, maintenance and replacement of the City's fleet of vehicles that serve the transportation and operating needs of all City departments and divisions.

THE RISK MANAGEMENT FUND is used to account for the City's self-funded general and automobile insurance program and workers' compensation insurance program.

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City of Sacramento
Internal Service Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ 9,445	\$ 84,628	\$ 94,073
Cash and investments held by fiscal agent	-	184	184
Securities lending assets	-	169	169
Receivables, net:			
Accounts	234	51	285
Interest	-	289	289
Due from other funds	-	3,259	3,259
Prepaid items	155	1	156
	<u>9,834</u>	<u>88,581</u>	<u>98,415</u>
Total current assets			
	9,834	88,581	98,415
Noncurrent assets:			
Advances to other funds	-	13,431	13,431
Capital assets:			
Buildings and improvements	7,159	-	7,159
Machinery and equipment	457	-	457
Vehicles	127,613	-	127,613
Software	256	-	256
Less: accumulated depreciation/amortization	(78,887)	-	(78,887)
	<u>56,598</u>	<u>13,431</u>	<u>70,029</u>
Total noncurrent assets			
	56,598	13,431	70,029
Total assets	<u>66,432</u>	<u>102,012</u>	<u>168,444</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Loss on refunding of debt	82	-	82
Total deferred outflows of resources	<u>82</u>	<u>-</u>	<u>82</u>

City of Sacramento
Internal Service Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<u>LIABILITIES</u>			
Current liabilities:			
Securities lending obligations	-	253	253
Accounts payable	4,055	482	4,537
Accrued payroll	216	119	335
Accrued compensated absences	56	22	78
Interest payable	7	-	7
Deposits	-	33	33
Unearned revenue	-	481	481
Accrued claims and judgements	62	14,090	14,152
Capital leases payable	24	-	24
Revenue and other bonds payable, net	356	-	356
	<u>4,776</u>	<u>15,480</u>	<u>20,256</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	701	364	1,065
OPEB liability	2,709	403	3,112
Accrued claims and judgements	-	49,017	49,017
Capital leases payable	125	-	125
Revenue and other bonds payable, net	2,442	-	2,442
	<u>5,977</u>	<u>49,784</u>	<u>55,761</u>
Total noncurrent liabilities			
Total liabilities			
	<u>10,753</u>	<u>65,264</u>	<u>76,017</u>
<u>NET POSITION</u>			
Net investment in capital assets	53,651	-	53,651
Unrestricted	2,110	36,748	38,858
	<u>55,761</u>	<u>36,748</u>	<u>92,509</u>
Total net position	<u>\$ 55,761</u>	<u>\$ 36,748</u>	<u>\$ 92,509</u>

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City of Sacramento
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 38,337	\$ 23,624	\$ 61,961
Miscellaneous	36	-	36
Total operating revenues	<u>38,373</u>	<u>23,624</u>	<u>61,997</u>
Operating expenses:			
Employee services	7,042	3,590	10,632
Services and supplies	19,609	6,881	26,490
Depreciation/amortization	9,554	-	9,554
Insurance premiums	-	3,056	3,056
Claims and judgements	40	15,469	15,509
Total operating expenses	<u>36,245</u>	<u>28,996</u>	<u>65,241</u>
Operating income (loss)	<u>2,128</u>	<u>(5,372)</u>	<u>(3,244)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	39	1,186	1,225
Revenue from other agencies	228	-	228
Insurance and other claim recoveries	-	244	244
Interest expense	(74)	-	(74)
Gain (loss) on disposition of capital assets	6	-	6
Total nonoperating revenues (expenses)	<u>199</u>	<u>1,430</u>	<u>1,629</u>
Income (loss) before contributions and transfers	2,327	(3,942)	(1,615)
Transfers in	414	4	418
Transfers out	(359)	(14)	(373)
Change in net position	2,382	(3,952)	(1,570)
Total net position, beginning of year, as restated	<u>53,379</u>	<u>40,700</u>	<u>94,079</u>
Total net position, end of year	<u>\$ 55,761</u>	<u>\$ 36,748</u>	<u>\$ 92,509</u>

City of Sacramento
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 38,409	\$ 87,160	\$ 125,569
Payments to suppliers	(18,661)	(73,539)	(92,200)
Payments to employees	(6,649)	(3,545)	(10,194)
Claims and judgements paid	(35)	(12,212)	(12,247)
Net cash provided by (used for) operating activities	<u>13,064</u>	<u>(2,136)</u>	<u>10,928</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	4	4
Transfers out to other funds	(308)	(14)	(322)
Collections on interfund loans	-	10,106	10,106
Loans made to other funds	-	(3,009)	(3,009)
Intergovernmental revenue received	6	-	6
Claim and judgement recoveries	-	225	225
Net cash provided by (used for) noncapital financing activities	<u>(302)</u>	<u>7,312</u>	<u>7,010</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(9,075)	-	(9,075)
Proceeds from sale of capital assets	569	-	569
Principal payments on capital debt	(345)	-	(345)
Interest payments on capital debt	(101)	-	(101)
Transfers in from other funds	363	-	363
Net cash used for capital and related financing activities	<u>(8,589)</u>	<u>-</u>	<u>(8,589)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	39	1,175	1,214
Net cash provided by investing activities	<u>39</u>	<u>1,175</u>	<u>1,214</u>
Net increase in cash and cash equivalents	4,212	6,351	10,563
Cash and cash equivalents, beginning of year	5,233	78,461	83,694
Cash and cash equivalents, end of year	<u>\$ 9,445</u>	<u>\$ 84,812</u>	<u>\$ 94,257</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 9,445	\$ 84,628	\$ 94,073
Cash and investments held by fiscal agent	-	184	184
Total cash and cash equivalents, end of year	<u>\$ 9,445</u>	<u>\$ 84,812</u>	<u>\$ 94,257</u>

City of Sacramento
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,128	\$ (5,372)	\$ (3,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	9,554	-	9,554
Changes in assets and liabilities:			
Accounts receivable, net	36	-	36
Prepaid items	(37)	-	(37)
Accounts payable	985	(51)	934
Accrued payroll	25	4	29
Accrued compensated absences	(64)	(31)	(95)
Deposits	-	16	16
Unearned revenue	-	(31)	(31)
Accrued claims and judgements	5	3,257	3,262
OPEB liabilities	432	72	504
Net cash provided by (used for) operating activities	<u>\$ 13,064</u>	<u>\$ (2,136)</u>	<u>\$ 10,928</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 18	\$ -	\$ 18
Amortization of bond loss on refunding	(10)	-	(10)
Write off gain on refunding	18	-	18
Capital asset acquisitions on accounts payable	1,165	-	1,165
Change in securities lending assets	-	163	163
Change in securities lending obligations	-	(163)	(163)
Change in accounts receivable related to claim and judgement recoveries	-	(1)	(1)

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INVESTMENT TRUST FUNDS

Investment trust funds account for assets and related liabilities of legally separate entities for which the City provides investment services.

Investment Pool is used to account for assets and liabilities held for external participants in the City Sponsored Investment Pool.

Individual Investment Accounts are used to account for assets and liabilities, held for entities external to the City, which are not invested in the City Sponsored Investment Pool.

City of Sacramento
Investment Trust Funds
Combining Statement of Fiduciary Net Position

June 30, 2014
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
<u>ASSETS</u>			
Cash and investments held by City	\$ 54,778	\$ 76,066	\$ 130,844
Securities lending assets	93	19	112
Receivables, net:			
Interest	<u>160</u>	<u>297</u>	<u>457</u>
Total assets	55,031	76,382	131,413
<u>LIABILITIES</u>			
Securities lending obligations	<u>103</u>	<u>330</u>	<u>433</u>
<u>NET POSITION</u>			
Held in trust	<u>\$ 54,928</u>	<u>\$ 76,052</u>	<u>\$ 130,980</u>

City of Sacramento
Investment Trust Funds
Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
Additions:			
From investment activities:			
Net appreciation in fair value of investments	\$ 102	\$ (39)	\$ 63
Interest	613	1,014	1,627
Total investment earnings	715	975	1,690
Less investment expenses:			
Banking, interest, and fiscal agent expenses	132	-	132
Net income from investing activities	583	975	1,558
From securities lending activities:			
Net appreciation in fair value of investments	1	-	1
Net investment income	584	975	1,559
Deposits	49,952	4,618	54,570
Total additions	50,536	5,593	56,129
Deductions:			
Withdrawals	56,236	2,000	58,236
Change in net position	(5,700)	3,593	(2,107)
Net position, beginning of year, as restated	60,628	72,459	133,087
Net position, end of year	<u>\$ 54,928</u>	<u>\$ 76,052</u>	<u>\$ 130,980</u>

AGENCY FUNDS

Agency funds account for assets held for other organizations, governments or private individuals and includes:

THE ASSESSMENT DISTRICTS FUND is used to account for parcel assessments and debt service for bonds issued under the Improvement Bond Act of 1915.

THE COMMUNITY FACILITIES DISTRICTS FUND is used to account for special tax assessments, debt service payments and the payment of other costs related to Mello-Roos districts within the City.

City of Sacramento

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

(in thousands)

<u>ASSESSMENT DISTRICTS FUND</u>	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
ASSETS				
Cash and investments held by City	\$ 3,173	\$ 1,337	\$ 2,306	\$ 2,204
Cash and investments held by fiscal agent	2,406	2,728	4,090	1,044
Receivables, net:				
Accounts	47	7	47	7
Interest	24	-	24	-
Total assets	\$ 5,650	\$ 4,072	\$ 6,467	\$ 3,255
LIABILITIES				
Accounts payable	\$ 2	\$ 18	\$ 20	\$ -
Due to bondholders	5,648	1,364	3,757	3,255
Total liabilities	\$ 5,650	\$ 1,382	\$ 3,777	\$ 3,255
 COMMUNITY FACILITIES DISTRICTS FUND				
	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
ASSETS				
Cash and investments held by City	\$ 17,777	\$ 12,125	\$ 19,046	\$ 10,856
Cash and investments held by fiscal agent	14,524	25,635	26,387	13,772
Receivables, net:				
Taxes	171	261	171	261
Interest	-	8	-	8
Total assets	\$ 32,472	\$ 38,029	\$ 45,604	\$ 24,897
LIABILITIES				
Accounts payable	\$ -	\$ 386	\$ 119	\$ 267
Due to bondholders	32,472	59,902	67,744	24,630
Total liabilities	\$ 32,472	\$ 60,288	\$ 67,863	\$ 24,897
 TOTAL - ALL AGENCY FUNDS				
	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
ASSETS				
Cash and investments held by City	\$ 20,950	\$ 13,462	\$ 21,352	\$ 13,060
Cash and investments held by fiscal agent	16,930	28,363	30,477	14,816
Receivables, net:				
Taxes	171	261	171	261
Accounts	47	7	47	7
Interest	24	8	24	8
Total assets	\$ 38,122	\$ 42,101	\$ 52,071	\$ 28,152
LIABILITIES				
Accounts payable	\$ 2	\$ 404	\$ 139	\$ 267
Due to bondholders	38,120	61,266	71,501	27,885
Total liabilities	\$ 38,122	\$ 61,670	\$ 71,640	\$ 28,152

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COMPONENT UNIT

City of Sacramento
Sacramento Regional Arts Facilities Financing Authority
Statement of Net Position

June 30, 2014

(in thousands)

ASSETS

Current assets:

Receivables, net:		
Loans	\$	11,933
Interest		7
Prepaid items		106
		<hr/>
Total current assets		12,046
		<hr/>

Noncurrent assets:

Restricted assets:		
Cash and investments held by fiscal agent		1,125
		<hr/>
Total noncurrent assets		1,125
		<hr/>

Total assets		<hr/>
		13,171
		<hr/>

LIABILITIES

Current liabilities:

Interest payable		155
Revenue and other bonds payable, net		435
		<hr/>
Total current liabilities		590
		<hr/>

Noncurrent liabilities:

Revenue and other bonds payable, net		12,381
		<hr/>
Total noncurrent liabilities		12,381
		<hr/>

Total liabilities		<hr/>
		12,971
		<hr/>

NET POSITION

Restricted for:

Other programs		200
		<hr/>

Total net position	\$	<hr/> <hr/>
		200

City of Sacramento
Sacramento Regional Arts Facilities Financing Authority
Statement of Revenues, Expenses
and Changes in Net Position

June 30, 2014

(in thousands)

Nonoperating revenues (expenses):		
Interest and investment revenue	\$	622
Interest expense		<u>(633)</u>
Total nonoperating revenues (expenses)		<u>(11)</u>
Change in net position		(11)
Total net position, beginning of year, restated		<u>211</u>
Total net position, end of year	\$	<u><u>200</u></u>

City of Sacramento
Sacramento Regional Arts Facilities Financing Authority
Statement of Cash Flows

June 30, 2014

(in thousands)

Cash flows from capital and related financing activities:	
Principal payments on capital debt	\$ (425)
Interest payments on capital debt	(627)
Lease repayments received	<u>1,052</u>
Net cash provided by (used for) capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Collection of interest and investment revenue	<u>15</u>
Net cash provided by investing activities	<u>15</u>
Net increase (decrease) in cash and cash equivalents	15
Cash and cash equivalents, beginning of year	<u>1,110</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,125</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and investments held by fiscal agent	<u>\$ 1,125</u>
Total cash and cash equivalents, end of year	<u><u>\$ 1,125</u></u>
Noncash investing, capital and financing activities:	
Amortization of prepaid bond insurance	\$ (7)

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Statistical Section

Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends Information

These schedules contain trend information to help the reader understand how the City's financial performance and condition have changed over time.

Revenue Capacity Information

These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Successor Agency Information

These schedules present revenue and debt capacity information related to the Successor Agency for the former Redevelopment Agency of the City of Sacramento. These schedules contain trend information to help the reader understand the Successor Agency's primary revenue source, property tax distributions from the county redevelopment property tax trust fund, and affordability of the Successor Agency's current level of outstanding debt.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Sacramento
Net Position by Component ^{(1) (2) (3) (4) (5) (6) (7)}
Last Ten Fiscal Years

(accrual basis accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital assets	\$ 1,083,420	\$ 1,018,170	\$ 1,161,730	\$ 1,165,658	\$ 1,249,993
Restricted for:					
Capital projects	52,773	149,982	155,596	239,377	221,594
Debt service	9,882	797	509	531	544
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	24,801	28,634	31,649	30,996	30,836
Housing and redevelopment	274,130	-	-	-	-
Trust and endowments:					
Expendable	1,927	5,368	6,513	6,159	4,442
Nonexpendable	2,920	1,927	1,927	1,934	1,934
Unrestricted	(71,536)	155,072	145,750	124,408	84,092
Total governmental activities net position	\$ 1,378,317	\$ 1,359,950	\$ 1,503,674	\$ 1,569,063	\$ 1,593,435
Business-type activities					
Net investment in capital assets	\$ 839,889	\$ 623,208	\$ 634,966	\$ 656,951	\$ 687,417
Restricted for:					
Capital projects	-	425	425	-	16,866
Housing and redevelopment	1,776	-	-	-	-
Other programs	1,038	-	-	-	-
Unrestricted	93,751	115,223	119,050	119,975	92,458
Total business-type activities net position	\$ 936,454	\$ 738,856	\$ 754,441	\$ 776,926	\$ 796,741
Primary government					
Net investment in capital assets	\$ 1,923,309	\$ 1,641,378	\$ 1,796,696	\$ 1,822,609	\$ 1,937,410
Restricted for:					
Capital projects	52,773	150,407	156,021	239,377	238,460
Debt service	9,882	797	509	531	544
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	25,839	28,634	31,649	30,996	30,836
Housing and redevelopment	275,906	-	-	-	-
Trust and endowments:					
Expendable	1,927	5,368	6,513	6,159	4,442
Nonexpendable	2,920	1,927	1,927	1,934	1,934
Unrestricted	22,215	270,295	264,800	244,383	176,550
Total primary government net position	\$ 2,314,771	\$ 2,098,806	\$ 2,258,115	\$ 2,345,989	\$ 2,390,176

- Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.
- (2) The fiscal year 2006 beginning net position has been restated by \$339 Million.
- (3) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.
- (4) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".
- (5) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (6) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (7) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Net Position by Component ^{(1) (2) (3) (4) (5) (6) (7)}
Last Ten Fiscal Years

(accrual basis accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 1,286,576	\$ 1,328,932	\$ 1,367,540	\$ 1,369,377	\$ 1,393,447
Restricted for:					
Capital projects	186,619	156,157	149,904	131,822	116,271
Debt service	494	1,105	1,101	641	652
Public works programs	-	21,484	18,103	16,756	16,462
Economic development programs	-	-	-	23,979	22,493
Other programs	32,443	23,544	23,274	21,087	22,315
Housing and redevelopment	-	-	-	-	-
Trust and endowments					
Expendable	4,690	5,659	6,870	7,225	7,928
Nonexpendable	1,934	1,934	878	878	878
Unrestricted	76,953	16,107	6,128	1,837	30,170
Total governmental activities net position	\$ 1,589,709	\$ 1,554,922	\$ 1,573,798	\$ 1,573,602	\$ 1,610,616
Business-type activities					
Net investment in capital assets	\$ 691,197	\$ 701,157	\$ 705,527	\$ 720,039	\$ 733,980
Restricted for:					
Capital projects	25,781	30,184	33,209	33,168	33,255
Housing and redevelopment	-	-	-	-	-
Other programs	-	-	530	349	1,215
Unrestricted	106,148	113,804	123,265	140,385	177,814
Total business-type activities net assets	\$ 823,126	\$ 845,145	\$ 862,531	\$ 893,941	\$ 946,264
Primary government					
Net investment in capital assets	\$ 1,977,773	\$ 2,030,089	\$ 2,073,067	\$ 2,089,416	\$ 2,127,427
Restricted for:					
Capital projects	212,400	186,341	183,113	164,990	149,526
Debt service	494	1,105	1,101	641	652
Public works programs	-	21,484	18,103	16,756	16,462
Economic development programs	-	-	-	23,979	22,493
Other programs	32,443	23,544	23,804	21,436	23,530
Housing and redevelopment	-	-	-	-	-
Trust and endowments					
Expendable	4,690	5,659	6,870	7,225	7,928
Nonexpendable	1,934	1,934	878	878	878
Unrestricted	183,101	129,911	129,393	142,222	207,984
Total primary government net position	\$ 2,412,835	\$ 2,400,067	\$ 2,436,329	\$ 2,467,543	\$ 2,556,880

- Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.
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- (3) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.
- (4) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".
- (5) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (6) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (7) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses ⁽³⁾					
<i>Governmental Activities</i>					
General government	\$ 28,759	\$ 38,804	\$ 41,536	\$ 49,841	\$ 45,956
Police	124,204	134,213	148,586	159,207	153,874
Fire	74,606	87,844	97,044	104,149	107,119
Public works	-	-	-	-	-
General services	18,437	15,788	14,437	24,462	25,067
Transportation	71,871	88,749	89,063	89,016	95,238
Economic development	-	8,212	8,538	10,048	10,055
Convention, culture & leisure	6,824	17,825	19,602	21,518	18,573
Parks and recreation	44,534	49,341	55,661	60,930	54,209
Code enforcement	-	7,184	9,946	10,154	10,882
Community development	-	-	-	-	-
Neighborhood services	7,880	2,560	2,505	1,667	1,370
Planning and development	-	-	-	-	-
Development services	67,852	36,739	27,851	30,247	24,063
Planning	-	-	8,158	6,830	2,973
Housing and redevelopment	64,018	-	-	-	-
Library	8,505	9,147	9,433	9,935	13,976
Nondepartmental	36,492	-	-	-	-
Interest on long-term debt	31,752	22,693	31,067	31,157	29,284
Total governmental activities expenses	585,734	519,099	563,427	609,161	592,639
<i>Business type activities</i>					
Water	51,950	55,896	58,890	63,364	66,757
Wastewater	13,447	14,685	17,171	18,330	20,498
Storm drainage	34,988	34,544	36,473	38,570	38,483
Solid waste	39,260	40,329	45,050	48,735	67,911
Community center	19,066	19,333	19,704	20,507	20,342
Child development	5,092	5,666	5,868	6,604	7,617
Marina	1,684	1,437	1,384	1,257	1,045
Parking	14,115	14,056	16,375	17,154	16,009
Advanced life support	-	-	-	-	-
Golf	6,719	-	-	-	-
Housing and redevelopment	135,282	-	-	-	-
Total business-type activities	321,603	185,946	200,915	214,521	238,662
Total primary government expenses	\$ 907,337	\$ 705,045	\$ 764,342	\$ 823,682	\$ 831,301

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

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(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses ⁽³⁾					
<i>Governmental Activities</i>					
General government	\$ 44,278	\$ 42,238	\$ 40,846	\$ 36,681	\$ 41,190
Police	152,922	159,908	153,392	157,432	157,248
Fire	109,210	111,174	116,418	117,451	125,461
Public works	-	-	-	126,636	103,632
General services	26,110	22,614	23,083	15,343	13,807
Transportation	89,358	97,350	98,384	-	-
Economic development	9,815	10,467	9,704	10,468	17,080
Convention, culture & leisure	18,064	21,348	19,857	19,537	17,916
Parks and recreation	51,984	56,162	45,448	48,457	52,336
Code enforcement	10,984	-	-	-	-
Community development	18,848	25,821	24,286	29,253	26,484
Neighborhood services	1,105	-	-	-	-
Planning and development	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Library	16,827	14,635	13,301	13,753	13,720
Nondepartmental	-	-	-	-	-
Interest on long-term debt	29,658	24,903	23,583	22,420	22,178
Total governmental activities expenses	579,163	586,620	568,302	597,431	591,052
<i>Business type activities</i>					
Water	60,902	63,073	67,335	68,643	66,627
Wastewater	17,389	18,990	20,491	22,776	25,673
Storm drainage	37,040	37,815	37,692	36,755	36,664
Solid waste	47,076	48,203	53,205	49,794	49,014
Community center	19,563	18,530	18,125	17,251	17,204
Child development	6,797	6,274	5,885	6,116	6,297
Marina	1,625	2,662	2,008	-	-
Parking	16,390	15,786	15,732	15,358	15,238
Advanced life support	-	-	-	-	-
Golf	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Total business-type activities	206,782	211,333	220,473	216,693	216,717
Total primary government expenses	\$ 785,945	\$ 797,953	\$ 788,775	\$ 814,124	\$ 807,769

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

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(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

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City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Program Revenues					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 4,768	\$ 4,902	\$ 5,333	\$ 5,233	\$ 5,290
Police	3,456	3,986	3,959	4,203	4,819
Fire	16,854	18,721	17,579	17,936	24,448
Public works	-	-	-	-	-
General services	7,600	9,636	10,327	10,471	10,878
Transportation	12,097	15,058	14,261	19,574	26,391
Economic development	-	5,235	5,905	8,143	8,345
Convention, culture & leisure	1,970	8,995	9,759	9,425	11,026
Parks and recreation	4,794	15,907	17,142	13,343	10,187
Code enforcement	-	1	2,417	3,800	7,932
Community development	-	-	-	-	-
Neighborhood services	2,714	2,969	1,085	123	195
Planning and development	-	-	-	-	-
Development services	43,941	27,834	25,261	19,867	16,115
Planning	-	-	4	114	108
Housing and redevelopment	1,311	-	-	-	-
Library	-	-	-	-	-
Nondepartmental	494	-	-	-	-
Total charge for services	99,999	113,244	113,032	112,232	125,734
Operating grants and contributions	77,052	59,348	52,805	51,845	53,206
Capital grants and contributions	147,034	122,010	189,710	141,919	119,689
Total governmental activities program revenues	<u>324,085</u>	<u>294,602</u>	<u>355,547</u>	<u>305,996</u>	<u>298,629</u>
<i>Business - type activities</i>					
Charge for services					
Water	49,009	53,480	58,363	65,411	62,619
Wastewater	16,332	17,285	18,609	20,704	19,775
Storm drainage	31,336	31,400	31,981	33,289	32,747
Solid waste	42,241	42,984	46,351	52,434	55,949
Community center	6,391	6,743	7,348	7,556	7,651
Child development	4,766	5,086	5,377	5,587	5,640
Marina	1,745	1,889	1,827	1,378	1,748
Parking	16,422	17,342	18,706	19,626	18,661
Advanced life support	-	-	-	-	-
Golf	6,408	-	-	-	-
Housing and redevelopment	13,720	-	-	-	-
Total charge for services	188,370	176,209	188,562	205,985	204,790
Operating grants and contributions	112,326	1,230	1,422	1,824	2,343
Capital grants and contributions	35,318	31,638	14,728	11,661	38,094
Total business - type activities program revenues	<u>336,014</u>	<u>209,077</u>	<u>204,712</u>	<u>219,470</u>	<u>245,227</u>
Total primary government program revenues	<u>\$ 660,099</u>	<u>\$ 503,679</u>	<u>\$ 560,259</u>	<u>\$ 525,466</u>	<u>\$ 543,856</u>
Net (Expense) Revenue					
Governmental activities	\$ (261,649)	\$ (224,497)	\$ (207,880)	\$ (303,165)	\$ (294,010)
Business - type activities	14,411	23,131	3,797	4,949	6,565
Total primary government net expenses	<u>\$ (247,238)</u>	<u>\$ (201,366)</u>	<u>\$ (204,083)</u>	<u>\$ (298,216)</u>	<u>\$ (287,445)</u>

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(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Program Revenues					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 6,614	\$ 5,827	\$ 5,608	\$ 6,924	\$ 7,270
Police	4,098	10,316	9,714	9,693	10,804
Fire	22,711	21,998	21,643	24,288	26,155
Public works	-	-	-	28,321	30,337
General services	9,964	10,442	10,965	3,175	1,756
Transportation	28,857	28,614	28,309	-	-
Economic development	8,497	9,136	8,800	8,685	8,205
Convention, culture & leisure	9,689	9,364	7,985	8,817	9,311
Parks and recreation	10,122	10,039	11,579	10,604	13,359
Code enforcement	5,627	-	-	-	-
Community development	8,752	15,409	15,459	15,423	17,141
Neighborhood services	166	-	-	-	-
Planning and development	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Library	-	-	-	33	59
Nondepartmental	-	-	-	-	-
Total charge for services	115,097	121,145	120,062	115,963	124,397
Operating grants and contributions	59,179	51,289	54,287	81,822	47,430
Capital grants and contributions	90,888	69,234	112,247	69,323	89,539
Total governmental activities program revenues	<u>265,164</u>	<u>241,668</u>	<u>286,596</u>	<u>267,108</u>	<u>261,366</u>
<i>Business - type activities</i>					
Charge for services					
Water	70,463	79,315	79,809	88,754	94,382
Wastewater	20,284	21,360	21,513	25,134	28,493
Storm drainage	34,082	34,160	34,545	35,682	38,049
Solid waste	58,901	62,906	64,055	60,295	58,561
Community center	7,020	6,780	7,521	7,130	7,718
Child development	5,473	5,309	5,232	5,426	5,632
Marina	1,782	1,464	1,359	-	-
Parking	18,784	18,660	18,769	18,823	18,643
Advanced life support	-	-	-	-	-
Golf	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Total charge for services	216,789	229,954	232,803	241,244	251,478
Operating grants and contributions	2,381	2,358	3,744	1,095	1,963
Capital grants and contributions	14,148	10,417	5,289	7,480	4,403
Total business - type activities program revenues	<u>233,318</u>	<u>242,729</u>	<u>241,836</u>	<u>249,819</u>	<u>257,844</u>
Total primary government program revenues	<u>\$ 498,482</u>	<u>\$ 484,397</u>	<u>\$ 528,432</u>	<u>\$ 516,927</u>	<u>\$ 519,210</u>
Net (Expense) Revenue					
Governmental activities	\$ (313,999)	\$ (344,952)	\$ (281,706)	\$ (330,323)	\$ (329,686)
Business - type activities	26,536	31,396	21,363	33,126	41,127
Total primary government net expenses	<u>\$ (287,463)</u>	<u>\$ (313,556)</u>	<u>\$ (260,343)</u>	<u>\$ (297,197)</u>	<u>\$ (288,559)</u>

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Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
General Revenues and Other					
Changes in Net Position					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 70,456	\$ 112,234	\$ 127,454	\$ 137,782	\$ 135,806
Redevelopment tax increment	40,676	-	-	-	-
Utility user taxes	53,893	56,243	55,619	57,561	57,775
Other taxes	30,668	32,002	28,379	23,865	20,358
Sales taxes shared state revenue	55,342	59,118	55,846	54,821	48,905
In-lieu sales tax	15,284	13,956	18,197	16,344	15,745
In-lieu motor vehicle tax	26,393	-	-	-	-
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	-	4,224
Investment earnings	24,751	21,741	39,867	34,343	14,896
Miscellaneous	10,267	7,516	12,544	12,142	10,368
Contributions to permanent fund	-	1	1	7	-
Gain (loss) on disposition of capital assets	3,437	-	-	-	2,912
Special items, net	-	-	-	18,791	(929)
Transfers	(9,800)	8,159	13,698	12,898	8,348
Total Governmental activities	321,367	310,970	351,605	368,554	318,408
<i>Business-type activities</i>					
Taxes:					
Other taxes	14,398	15,419	17,258	17,538	15,852
Investment earnings	4,342	5,231	8,227	6,898	5,746
Miscellaneous	1,015	3	1	353	-
Gain (loss) on disposition of capital assets	6,891	722	-	5,645	-
Special items, net	-	-	-	-	-
Transfers	9,800	(8,159)	(13,698)	(12,898)	(8,348)
Total business-type activities	36,446	13,216	11,788	17,536	13,250
Total primary government	\$ 357,813	\$ 324,186	\$ 363,393	\$ 386,090	\$ 331,658
Change in Net Position					
Governmental activities	\$ 59,718	\$ 86,473	\$ 143,725	\$ 65,389	\$ 24,398
Business-type activities	50,857	36,347	15,585	22,485	19,815
Total primary government	\$ 110,575	\$ 122,820	\$ 159,310	\$ 87,874	\$ 44,213

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Revenues and Other					
Changes in Net Position					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 123,681	\$ 118,801	\$ 114,874	\$ 114,451	\$ 122,477
Redevelopment tax increment	-	-	-	-	-
Utility user taxes	58,693	58,907	58,787	59,066	59,613
Other taxes	18,591	18,327	17,403	27,943	61,584
Sales taxes shared state revenue	46,769	47,680	50,683	52,300	56,575
In-lieu sales tax	14,332	14,548	14,081	16,113	16,823
In-lieu motor vehicle tax	-	-	-	-	-
Grants and other intergovernmental revenue					
not restricted to specific programs	4,591	2,610	-	-	-
Investment earnings	11,508	6,260	10,953	10,101	10,136
Miscellaneous	12,743	12,464	11,005	9,749	8,853
Contributions to permanent fund	-	4	1	1	1
Gain (loss) on disposition of capital assets	-	2,336	-	-	4,567
Special items, net	-	-	-	26,208	(2,500)
Transfers	19,365	28,229	22,722	19,002	28,571
Total Governmental activities	310,273	310,166	300,509	334,934	366,700
<i>Business-type activities</i>					
Taxes:					
Other taxes	14,233	15,403	15,781	16,555	17,943
Investment earnings	4,964	3,449	2,957	1,299	3,294
Miscellaneous	-	-	-	-	3
Gain (loss) on disposition of capital assets	17	-	7	-	-
Special items, net	-	-	-	-	18,527
Transfers	(19,365)	(28,229)	(22,722)	(19,002)	(28,571)
Total business-type activities	(151)	(9,377)	(3,977)	(1,148)	11,196
Total primary government	\$ 310,122	\$ 300,789	\$ 296,532	\$ 333,786	\$ 377,896
Change in Net Position					
Governmental activities	\$ (3,726)	\$ (34,786)	\$ 18,803	\$ 4,611	\$ 37,014
Business-type activities	26,385	22,019	17,386	31,978	52,323
Total primary government	\$ 22,659	\$ (12,767)	\$ 36,189	\$ 36,589	\$ 89,337

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Fund Balances, Governmental Funds ^{(1) (2) (3)}
Last Ten Fiscal Years
(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Reserved for:					
Noncurrent assets	\$ 1,305	\$ 1,074	\$ 987	\$ 1,604	\$ 969
Encumbrances	10,790	14,089	17,070	8,947	5,189
Inventories and prepaids	-	-	-	449	316
Unreserved	141,331	133,573	113,421	87,962	65,614
Nonspendable:					
Prepaid items	-	-	-	-	-
Noncurrent assets	-	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
Committed:					
Economic uncertainty	-	-	-	-	-
Capital projects	-	-	-	-	-
Community center theater renovation	-	-	-	-	-
OPEB trust fund	-	-	-	-	-
Homeless programs	-	-	-	-	-
Other programs	-	-	-	-	-
Assigned:					
Unrealized investment gains	-	-	-	-	-
Next year's budget	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	\$ 153,426	\$ 148,736	\$ 131,478	\$ 98,962	\$ 72,088
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 70,511	\$ 993	\$ 935	\$ 875	\$ 746
Encumbrances	67,585	32,087	33,855	113,669	78,390
Debt service	24,721	23,138	22,568	22,634	20,517
Inventories and prepaids	-	-	-	1,344	35
Housing/redevelopment	106,624	-	-	-	-
Trust obligations	1,927	1,927	1,927	1,934	1,934
Capital projects	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	75,224	80,115	34,125	79,289	73,626
Capital projects funds	58,302	192,768	276,582	131,595	104,824
Debt service funds	13,959	7,615	7,651	9,200	9,868
Permanent funds	2,920	3,131	3,855	3,700	2,567
Nonspendable:					
Prepaid items	-	-	-	-	-
Noncurrent assets	-	-	-	-	-
Permanent fund principal	-	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	-
Committed:					
Capital projects	-	-	-	-	-
Grant retention	-	-	-	-	-
Debt service	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
Unrealized investment gains	-	-	-	-	-
Other programs	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 421,773	\$ 341,774	\$ 381,498	\$ 364,240	\$ 292,507

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 54 for the period ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

(3) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Fund Balances, Governmental Funds ^{(1) (2) (3)}
Last Ten Fiscal Years
(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund					
Reserved for:					
Noncurrent assets	\$ 514	\$ -	\$ -	\$ -	\$ -
Encumbrances	6,301	-	-	-	-
Inventories and prepaids	304	-	-	-	-
Unreserved	47,988	-	-	-	-
Nonspendable:					
Prepaid items	-	63	23	24	66
Noncurrent assets	-	245	71	48	-
Restricted:					
Capital projects	-	-	-	-	3,401
Other programs	-	86	64	40	21
Committed:					
Economic uncertainty	-	14,340	20,263	27,765	33,714
Capital projects	-	19,612	21,542	21,789	21,728
Community center theater renovation	-	-	-	8,500	8,500
OPEB trust fund	-	-	-	2,000	-
Homeless programs	-	-	-	-	1,000
Other programs	-	12,468	9,349	9,347	12,909
Assigned:					
Unrealized investment gains	-	972	402	-	173
Next year's budget	-	5,138	9,354	10,446	-
Unassigned	-	-	-	-	17,395
Total general fund	\$ 55,107	\$ 52,924	\$ 61,068	\$ 79,959	\$ 98,907
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 1,149	\$ -	\$ -	\$ -	\$ -
Encumbrances	30,000	-	-	-	-
Debt service	20,269	-	-	-	-
Inventories and prepaids	35	-	-	-	-
Housing/redevelopment	-	-	-	-	-
Trust obligations	1,934	-	-	-	-
Capital projects	2,210	-	-	-	-
Unreserved, reported in:					
Special revenue funds	93,583	-	-	-	-
Capital projects funds	100,308	-	-	-	-
Debt service funds	10,047	-	-	-	-
Permanent funds	2,798	-	-	-	-
Nonspendable:					
Prepaid items	-	30	29	44	24
Noncurrent assets	-	1,577	605	530	451
Permanent fund principal	-	1,934	878	878	878
Restricted:					
Capital projects	-	161,365	150,475	135,069	126,262
Debt service	-	20,870	18,230	17,472	17,548
Public works programs	-	-	-	13,781	11,830
Economic development programs	-	-	-	23,970	22,484
Other programs	-	50,264	50,026	31,115	29,924
Committed:					
Capital projects	-	606	469	3,666	4,024
Grant retention	-	-	-	-	4,049
Debt service	-	2,278	2,278	2,278	6,583
Economic development programs	-	-	-	-	5,125
Other programs	-	646	2,096	6,266	25,486
Assigned:					
Debt service	-	2,878	2,068	1,805	973
Unrealized investment gains	-	120	42	100	47
Other programs	-	2,281	4,093	3,758	4,047
Unassigned	-	(31,287)	(48,094)	(29,711)	(22,121)
Total all other governmental funds	\$ 262,333	\$ 213,562	\$ 183,195	\$ 211,021	\$ 237,614

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 54 for the period ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

(3) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Fund Balances, Governmental Funds ^{(1) (2)}
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 269,695	\$ 273,010	\$ 287,254	\$ 286,498	\$ 277,370
Intergovernmental	167,448	134,905	148,521	137,341	161,418
Charges for services	58,836	64,063	64,902	63,285	70,403
Fines, forfeits and penalties	7,804	8,065	8,285	9,916	12,213
Interest, rents, and concessions	17,278	18,195	34,398	28,430	15,414
Community service fees	40,315	64,360	40,386	16,831	13,297
Assessment levies	18,443	19,374	21,424	25,894	33,204
Contributions from property owners	46,343	3,942	44,099	31,753	8,132
Donations	63	94	-	-	-
Miscellaneous	3,670	1,463	395	296	212
Total revenues	629,895	587,471	649,664	600,244	591,663
Expenditures					
General Government	25,886	30,456	31,172	33,778	31,938
Police	121,548	137,391	149,159	148,392	145,148
Fire	73,360	87,648	91,965	94,284	99,613
General Services	16,325	14,925	14,348	23,198	23,396
Transportation	22,038	34,691	37,598	30,235	32,902
Neighborhood Services	7,880	1,917	1,815	1,547	1,363
Convention, Culture & Leisure	4,847	13,060	15,074	16,080	15,116
Economic Development	-	5,461	5,882	8,035	9,472
Parks and Recreation	38,898	43,477	47,884	53,499	45,845
Code enforcement	-	7,184	9,713	9,595	10,605
Community Development	-	-	-	-	-
Library	7,997	8,587	8,868	9,366	13,406
Utilities	219	109	109	83	67
Nondepartmental	32,284	24,811	18,526	27,373	26,028
Citywide and community support	-	-	-	-	-
Public Works	-	-	-	-	-
Development Services	66,785	35,802	32,600	28,261	21,881
Planning	-	-	8,079	5,626	2,709
Housing and Redevelopment	58,399	-	-	-	-
Planning and Building	-	-	-	-	-
Capital Outlay					
City	127,157	95,683	193,954	153,507	180,125
SHRA	10,229	-	-	-	-
Subtotal - capital outlay	137,386	95,683	193,954	153,507	180,125
Debt Service					
City					
Principal	21,260	21,213	17,253	19,529	45,789
Interest and fiscal charges	19,415	21,973	30,216	30,689	30,468
Bond issuance costs	-	2,600	1,519	607	-
Advance refunding escrow	-	1,154	213	-	-
SHRA					
Principal	12,978	-	-	-	-
Interest and fiscal charges	16,382	-	-	-	-
Subtotal - debt service	70,035	46,940	49,201	50,825	76,257
Total Expenditures	683,887	588,142	715,947	693,684	735,871
Excess (deficiency) of revenues over (under) expenditures	(53,992)	(671)	(66,283)	(93,440)	(144,208)
Other Financing Sources (uses)					
Transfers in	57,544	52,864	56,203	58,989	65,076
Transfers out	(53,208)	(38,609)	(37,441)	(39,780)	(33,695)
Issuance of long-term debt	14,983	212,339	147,281	5,666	10,981
Premium on long term debt	-	7,447	14,857	-	-
Proceeds from sale of property	5,286	-	-	-	2,992
Proceeds of long-term capital-related debt	-	-	-	-	-
Payments to participating governments	-	(25,500)	-	-	-
Payments to refunded bond escrow	-	(63,560)	(92,151)	-	-
Discount on long-term debt	-	-	-	-	-
Total other financing sources (uses)	24,605	144,981	88,749	24,875	45,354
Special items, net	-	-	-	18,791	(929)
Net change in fund balances	\$ (29,387)	\$ 144,310	\$ 22,466	\$ (49,774)	\$ (99,783)
Debt services as a percentage of noncapital expenditures	12.82%	9.53%	9.43%	9.41%	13.72%

Note: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Fund Balances, Governmental Funds ^{(1) (2)}
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 260,749	\$ 254,705	\$ 256,564	\$ 265,605	\$ 320,832
Intergovernmental	174,214	125,758	154,937	154,556	105,172
Charges for services	62,962	67,831	62,760	66,369	71,889
Fines, forfeits and penalties	12,118	11,093	11,891	9,892	11,221
Interest, rents, and concessions	10,928	9,627	15,494	13,909	14,417
Community service fees	7,875	3,647	3,058	7,136	4,693
Assessment levies	31,970	33,482	35,294	37,621	38,668
Contributions from property owners	7,972	9,440	6,170	14,269	43,018
Donations	-	-	-	-	-
Miscellaneous	196	411	2,090	3,441	570
Total revenues	568,984	515,994	548,258	572,798	610,480
Expenditures					
General Government	27,471	26,049	24,610	22,712	26,170
Police	147,059	144,081	142,204	138,779	138,653
Fire	102,430	97,573	98,749	99,630	107,538
General Services	21,025	19,353	19,388	10,306	9,564
Transportation	31,023	29,708	33,183	-	-
Neighborhood Services	1,007	-	-	-	-
Convention, Culture & Leisure	13,196	13,291	10,670	9,804	10,481
Economic Development	9,136	9,819	9,396	10,221	12,418
Parks and Recreation	40,312	36,650	30,393	32,257	35,632
Code enforcement	10,279	-	-	-	-
Community Development	15,873	23,307	21,819	23,568	23,902
Library	12,366	12,398	11,739	12,362	12,482
Utilities	67	137	97	979	607
Nondepartmental	26,818	33,407	32,269	-	-
Citywide and community support	-	-	-	33,105	36,965
Public Works	-	-	-	34,995	34,706
Development Services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and Redevelopment	-	-	-	-	-
Planning and Building	-	-	-	-	-
Capital Outlay					
City	156,146	91,902	118,259	116,705	106,840
SHRA	-	-	-	-	-
Subtotal - capital outlay	156,146	91,902	118,259	116,705	106,840
Debt Service					
City	18,577	44,189	21,595	19,470	26,218
Principal	18,577	44,189	21,595	19,470	26,218
Interest and fiscal charges	29,697	25,209	24,028	22,949	22,772
Bond issuance costs	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
SHRA	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Subtotal - debt service	48,274	69,398	45,623	42,419	48,990
Total Expenditures	662,482	607,073	598,399	587,842	604,948
Excess (deficiency) of revenues over (under) expenditures	(93,498)	(91,079)	(50,141)	(15,044)	5,532
Other Financing Sources (uses)					
Transfers in	53,621	58,006	55,435	55,166	63,584
Transfers out	(30,241)	(27,025)	(27,590)	(27,450)	(34,527)
Issuance of long-term debt	22,963	6,808	73	-	6,050
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	2,336	-	-	4,902
Proceeds of long-term capital-related debt	-	-	-	2,837	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-
Total other financing sources (uses)	46,343	40,125	27,918	30,553	40,009
Special items, net	-	-	-	31,208	-
Net change in fund balances	\$ (47,155)	\$ (50,954)	\$ (22,223)	\$ 46,717	\$ 45,541
Debt services as a percentage of noncapital expenditures	9.35%	13.06%	9.41%	8.35%	9.49%

Note: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

Fiscal Year	Property	Tax Increment	Sales & Use	Utility Users	Others	Total
2005	70,405	40,676	70,627	53,893	34,094	269,695
2006 ⁽²⁾	112,144 ⁽¹⁾	-	72,479	56,243	32,144	273,010
2007	145,376 ⁽³⁾	-	56,441	55,618	29,819	287,254
2008	150,901	-	54,821	57,561	23,215	286,498
2009	151,551	-	48,905	57,775	19,139	277,370
2010	140,013	-	45,670	58,700	16,366	260,749
2011	133,099	-	47,680	58,887	15,039	254,705
2012	130,287	-	50,683	58,787	16,807	256,564
2013	130,864 ⁽⁴⁾	-	57,121 ⁽⁵⁾	59,066	18,554	265,605
2014	140,690 ⁽⁴⁾	-	99,615 ⁽⁵⁾	59,613	20,914	320,832

Notes: (1) Property taxes in fiscal year 2006 include approximately \$30 million of in-lieu vehicle license fee revenue reported as intergovernmental revenues in fiscal year 2005.

(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(3) In lieu sales tax was reported as intergovernmental revenue in fiscal year 2006.

This revenue is reported as property tax in fiscal year 2007 and subsequent fiscal years.

(4) Includes residual property tax from redevelopment agency dissolution.

(5) Includes Measure U local sales and use tax.

Sources: (A) City of Sacramento Comprehensive Annual Financial Reports
(B) Finance Department, City of Sacramento

City of Sacramento
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Fiscal Year End June 30	Gross Assessed Value ⁽¹⁾				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate ⁽²⁾
	Real Property	Personal Property	Public Utility	Total			
2005 ⁽³⁾	27,010,976	1,343,104	57,800	28,411,880	500,620	27,911,260	1.00
2006	31,112,448	1,374,566	56,950	32,543,964	506,813	32,037,151	1.00
2007	35,687,712	1,441,042	54,611	37,183,365	509,257	36,674,108	1.00
2008	39,286,839	1,548,914	15,371 ⁽⁴⁾	40,851,124	505,519	40,345,605	1.00
2009	40,360,550	1,691,096	11,948	42,063,594	503,159	41,560,435	1.00
2010	37,446,222	1,819,726	11,937	39,277,885	499,878	38,778,007	1.00
2011	36,388,660	1,742,824	11,977	38,143,461	496,459	37,647,002	1.00
2012	35,267,406	1,711,462	12,132	36,991,000	488,888	36,502,112	1.00
2013	34,332,037	1,626,943	13,157	35,972,137	477,326	35,494,811	1.00
2014	35,829,529	1,546,891	12,381	37,388,801	464,546	36,924,255	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:

- a) annual inflation up to 2%
- b) current market value at time of ownership change
- c) market value for new construction.

Estimated actual value of taxable property cannot easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

(3) The Sacramento Housing Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(4) The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards from a railroad company to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento
 Direct and Overlapping Property Tax Rates ⁽¹⁾
 Per \$100 of Assessed Value
 Last Ten Fiscal Years**

Fiscal Year End June 30	Basic County, City, and School Levy ⁽²⁾	County of Sacramento	Schools	Special Districts	Total
2005	1.0000	—	0.0647	0.0067	1.0714
2006	1.0000	—	0.1163	0.0055	1.1218
2007	1.0000	—	0.0922	—	1.0922
2008	1.0000	—	0.0956	—	1.0956
2009	1.0000	—	0.1012	—	1.1012
2010	1.0000	—	0.1035	—	1.1035
2011	1.0000	—	0.1069	—	1.1069
2012	1.0000	—	0.1174	—	1.1174
2013	1.0000	—	0.1192	—	1.1192
2014	1.0000	—	0.1406	—	1.1406

Notes : (1) Data is stated at full value as required under Article XIII-A of the Constitution of the State of California.

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

City of Sacramento
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

(in thousands)

Taxpayer	2014			2005		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Hines VAF II Sacramento	\$ 442,978	1	1.20 %	\$ -	-	- %
CIM Sacramento LLC	230,772	2	0.62	-	-	-
Arden Fair Associates	137,159	3	0.37	119,187	3	0.46
Verizon Wireless	132,738	4	0.36	-	-	-
621 Capitol Mall LLC	124,810	5	0.34	-	-	-
300 Capitol Association NF LP	109,000	6	0.30	-	-	-
HP Hood LLC	84,287	7	0.23	-	-	-
Target Corp	81,423	8	0.22	-	-	-
500 Capitol Mall LLC	79,119	9	0.21	-	-	-
Capitol Regency LLC	74,784	10	0.20	-	-	-
400 Capital Mall Venture	-	-	-	140,665	1	0.55
Downtown Plaza LLC	-	-	-	131,144	2	0.51
GTE Data Service Inc.	-	-	-	117,492	4	0.46
SRI Six USBP LLC	-	-	-	90,648	5	0.35
Sacramento Hotel Corporation	-	-	-	89,164	6	0.35
McClatchy Newspaper Inc.	-	-	-	76,622	7	0.30
VV USA City LP	-	-	-	75,419	8	0.29
Spieker Properties LP	-	-	-	69,514	9	0.27
Alpine Realty Sacramento LLC	-	-	-	65,700	10	0.25
	1,497,070		4.05	975,555		3.79
All other taxpayers	35,427,185		95.95	24,760,597		96.21
Total	\$ 36,924,255		100.00 %	\$ 25,736,152		100.00 %

Source: County of Sacramento, Office of Auditor/Controller

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City of Sacramento
Property Tax Levies and Collections ^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	70,435	70,343	99.87%	92	70,435	100.00%
2006	114,657	112,052	97.73%	2,605	114,657	100.00%
2007	146,844	142,771	97.23%	4,073	146,844	100.00%
2008	151,667	146,828	96.81%	4,839	151,667	100.00%
2009	151,480	147,780	97.56%	3,700	151,480	100.00%
2010	138,701	136,313	98.28%	2,388	138,701	100.00%
2011	132,440	130,711	98.69%	1,729	132,440	100.00%
2012	129,123	127,914	99.06%	1,209	129,123	100.00%
2013	130,755 ^{(3) (4)}	129,655	99.16%	1,100	130,755	100.00%
2014	140,273 ^{(3) (4)}	139,651	99.56%	622	140,273	100.00%

Notes: (1) Includes City tax levy and collections only; does not include SHRA, a component unit until fiscal year 2005.
(2) Property taxes in 2007 and subsequent years include revenue reported in 2006 as in lieu sales tax.
(3) Total actual tax levy amount is not available from Sacramento County; amount provided is an estimate.
(4) Includes residual property taxes resulting from the redevelopment agency dissolution.

City of Sacramento
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases
2005	427,590	137,454	324	16,440	2,549
2006 ⁽¹⁾⁽²⁾	529,598	-	104	993	1,940
2007 ⁽³⁾	548,175	-	-	25,935	8,062
2008	532,354	-	-	25,875	8,806
2009	514,431	-	-	812	7,354
2010	496,641	-	-	746	11,203
2011	477,588	-	-	677	9,910
2012	457,324	-	-	605	8,439
2013 ⁽⁴⁾	435,962	-	-	530	9,446
2014 ⁽⁵⁾	419,477	-	-	16,053	13,562

Notes:

- 1) \$151 million in revenue bonds and \$168 million in refunding revenue bonds were issued in 2006.
 - 2) In 2006, the Sacramento Housing and Redevelopment Agency was eliminated as a blended component unit.
 - 3) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
 - 4) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
 - 5) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
- NA) Personal income data was not available in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income	Population	Per Capita
	Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases				
2005	397,441	15	74,943	1,146	1,057,902	7	452,959	2,336
2006 ⁽¹⁾⁽²⁾	353,065	-	49,210	2,279	937,189	6	457,514	2,048
2007 ⁽³⁾	331,024	-	46,540	1,760	961,496	NA	467,343	2,057
2008	322,965	-	49,977	2,710	942,687	NA	475,743	1,982
2009	312,967	-	49,103	6,487	891,154	NA	481,097	1,852
2010	302,064	-	56,307	8,295	875,256	NA	486,189	1,800
2011	289,950	-	56,388	7,066	841,579	NA	469,566	1,792
2012	277,241	-	55,131	11,693	810,433	NA	470,956	1,721
2013 ⁽⁴⁾	542,347	-	52,536	9,466	1,050,287	NA	473,509	2,218
2014 ⁽⁵⁾	540,117	-	33,288	6,098	1,028,595	NA	475,122	2,165

Notes:

- 1) \$151 million in revenue bonds and \$168 million in refunding revenue bonds were issued in 2006.
 - 2) In 2006, the Sacramento Housing and Redevelopment Agency was eliminated as a blended component unit.
 - 3) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
 - 4) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
 - 5) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
- NA) Personal income data was not available in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Total Gross General Obligation Bonds	Amounts Restricted for Principal Repayments	Total Net General Obligation Bonds	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Net Bonded Debt Per Capita
2005	-	-	-	27,911,260	0.00%	452,959	-
2006	-	-	-	32,037,151	0.00%	457,514	-
2007	-	-	-	36,674,108	0.00%	467,343	-
2008	-	-	-	40,345,605	0.00%	475,743	-
2009	-	-	-	41,560,435	0.00%	481,097	-
2010	-	-	-	38,778,007	0.00%	486,189	-
2011	-	-	-	37,647,002	0.00%	469,566	-
2012	-	-	-	36,502,112	0.00%	470,956	-
2013	-	-	-	35,494,811	0.00%	473,509	-
2014	-	-	-	36,924,255	0.00%	475,122	-

Source: City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.

City of Sacramento
Direct and Overlapping Governmental Activities Debt ⁽¹⁾
As of June 30, 2014
(in thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Los Rios Community College District	\$ 370,270	25.367 %	\$ 93,926
Natomas Unified School District	173,217	87.387	151,369
Sacramento Unified School District	372,363	83.460	310,774
San Juan Unified School District	335,630	3.062	10,277
Twin Rivers Unified School District	84,573	47.725	40,361
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	192,857	47.127	90,888
Robla School District	23,481	50.911	11,955
City of Sacramento Community Facilities Districts	144,275	100.000	144,275
Elk Grove Unified School District Community Facilities District No. 1	182,044	11.486	20,910
City of Sacramento 1915 Act Bonds	8,690	100.000	8,690
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	192,610	83.303	160,450
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,320	63.308	2,102
Sacramento Area Flood Control Agency Natomas Local Assessment District	35,350	84.065	29,717
Subtotal - Overlapping Tax and Assessment debt			1,075,694
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	297,541	30.888	91,904
Sacramento County Pension Obligations	990,308	30.888	305,886
Sacramento County Board of Education Certificates of Participation	8,010	30.888	2,474
Los Rios Community College District Certificates of Participation	5,670	25.367	1,438
Sacramento Unified School District Certificates of Participation	74,285	83.460	61,998
Sacramento Unified School District Pension Obligations	1,740	83.460	1,452
San Juan Unified School District Certificates of Participation	999	3.062	31
Twin Rivers Unified School District Certificates of Participation	129,825	47.127	61,183
Subtotal - Lease Obligation Debt			526,366
Total Overlapping Debt			1,602,060
City of Sacramento Direct Debt			449,092
Total Direct and Overlapping Debt			\$ 2,051,152

Note: (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City of Sacramento. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Data regarding overlapping debt is obtained from California Municipal Statistics, Inc.

City of Sacramento
Legal Debt Margin
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Debt Limit		Debt Applicable to Limit			Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
	Net Assessed Value	Debt Limit - 15% of Assessed Value	General Obligation Bonds	Amount set aside for repayment of general obligation debt	Total net debt applicable to limit		
2005	27,911,260	4,186,689	-	-	-	4,186,689	0.00%
2006	32,037,151	4,805,573	-	-	-	4,805,573	0.00%
2007	36,674,108	5,501,116	-	-	-	5,501,116	0.00%
2008	40,345,605	6,051,841	-	-	-	6,051,841	0.00%
2009	41,560,435	6,234,065	-	-	-	6,234,065	0.00%
2010	38,778,007	5,816,701	-	-	-	5,816,701	0.00%
2011	37,647,002	5,647,050	-	-	-	5,647,050	0.00%
2012	36,502,112	5,475,317	-	-	-	5,475,317	0.00%
2013	35,494,811	5,324,222	-	-	-	5,324,222	0.00%
2014	36,924,255	5,538,638	-	-	-	5,538,638	0.00%

Sources: (A) City of Sacramento Comprehensive Annual Financial Reports.
(B) County of Sacramento, Office of Auditor/Controller.

City of Sacramento
Demographic and Economic Statistics for Sacramento County
Last Ten Calendar Years

Year	Population (A)	Personal Income (in millions of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment (B)	Unemployment Rate (C)
2005	1,369,855	46,375	34,014	33.7	14.2	238,385	5.1 %
2006	1,385,607	48,313	35,197	34.1	NA	239,026	4.8
2007	1,406,804	NA	NA	NA	NA	238,233	5.3
2008	1,424,415	NA	NA	NA	NA	238,522	7.0
2009	1,433,187	NA	NA	NA	NA	237,722	11.9
2010	1,445,327	NA	NA	NA	NA	237,916	12.6
2011	1,428,355	NA	NA	NA	NA	237,567	12.7
2012	1,435,153	NA	NA	NA	NA	237,362	11.1
2013	1,445,806	NA	NA	NA	NA	238,290	8.7
2014	1,454,406	NA	NA	NA	NA	240,216	7.1

Sources: (A) <http://www.dof.ca.gov/research/demographic/reports/estimates/e-5/2011-20/view.php> (Population estimates are as of January 1st each year)

(B) California Department of Education, report on Sacramento County: <http://dq.cde.ca.gov/dataquest/>

(C) California Employment Development Department, Report 400 C - Monthly Labor Force Data for California Counties

<http://www.labormarketinfo.edd.ca.gov/> (as of June each year)

**City of Sacramento
Principal Employers
Current Fiscal Year and Nine Years Ago**

Employer (A)	2014			2006 ⁽¹⁾		
	Employee (A) ⁽²⁾	Rank	Percentage of Total Employment (B) ⁽³⁾	Employee (A) ⁽²⁾	Rank	Percentage of Total Employment (B)
State of California	72,220	1	11.44%	87,467	1	13.50%
Sacramento County	10,700	2	1.70%	14,408	2	2.22%
U.S. Government	9,906	3	1.57%	-	-	-
UC Davis Health System	9,905	4	1.57%	7,901	5	1.22%
Sutter Health Sacramento Sierra Region	7,352	5	1.16%	4,181	8	0.65%
Dignity Health	6,212	6	0.98%	-	-	-
Intel Corporation	6,000	7	0.95%	-	-	-
Kaiser Permanente	5,421	8	0.86%	8,656	3	1.34%
Elk Grove Unified School District	5,410	9	0.86%	-	-	-
Sacramento City Unified School District	4,200	10	0.67%	7,000	6	1.08%
City of Sacramento	4,140	11	0.66%	5,003	7	0.77%
Los Rios Community College	-	-	-	8,000	4	1.23%
Wells Fargo & Co.	-	-	-	2,368	9	0.37%
California State University, Sacramento	-	-	-	2,295	10	0.35%
Sacramento Municipal Utility District	-	-	-	2,169	11	0.33%

Notes: (1) Data is not available from nine years ago. Fiscal Year 2006 was the first year this data was presented.
(2) Ranked by number of employees in full-time equivalents.
(3) Percentage of total employment is calculated based on Sacramento County's total employment force of 631,200 (per Employment Development Department website) in June 2014.

Sources: (A) Sacramento Business Journal, July 25, 2014. List of largest employers in Sacramento County.
(B) Employment Development Department, State of California.

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City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2005	2006	2007	2008	2009
Merged Downtown					
Secured	\$ 1,898,779	\$ 1,961,343	\$ 2,095,806	\$ 2,203,787	\$ 2,549,340
Unsecured	130,133	136,059	141,829	146,071	174,529
Utility	5,282	5,280	5,274	4,107	997
Total	<u>\$ 2,034,194</u>	<u>\$ 2,102,682</u>	<u>\$ 2,242,909</u>	<u>\$ 2,353,965</u>	<u>\$ 2,724,866</u>
Del Paso Heights					
Secured	\$ 196,526	\$ 260,127	\$ 338,413	\$ 393,968	\$ 414,673
Unsecured	11,417	10,364	10,930	11,076	14,272
Utility	-	-	-	-	1
Total	<u>\$ 207,943</u>	<u>\$ 270,491</u>	<u>\$ 349,343</u>	<u>\$ 405,044</u>	<u>\$ 428,946</u>
Alkali Flat					
Secured	\$ 91,498	\$ 96,749	\$ 104,672	\$ 122,660	\$ 126,892
Unsecured	12,784	13,802	15,521	4,701	4,273
Utility	37	37	37	-	-
Total	<u>\$ 104,319</u>	<u>\$ 110,588</u>	<u>\$ 120,230</u>	<u>\$ 127,361</u>	<u>\$ 131,165</u>
Oak Park					
Secured	\$ 348,674	\$ 441,020	\$ 549,470	\$ 618,602	\$ 611,302
Unsecured	11,306	10,644	10,970	10,363	11,361
Utility	-	-	-	-	-
Total	<u>\$ 359,980</u>	<u>\$ 451,664</u>	<u>\$ 560,440</u>	<u>\$ 628,965</u>	<u>\$ 622,663</u>
River District (formerly Richards Blvd)					
Secured	\$ 368,429	\$ 383,756	\$ 396,256	\$ 404,185	\$ 434,882
Unsecured	29,806	30,896	31,005	34,967	44,693
Utility	37,775	37,533	2,759	4,120	4,120
Total	<u>\$ 436,010</u>	<u>\$ 452,185</u>	<u>\$ 430,020</u>	<u>\$ 443,272</u>	<u>\$ 483,695</u>
North Sacramento					
Secured	\$ 424,562	\$ 469,556	\$ 533,114	\$ 581,880	\$ 613,238
Unsecured	34,986	36,278	29,494	30,238	37,027
Utility	-	-	-	-	-
Total	<u>\$ 459,548</u>	<u>\$ 505,834</u>	<u>\$ 562,608</u>	<u>\$ 612,118</u>	<u>\$ 650,265</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2010	2011	2012	2013	2014
Merged Downtown					
Secured	\$ 2,656,453	\$ 2,504,312	\$ 2,427,850	\$ 2,366,130	\$ 2,300,993
Unsecured	172,285	160,110	145,125	137,567	132,581
Utility	997	997	997	770	770
Total	<u>\$ 2,829,735</u>	<u>\$ 2,665,419</u>	<u>\$ 2,573,972</u>	<u>\$ 2,504,467</u>	<u>\$ 2,434,344</u>
Del Paso Heights					
Secured	\$ 317,546	\$ 305,405	\$ 286,172	\$ 276,998	\$ 289,856
Unsecured	37,627	17,112	10,267	9,550	12,659
Utility	1	1	1	1	1
Total	<u>\$ 355,174</u>	<u>\$ 322,518</u>	<u>\$ 296,440</u>	<u>\$ 286,549</u>	<u>\$ 302,516</u>
Alkali Flat					
Secured	\$ 132,387	\$ 128,304	\$ 121,651	\$ 119,184	\$ 112,883
Unsecured	4,759	3,740	2,962	4,982	3,224
Utility	-	-	-	-	-
Total	<u>\$ 137,146</u>	<u>\$ 132,044</u>	<u>\$ 124,613</u>	<u>\$ 124,166</u>	<u>\$ 116,107</u>
Oak Park					
Secured	\$ 460,439	\$ 438,987	\$ 428,226	\$ 427,642	\$ 466,006
Unsecured	13,418	10,613	8,973	9,898	9,763
Utility	-	-	-	-	-
Total	<u>\$ 473,857</u>	<u>\$ 449,600</u>	<u>\$ 437,199</u>	<u>\$ 437,540</u>	<u>\$ 475,769</u>
River District (formerly Richards Blvd)					
Secured	\$ 454,256	\$ 405,518	\$ 403,771	\$ 396,061	\$ 375,825
Unsecured	45,813	41,732	31,661	33,655	29,486
Utility	4,200	4,200	4,264	4,779	4,779
Total	<u>\$ 504,269</u>	<u>\$ 451,450</u>	<u>\$ 439,696</u>	<u>\$ 434,495</u>	<u>\$ 410,090</u>
North Sacramento					
Secured	\$ 563,978	\$ 555,744	\$ 526,139	\$ 506,029	\$ 498,272
Unsecured	33,239	36,014	35,675	39,802	36,413
Utility	-	-	-	-	-
Total	<u>\$ 597,217</u>	<u>\$ 591,758</u>	<u>\$ 561,814</u>	<u>\$ 545,831</u>	<u>\$ 534,685</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2005	2006	2007	2008	2009
Franklin Boulevard					
Secured	\$ 450,740	\$ 507,056	\$ 566,043	\$ 595,198	\$ 615,732
Unsecured	43,519	44,426	42,667	45,819	47,150
Utility	-	-	-	-	-
Total	<u>\$ 494,259</u>	<u>\$ 551,482</u>	<u>\$ 608,710</u>	<u>\$ 641,017</u>	<u>\$ 662,882</u>
Stockton Boulevard					
Secured	\$ 306,436	\$ 370,130	\$ 417,045	\$ 463,344	\$ 476,809
Unsecured	13,282	13,381	12,071	15,416	16,399
Utility	-	-	-	-	-
Total	<u>\$ 319,718</u>	<u>\$ 383,511</u>	<u>\$ 429,116</u>	<u>\$ 478,760</u>	<u>\$ 493,208</u>
Army Depot					
Secured	\$ 160,357	\$ 402,960	\$ 896,449	\$ 995,435	\$ 1,011,483
Unsecured	98,651	88,155	104,420	145,115	118,889
Utility	920	922	841	578	578
Total	<u>\$ 259,928</u>	<u>\$ 492,037</u>	<u>\$ 1,001,710</u>	<u>\$ 1,141,128</u>	<u>\$ 1,130,950</u>
65th Street					
Secured	\$ -	\$ 203,524	\$ 224,504	\$ 243,734	\$ 240,544
Unsecured	-	165	26,401	22,673	29,115
Utility	-	739	611	-	-
Total	<u>\$ -</u>	<u>\$ 204,428</u>	<u>\$ 251,516</u>	<u>\$ 266,407</u>	<u>\$ 269,659</u>
Railyards					
Secured	\$ -	\$ -	\$ -	\$ -	\$ -
Unsecured	-	-	-	-	-
Utility	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2010	2011	2012	2013	2014
Franklin Boulevard					
Secured	\$ 571,385	\$ 571,094	\$ 554,662	\$ 553,114	\$ 556,190
Unsecured	44,573	41,821	38,551	39,862	37,903
Utility	-	-	-	-	-
Total	<u>\$ 615,958</u>	<u>\$ 612,915</u>	<u>\$ 593,213</u>	<u>\$ 592,976</u>	<u>\$ 594,093</u>
Stockton Boulevard					
Secured	\$ 390,475	\$ 372,566	\$ 355,452	\$ 334,059	\$ 345,330
Unsecured	16,598	17,048	17,468	17,101	17,293
Utility	-	-	-	-	-
Total	<u>\$ 407,073</u>	<u>\$ 389,614</u>	<u>\$ 372,920</u>	<u>\$ 351,160</u>	<u>\$ 362,623</u>
Army Depot					
Secured	\$ 835,497	\$ 826,480	\$ 810,113	\$ 790,956	\$ 826,125
Unsecured	120,863	119,918	116,198	116,489	149,382
Utility	578	578	579	943	943
Total	<u>\$ 956,938</u>	<u>\$ 946,976</u>	<u>\$ 926,890</u>	<u>\$ 908,388</u>	<u>\$ 976,450</u>
65th Street					
Secured	\$ 224,753	\$ 242,905	\$ 230,618	\$ 229,458	\$ 228,785
Unsecured	25,010	25,040	25,808	17,346	14,536
Utility	-	-	-	-	-
Total	<u>\$ 249,763</u>	<u>\$ 267,945</u>	<u>\$ 256,426</u>	<u>\$ 246,804</u>	<u>\$ 243,321</u>
Railyards					
Secured	\$ 49,467	\$ 71,772	\$ 80,928	\$ 84,191	\$ 80,200
Unsecured	-	251	3,521	4,548	4,454
Utility	641	680	768	771	-
Total	<u>\$ 50,108</u>	<u>\$ 72,703</u>	<u>\$ 85,217</u>	<u>\$ 89,510</u>	<u>\$ 84,654</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento
 Successor Agency Trust Fund
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Merged Downtown
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Hines Sacramento Wells Fargo	\$ 206,544	\$ 100,000	\$ (106,544)	4.38%
300 Capitol Mall NF LP	109,000	75,000	(34,000)	1.40%
Chase Merritt Sacramento	42,738	12,821	(29,917)	1.23%
GCCFC 2005 GG5 L Street	29,547	24,000	(5,547)	0.23%
Griffin Capital INVS LLC	28,560	20,000	(8,560)	0.35%
Sacramento Hotel Partner	22,600	3,100	(19,500)	0.80%
Juno Commercial Real Estate	19,247	9,500	(9,747)	0.40%
Fund IX - Park Plaza, LLC	12,943	9,500	(3,443)	0.14%
Fremont & Downtown Sacramento	5,486	1,679	(3,807)	0.16%
Fremont & Downtown Sacramento	5,486	1,679	(3,807)	0.16%
Sub Total	482,151	257,279	(224,872)	9.24%
All Other Taxpayers	1,952,193	-	-	-
Total	<u>\$ 2,434,344</u>	<u>\$ 257,279</u>	<u>\$ (224,872)</u>	<u>9.24%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Del Paso Heights
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Lundbom Family Trust	\$ 973	\$ -	\$ (973)	0.32%
Joseph K. Smith	171	70	(101)	0.03%
Mona Sue Ayers	120	52	(68)	0.02%
Sub Total	1,264	122	(1,142)	0.38%
All Other Taxpayers	301,252	-	-	-
Total	\$ 302,516	\$ 122	\$ (1,142)	0.38%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
(2) Information for prior years is not readily available and is not statistically significant.
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Alkali Flat
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Hearst Argyle Stations	\$ 8,022	\$ 2,077	\$ (5,945)	5.12%
Realty Advisors Inc.	5,490	3,100	(2,390)	2.06%
Lynn Houlihan	1,450	1,000	(450)	0.39%
Hearst Argyle Stations	944	422	(522)	0.45%
Hearst Argyle Stations	273	130	(143)	0.12%
Hearst Argyle Stations	235	106	(129)	0.11%
Hearst Argyle Stations	114	50	(64)	0.06%
Hearst Argyle Stations	105	35	(70)	0.06%
Hearst Argyle Stations	87	45	(42)	0.04%
Hearst Argyle Stations	64	21	(43)	0.04%
Sub Total	16,784	6,986	(9,798)	8.44%
All Other Taxpayers	99,323	-	-	-
Total	\$ 116,107	\$ 6,986	\$ (9,798)	8.44%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
 (2) Information for prior years is not readily available and is not statistically significant.
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Oak Park
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
GPT GIG BOA Portfolio	\$ 1,210	\$ 364	\$ (846)	0.18%
Azizur Rehman	283	210	(73)	0.02%
Azizur Rehman	226	190	(36)	0.01%
Sharon Young	207	165	(42)	0.01%
Dorothy Nunley	187	50	(137)	0.03%
Manuel Ochale	158	60	(98)	0.02%
Santone Land Lea	124	60	(64)	0.01%
GPT GIG BOA Portfolio	90	27	(63)	0.01%
CBIP LLC	71	31	(40)	0.01%
CBIP LLC	38	29	(9)	0.00%
Sub Total	2,594	1,186	(1,408)	0.30%
All Other Taxpayers	473,175	-	-	-
Total	\$ 475,769	\$ 1,186	\$ (1,408)	0.30%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
River District
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Systems Parkway	\$ 13,054	\$ 5,500	\$ (7,554)	1.84%
Detmer Family Limited Partnership	4,598	2,299	(2,299)	0.56%
Park Villa Clovis LP	4,143	3,500	(643)	0.16%
10th North Industrial	2,844	1,706	(1,138)	0.28%
Shirish B. & Jagrutiben S.	2,830	1,698	(1,132)	0.28%
Nfinit Solutions Inc.	2,752	880	(1,872)	0.46%
Robinson Family Trust	2,614	1,700	(914)	0.22%
Signal CT & MEW LLC	2,417	1,500	(917)	0.22%
Clear Channel Outdoor	1,800	500	(1,300)	0.32%
MSN Enterprises LLC	1,616	969	(647)	0.16%
Sub Total	38,668	20,252	(18,416)	4.49%
All Other Taxpayers	371,422	-	-	-
Total	\$ 410,090	\$ 20,252	\$ (18,416)	4.49%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 North Sacramento
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Costco Wholesale Corp.	\$ 17,547	\$ 15,000	\$ (2,547)	0.48%
Seven Up Bottling Company	9,364	6,950	(2,414)	0.45%
Sent Expo Pointe LLC	7,485	4,865	(2,620)	0.49%
Gregory N. & Tcherkoyan	7,065	-	(7,065)	1.32%
Walgreen Company	5,202	4,000	(1,202)	0.22%
Bateman J. Bronwyn	3,222	2,366	(856)	0.16%
First State Investors	2,840	852	(1,988)	0.37%
CNMG Investment Group LLC	2,393	1,618	(775)	0.14%
York Law Company LLC	2,369	1,200	(1,169)	0.22%
Cal Tex Properties	1,740	1,043	(697)	0.13%
Sub Total	59,227	37,894	(21,333)	3.99%
All Other Taxpayers	475,458	-	-	-
Total	\$ 534,685	\$ 37,894	\$ (21,333)	3.99%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Franklin Boulevard
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Campbell Soup Supply	\$ 39,718	\$ 18,525	\$ (21,193)	3.57%
Chateau Lang Apartments	2,860	2,600	(260)	0.04%
Stillman Mobile Home	2,208	850	(1,358)	0.23%
Tesco Controls Inc.	2,175	1,500	(675)	0.11%
Lauren Prichard	906	700	(206)	0.03%
Gordon Chin	673	385	(288)	0.05%
Stillman Mobile Home	427	50	(377)	0.06%
Jair, Jack and Rose Mari	355	117	(238)	0.04%
Ghodratollah Soltani	230	200	(30)	0.01%
Mang S Te	227	110	(117)	0.02%
Sub Total	49,779	25,037	(24,742)	4.16%
All Other Taxpayers	544,314	-	-	-
Total	\$ 594,093	\$ 25,037	\$ (24,742)	4.16%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
(2) Information for prior years is not readily available and is not statistically significant.
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

**City of Sacramento
 Successor Agency Trust Fund
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Stockton Boulevard
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Bee Saigon Plaza LLC	\$ 17,374	\$ 8,600	\$ (8,774)	2.42%
Stockton Plaza Partners	9,763	8,299	(1,464)	0.40%
Jaime & Gloria Gonzalez	9,248	-	(9,248)	2.55%
Brittany Arms LLC	4,290	3,900	(390)	0.11%
EKG Investors LLC	2,770	1,167	(1,603)	0.44%
EKG Inverstors LLC	2,520	1,167	(1,353)	0.37%
EKG Inverstors LLC	2,395	1,167	(1,228)	0.34%
EKG Inverstors LLC	1,890	1,167	(723)	0.20%
EKG Inverstors LLC	1,890	1,167	(723)	0.20%
Stockton Plaza Partners	822	699	(123)	0.03%
Sub Total	52,962	27,333	(25,629)	7.07%
All Other Taxpayers	309,661	-	-	-
Total	\$ 362,623	\$ 27,333	\$ (25,629)	7.07%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
 (2) Information for prior years is not readily available and is not statistically significant.
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Army Depot
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Phong Enterprise LLC	\$ 586	\$ 350	\$ (236)	0.02%
Muneshwar Dutt	241	100	(141)	0.01%
Rand Family Trust	240	170	(70)	0.01%
Willie F. Carter	190	120	(70)	0.01%
Andre Holtzclaw	184	100	(84)	0.01%
Scott L. Ostrander	180	90	(90)	0.01%
IH2 Prop West Limited Partnership	118	63	(55)	0.01%
Stephen L. Broderick	70	60	(10)	0.00%
CBIP LLC	66	31	(35)	0.00%
THR CA Limited Partnership	46	36	(10)	0.00%
Sub Total	1,921	1,120	(801)	0.08%
All Other Taxpayers	974,529	-	-	-
Total	\$ 976,450	\$ 1,120	\$ (801)	0.08%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
65th Street
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Target Corporation	\$ 23,379	\$ 400	\$ (22,979)	9.44%
Theodoros G & G Avdalas	960	576	(384)	0.16%
Theodoros G & G Avdalas	483	290	(193)	0.08%
Sam Manolakas	70	20	(50)	0.02%
Sub Total	24,892	1,286	(23,606)	9.70%
All Other Taxpayers	218,429	-	-	-
Total	\$ 243,321	\$ 1,286	\$ (23,606)	9.70%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
(2) Information for prior years is not readily available and is not statistically significant.
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Railyards
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
IA Sacramento Holdings	\$ 29,397	\$ 10,170	\$ (19,227)	22.71%
New Baytree LLC	8,772	2,631	(6,141)	7.25%
IA Sacramento Holdings	2,491	21	(2,470)	2.92%
IA Sacramento Holdings	1,196	503	(693)	0.82%
Sub Total	41,856	13,325	(28,531)	33.70%
All Other Taxpayers	42,798	-	-	-
Total	\$ 84,654	\$ 13,325	\$ (28,531)	33.70%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - Merged Downtown
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Hines Sacramento Wells Fargo Center	\$ 206,544	1	8.48%	\$ -	-	-
621 Capitol Mall LLC	125,470	2	5.15%	-	-	-
500 Capitol Mall LLC	118,033	3	4.85%	-	-	-
300 Capitol Associates NF LP	109,000	4	4.48%	-	-	-
CIM/980 9th Street Sacramento LP	98,981	5	4.07%	-	-	-
CIM/J Street Hotel Sacramento LP	74,498	6	3.06%	-	-	-
Capitol Regency LLC	74,237	7	3.05%	-	-	-
1325 J Street LLC	68,282	8	2.80%	-	-	-
1415 Meridian Plaza LLC/Valley View Investors LLC	65,149	9	2.68%	-	-	-
KW Captowers LLC	64,987	10	2.67%	-	-	-
Teachers Insurance/Annuity Assn of America	-	-	-	191,129	1	9.94%
EOP-400 Capital Mall LLC	-	-	-	146,210	2	7.61%
VV USA City LP	-	-	-	88,047	3	4.58%
RT Sacramento Funding Company Inc.	-	-	-	68,438	4	3.56%
Rubicon NGP Sacramento CA LLP	-	-	-	67,320	5	3.50%
Sacramento Hotel Corporation	-	-	-	65,322	6	3.40%
CA Assn Hosp/Hlth Sym (Tsakopoulos Family)	-	-	-	40,679	7	2.12%
Health Property Associates	-	-	-	39,955	8	2.08%
Downtown Plaza	-	-	-	39,295	9	2.04%
Mart Family LLC/Senator Building LLC/ETA	-	-	-	34,629	10	1.80%
Sub Total	1,005,181		41.29%	781,024		40.64%
All Other Taxpayers	1,429,163		58.71%	1,141,003		59.36%
Total	\$ 2,434,344		100.00%	\$ 1,922,027		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Del Paso Heights
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Greater Sacramento Urban League	\$ 6,112	1	2.02%	\$ -	-	-
Research Properties	5,272	2	1.74%	4,744	2	1.26%
BM Ventures LLC	4,700	3	1.55%	-	-	-
Woodhaven Senior Residences	4,448	4	1.47%	3,996	3	1.06%
John A/ Leta K Nichols 1994 Rev Trust	2,776	5	0.92%	2,491	7	0.66%
US Rentals Inc.	2,476	6	0.82%	3,383	5	0.90%
Proffutt Limited Partnership	2,151	7	0.71%	-	-	-
23002 Moulton Parkway LLC	1,842	8	0.61%	-	-	-
Lundbom Sacramento Realty INVS LP	1,547	9	0.51%	-	-	-
Providence Comm'l Props LLC	1,453	10	0.48%	-	-	-
Northland Village Associates	-	-	-	6,296	1	1.67%
Lundblom Family Trust	-	-	-	3,985	4	1.06%
Harry & Mariann Brix 1993 Family Trust	-	-	-	2,498	6	0.66%
Maki Stephen	-	-	-	1,923	8	0.51%
1980 Tyler Family Trust	-	-	-	1,547	9	0.41%
Northland Village Associates	-	-	-	1,426	10	0.38%
Sub Total	32,777		10.83%	32,289		8.56%
All Other Taxpayers	269,739		89.17%	344,793		91.44%
Total	\$ 302,516		100.00%	\$ 377,082		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - Alkali Flat
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Hearst-Argyle Stations Inc.	\$ 19,015	1	16.38%	\$ 20,309	1	15.64%
City Park Apartment Homes LLC	8,725	2	14.17%	-	-	-
GMA Investors LP	7,599	3	6.54%	-	-	-
CC/B Holdings Inc.	5,840	4	5.03%	-	-	-
Realty Advisors Inc.	5,490	5	4.73%	9,271	3	7.14%
John Dailey Trust/Charles D. Deloney	1,959	6	1.69%	1,758	7	-
700 E Street Building Partner	1,665	7	1.43%	1,870	6	1.44%
Tarpin Samuel D	1,468	8	1.26%	-	-	-
520 Ninth Street	1,450	9	1.25%	1,953	5	1.50%
Adrian L./Michelle J. Randolph Family Trust	1,341	10	1.15%	-	-	-
Crystal Cream/Butter Holdings, Inc.	-	-	-	12,265	2	9.44%
US Housing Partners II LP	-	-	-	3,709	4	2.86%
Miller Mary/Simone A./James O./Fitzgerald/ETAL	-	-	-	1,737	8	1.34%
James Fortino Trust/Court on G Inc.	-	-	-	1,658	9	1.28%
Washington Square III	-	-	-	1,595	10	1.23%
Sub Total	54,552		46.98%	56,125		43.21%
All Other Taxpayers	61,555		53.02%	73,765		56.79%
Total	<u>\$ 116,107</u>		<u>100.00%</u>	<u>\$ 129,890</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Oak Park
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Rainbow Baking Co of Sac Valley	\$ 26,543	1	5.58%	\$ 19,312	2	2.26%
Regents University CA	10,561	2	2.22%	11,079	4	1.30%
US Bank National Association	5,324	3	1.12%	-	-	-
Crestwood Medical Center Hospital	4,339	4	0.91%	4,003	9	0.47%
Security Public Storage	3,715	5	0.78%	-	-	-
Edmar Invs LLC	3,196	6	0.67%	3,331	10	0.39%
St. Hope Academy	1,823	7	0.38%	-	-	-
John C. Skinner 2001 Living Trust	1,819	8	0.38%	-	-	-
SRR Trading LLC	1,445	9	0.30%	-	-	-
Corky Bob LLC	1,406	10	0.30%	-	-	-
University of the Pacific	-	-	-	21,014	1	2.46%
Glassrock Partnership	-	-	-	18,592	3	2.18%
St. Paul Baptist Church of Sacramento Corp.	-	-	-	9,168	5	1.07%
Stockton/Broadway Partners	-	-	-	5,662	6	0.66%
Ticon III LP	-	-	-	5,441	7	0.64%
Sac Properties LLC	-	-	-	4,737	8	0.56%
Sub Total	60,171		12.65%	102,339		12.00%
All Other Taxpayers	415,598		87.35%	750,812		88.00%
Total	<u>\$ 475,769</u>		<u>100.00%</u>	<u>\$ 853,151</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - River District
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
California Almond Growers	\$ 70,011	1	17.07%	\$ 56,965	1	12.94%
Grove River District LLC	34,178	2	8.33%	-	-	-
Mendell Allan/Etal	8,843	3	2.16%	-	-	-
Capitol Station 65 LLC	7,693	4	1.88%	8,819	9	2.00%
Dos Rios Venture	6,313	5	1.54%	-	-	-
BA Hotel LLC	5,628	6	1.37%	-	-	-
BRE / LQ Props LLC	5,517	7	1.35%	-	-	-
Vida N Anello Revocable Living Trust	5,268	8	1.28%	-	-	-
Henderson Enterprises L P	5,227	9	1.27%	-	-	-
Detmer Family Limited Partnership	5,021	10	1.22%	-	-	-
Grove Investment Company	-	-	-	27,975	2	6.36%
Sunstone OP Properties LLC	-	-	-	18,676	3	4.24%
Richard Blvd. Partners	-	-	-	17,666	4	4.01%
CCAA Partners LLC/Bruce W. Bell/et al	-	-	-	14,195	5	3.23%
Ice Bear Inc. (Sequoia Pacific)	-	-	-	10,574	6	2.40%
LaQuinta Development Partner	-	-	-	10,208	7	2.32%
CTF4-American River LLC	-	-	-	9,816	8	2.23%
Grove Investment Company	-	-	-	6,874	10	1.56%
Sub Total	153,699		37.48%	181,768		41.30%
All Other Taxpayers	256,391		62.52%	258,346		58.70%
Total	<u>\$ 410,090</u>		<u>100.00%</u>	<u>\$ 440,114</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - North Sacramento
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	2014			2005		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Westcore Delta LLC	\$ 34,839	1	6.52%	\$ -	-	-
Seven-up Bottling Company	32,201	2	6.02%	19,544	3	3.22%
Price Company	21,576	3	4.04%	17,151	4	2.83%
McCuen Acoma Street Investors	11,862	4	2.22%	10,641	8	1.75%
Meriliz Incorporated	9,133	5	1.71%	-	-	-
North Sacramento Land Company	8,156	6	1.53%	15,804	5	2.61%
Sutter Medical Foundation	7,999	7	1.50%	-	-	-
Recreational Equipment Inc.	7,563	8	1.41%	-	-	-
Sent Expo Pointe LLC	7,485	9	1.40%	-	-	-
2006 Tcherkoyan Family Trust	5,845	10	1.09%	6,624	10	1.09%
PD Hotel Associates LLC	-	-	-	28,401	1	4.68%
JB Management LP	-	-	-	27,182	2	4.48%
Calvary Christian Church Center	-	-	-	21,220	6	3.50%
SVN Sacramento LLC	-	-	-	10,717	7	1.77%
Carl P. Schalansky Revocable Trust	-	-	-	6,977	9	1.15%
Sub Total	146,659		27.43%	164,261		27.08%
All Other Taxpayers	388,026		72.57%	442,367		72.92%
Total	<u>\$ 534,685</u>		<u>100.00%</u>	<u>\$ 606,628</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Franklin Boulevard
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
6200 Franklin LLC	\$ 39,898	1	6.72%	\$ -	-	-
Western Village LP	9,576	2	1.61%	-	-	-
United States Cold Storage	9,408	3	1.58%	8,623	2	1.33%
Rosedown Associates LLC	6,002	4	1.01%	-	-	-
Sacto Childrens Home	5,529	5	0.93%	-	-	-
Extra Space Props Ninety Four Limited Partnership	4,299	6	0.72%	-	-	-
SEI/PSP VI Joint Ventures	4,234	7	0.71%	2,608	10	0.40%
Bowling Green Associates	4,075	8	0.69%	-	-	-
Con-Way Western Express Inc.	3,748	9	0.63%	-	-	-
47th Street Associates LLC	3,659	10	0.62%	-	-	-
Campbell Soup	-	-	-	145,818	1	22.51%
Preservation Southpointe LP	-	-	-	7,547	3	1.16%
Rosedown Apartments LLC	-	-	-	6,857	4	1.06%
Con-Way Western Express Inc.	-	-	-	3,787	5	0.58%
Bowling Green Associates	-	-	-	3,655	6	0.56%
MH Southgate Investors	-	-	-	3,599	7	0.56%
Tesco Controls Inc.	-	-	-	3,215	8	0.50%
Chateau Lang Apartments LLC	-	-	-	2,864	9	0.44%
Sub Total	90,428		15.22%	188,573		29.11%
All Other Taxpayers	503,665		84.78%	459,250		70.89%
Total	<u>\$ 594,093</u>		<u>100.00%</u>	<u>\$ 647,823</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Stockton Boulevard
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Stockton Plaza Partners LLC	\$ 11,666	1	3.22%	-	-	-
EKG Investors LLC	10,205	2	2.81%	-	-	-
John M/Nancy M Kehriotis Living Trust	7,577	3	2.09%	6,797	5	1.35%
Little Saigon Plaza LLC	7,415	4	2.04%	-	-	-
NT Stockton Investors LLC	6,093	5	1.68%	-	-	-
SF 3 LLC	4,725	6	1.30%	-	-	-
Ralphs Grocery Company	4,687	7	-	5,602	8	1.11%
Mulleian Investments LLC	4,646	8	1.28%	6,129	7	1.22%
Brittany Arms LLC	4,547	9	1.25%	5,202	10	1.03%
ESS Prisa II LLC	4,430	10	1.22%	-	-	-
Azure Park Apartments LLC	-	-	-	11,493	1	2.28%
Western Investment Real Estate	-	-	-	9,421	2	1.87%
Gonzalez Jaime/Gloria	-	-	-	8,670	3	1.72%
CCI Stockridge SAC LLC	-	-	-	8,484	4	1.68%
Preferred Properties LLC	-	-	-	6,641	6	1.32%
ESS Prisa II LLC	-	-	-	5,251	9	1.04%
Sub Total	65,991		18.20%	73,690		14.63%
All Other Taxpayers	296,632		81.80%	430,051		85.37%
Total	\$ 362,623		100.00%	\$ 503,741		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Army Depot
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
R/G Hayward LLC	\$ 15,555	1	1.59%	\$ 11,898	4	1.02%
Engineered Polymer Solutions Inc.	14,700	2	1.51%	4,973	10	0.43%
Central Valley Industrial Core Holdings	11,061	3	1.13%	-	-	-
Elder Creek Transfer/Recovery Inc.	9,158	4	0.94%	10,313	6	0.88%
Air Products Manufacturing Corporation	8,412	5	0.86%	-	-	-
Conrad Ethan	6,584	6	0.67%	-	-	-
Massie & Company	6,100	7	0.62%	-	-	-
Teichert Land Co	5,862	8	0.60%	-	-	-
C/S Logistics Sacramento/Tracy LLC	5,800	9	0.59%	9,233	7	0.79%
Power Inn Business Park LLC	5,362	10	0.55%	-	-	-
Proctor/Gamble Manufacturing Co.	-	-	-	64,908	1	5.55%
Crystal Cream/Butter Company	-	-	-	36,601	2	3.13%
Fedex Ground Package Systems Inc.	-	-	-	18,340	3	1.57%
W H Q	-	-	-	10,841	5	0.93%
Marvin L. Oates Trust	-	-	-	7,842	8	0.67%
Sperber Steven A./Todd R./etal	-	-	-	6,070	9	0.52%
Sub Total	88,594		9.07%	181,019		15.49%
All Other Taxpayers	887,856		90.93%	987,743		84.51%
Total	<u>\$ 976,450</u>		<u>100.00%</u>	<u>\$ 1,168,762</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - 65th Street
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
HRA Element LLC	\$ 36,214	1	14.88%	\$ -	-	-
Target Corporation	26,508	2	10.89%	22,181	2	7.64%
65th St Village LLC	8,700	3	3.58%	-	-	-
CPCA 7716 Folsom Blvd. LLC	7,594	4	3.12%	-	-	-
Atlas Disposal Industries LLC	7,548	5	3.10%	-	-	-
Dimension Properties LLC	5,841	6	2.40%	-	-	-
Kenneth/Susan Catchot Family 2005 Revocable Trust	5,034	7	2.07%	5,567	6	1.92%
American River Self Storage LP	4,938	8	2.03%	8,531	5	2.94%
2800 Pico Associates LLC	4,244	9	1.74%	4,878	8	1.68%
KCMKC Properties, LP/Paul E. Fong/MAE Etal	4,061	10	1.67%	13,034	4	4.49%
Jefferson Commons-Sacramento LP	-	-	-	52,515	1	18.10%
Home Depot USA Inc.	-	-	-	14,506	3	5.00%
Commercial Net Lease Realty	-	-	-	5,095	7	1.76%
Gonzales Kimmel Enterprises	-	-	-	4,524	9	1.56%
John/Claudine Jackson Family Revocable Trust	-	-	-	4,459	10	1.54%
Sub Total	110,682		45.49%	135,290		46.62%
All Other Taxpayers	132,639		54.51%	154,927		53.38%
Total	<u>\$ 243,321</u>		<u>100.00%</u>	<u>\$ 290,217</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - Railyards
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2010⁽¹⁾</u>		
	<u>Taxable Value⁽²⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value⁽³⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
IA Sacramento Development LLC	\$ 33,235	1	39.26%	\$ -	-	-
CCAA Partners LLC/Bruce W. Bell/Etal	12,000	2	14.18%	14,843	2	19.07%
Sutter HOJ LP	8,812	3	10.41%	-	-	-
Sacramento County Employee Credit Union	4,300	4	5.08%	4,068	5	5.23%
REA Limited Partnership	3,978	5	4.70%	5,378	4	6.91%
PDRA/Company LLC	3,716	6	4.39%	3,537	6	4.54%
Strumwasser Michael J./Silvia M.	3,072	7	3.63%	2,924	7	3.76%
Mercy Housing CA 47	2,541	8	3.00%	-	-	-
Bowman/Bay Building Joint Venture	2,222	9	2.62%	2,115	8	2.72%
PLF Bldg. LLC	1,670	10	1.97%	-	-	-
Legacy Ventures LLC	-	-	-	1,245	10	1.60%
New Baytree LLC	-	-	-	14,826	3	19.05%
S Thomas Enterprises of Sacramento	-	-	-	17,224	1	22.13%
John Morgan/Nelly B Patino/Eddie Cuevas	-	-	-	1,556	9	2.00%
Sub Total	75,546		89.24%	67,716		87.00%
All Other Taxpayers	9,108		10.76%	10,117		13.00%
Total	<u>\$ 84,654</u>		<u>100.00%</u>	<u>\$ 77,833</u>		<u>100.00%</u>

Notes: (1) Data from Fiscal Year 2010 - Railyards Redevelopment Area was formed in Fiscal Year 2010.
 (2) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (3) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

RDA - All Project Areas

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage	
2004-05	\$ 32,843	\$ 325	\$ 671	\$ 31,847	\$ 15,420	2.07	\$ NA	\$ NA	NA	
2005-06	36,549	325	1,168	35,055	17,880	1.96	NA	NA	NA	
2006-07	40,781	292	1,772	38,716	21,468	1.80	NA	NA	NA	
2007-08	44,436	456	1,851	42,129	22,119	1.90	NA	NA	NA	
2008-09	48,016	600	2,295	45,121	21,836	2.07	NA	NA	NA	
2009-10	42,876	438	3,050	39,388	21,790	1.81	NA	NA	NA	
2010-11	35,280	580	2,684	32,016	21,776	1.47	NA	NA	NA	
2011-12	42,334	726	2,911	38,698	22,120	1.75	6,008	28,128	1.38	(1)
2012-13	41,304	745	2,556	38,003	22,087	1.72	6,619	28,706	1.32	
2013-14	47,395	687	3,037	43,671	24,896	1.75	5,123	30,019	1.45	

Merged Downtown

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage	
2004-05	\$ 22,090	\$ 217	\$ -	\$ 21,873	\$ 12,546	1.74	\$ NA	\$ NA	NA	
2005-06	22,447	200	261	21,986	14,319	1.54	NA	NA	NA	
2006-07	24,217	167	496	23,554	16,162	1.46	NA	NA	NA	
2007-08	26,259	277	502	25,480	16,541	1.54	NA	NA	NA	
2008-09	30,213	380	484	29,349	16,090	1.82	NA	NA	NA	
2009-10	29,144	282	1,606	27,256	16,072	1.70	NA	NA	NA	
2010-11	23,069	387	1,454	21,228	16,051	1.32	NA	NA	NA	
2011-12	23,750	406	807	22,537	16,254	1.39	2,608	18,862	1.19	(1)
2012-13	23,260	419	652	22,189	16,298	1.36	2,655	18,953	1.17	
2013-14	23,042	372	580	22,090	18,686	1.18	1,747	20,433	1.08	

Del Paso Heights

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage	
2004-05	\$ 2,269	\$ 23	\$ 85	\$ 2,160	\$ 553	3.90	\$ NA	\$ NA	NA	
2005-06	3,172	28	197	2,948	949	3.11	NA	NA	NA	
2006-07	3,837	29	307	3,501	1,290	2.71	NA	NA	NA	
2007-08	4,181	27	357	3,796	1,606	2.36	NA	NA	NA	
2008-09	4,079	51	169	3,859	1,625	2.37	NA	NA	NA	
2009-10	3,222	33	377	2,812	1,627	1.73	NA	NA	NA	
2010-11	2,901	45	322	2,534	1,626	1.56	NA	NA	NA	
2011-12	2,551	44	199	2,307	1,769	1.30	100	1,869	1.23	(1)
2012-13	2,549	46	194	2,309	1,644	1.40	240	1,884	1.23	
2013-14	2,853	44	245	2,564	1,618	1.58	230	1,848	1.39	

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

Alkali Flat

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 984	\$ 11	\$ 7	\$ 966	\$ 629	1.54	\$ NA	\$ NA	NA
2005-06	1,061	11	19	1,031	621	1.66	NA	NA	NA
2006-07	1,168	9	33	1,126	618	1.82	NA	NA	NA
2007-08	1,270	14	34	1,222	619	1.98	NA	NA	NA
2008-09	1,234	17	14	1,203	618	1.95	NA	NA	NA
2009-10	1,253	15	54	1,185	616	1.92	NA	NA	NA
2010-11	1,106	18	68	1,020	619	1.65	NA	NA	NA
2011-12	1,077	18	19	1,039	622	1.67	463	1,085	0.96
2012-13	1,049	19	10	1,020	623	1.64	467	1,090	0.94
2013-14	1,028	16	9	1,003	612	1.64	461	1,073	0.93

(1)

Oak Park

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 3,836	\$ 39	\$ 119	\$ 3,678	\$ 1,370	2.68	\$ NA	\$ NA	NA
2005-06	4,957	44	274	4,639	1,686	2.75	NA	NA	NA
2006-07	5,939	45	404	5,490	2,846	1.93	NA	NA	NA
2007-08	6,255	69	409	5,777	2,769	2.09	NA	NA	NA
2008-09	5,854	73	381	5,400	2,767	1.95	NA	NA	NA
2009-10	4,213	49	372	3,792	2,757	1.38	NA	NA	NA
2010-11	3,871	60	314	3,498	2,761	1.27	NA	NA	NA
2011-12	3,772	63	150	3,559	2,756	1.29	103	2,859	1.24
2012-13	3,841	67	151	3,623	2,794	1.30	183	2,977	1.22
2013-14	4,364	67	244	4,053	2,891	1.40	34	2,925	1.39

(1)

River District

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,372	25	246	1,100	-	-	494	494	2.23
2012-13	1,294	26	227	1,041	-	-	654	654	1.59
2013-14	5,735	20	259	5,456	-	-	646	646	8.45

(1)

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

North Sacramento

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 2,167	\$ 21	\$ 253	\$ 1,893	\$ 322	5.88	\$ NA	\$ NA	NA
2005-06	2,620	24	249	2,347	305	7.68	NA	NA	NA
2006-07	3,063	24	194	2,845	436	6.53	NA	NA	NA
2007-08	3,542	38	198	3,305	468	7.06	NA	NA	NA
2008-09	3,787	46	291	3,450	528	6.53	NA	NA	NA
2009-10	3,087	36	237	2,814	530	5.30	NA	NA	NA
2010-11	2,722	45	209	2,468	528	4.68	NA	NA	NA
2011-12	2,439	44	187	2,208	539	4.10	629	1,168	1.89
2012-13	2,323	44	165	2,114	537	3.94	779	1,316	1.61
2013-14	2,303	38	247	2,018	909	2.22	393	1,302	1.55

(1)

Franklin Boulevard

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,225	39	184	2,002	-	-	100	100	20.02
2012-13	2,354	41	195	2,118	-	-	109	109	19.43
2013-14	2,414	38	189	2,187	-	-	99	99	22.09

(1)

Stockton Boulevard

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 1,497	\$ 14	\$ 207	\$ 1,276	\$ -	-	\$ NA	\$ NA	NA
2005-06	2,293	19	169	2,105	-	-	NA	NA	NA
2006-07	2,557	19	338	2,200	115	19.16	NA	NA	NA
2007-08	2,930	31	350	2,548	115	22.20	NA	NA	NA
2008-09	2,849	33	957	1,860	208	8.92	NA	NA	NA
2009-10	1,957	22	405	1,529	187	8.19	NA	NA	NA
2010-11	1,611	26	317	1,268	191	6.63	NA	NA	NA
2011-12	1,496	26	387	1,083	180	6.02	250	430	2.52
2012-13	1,369	24	329	1,016	191	5.32	261	452	2.25
2013-14	1,420	24	377	1,019	180	5.66	245	425	2.40

(1)

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

Army Depot

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,617	44	523	2,050	-	-	737	737	2.78
2012-13	2,342	43	452	1,847	-	-	748	748	2.47
2013-14	3,200	50	643	2,507	-	-	735	735	3.41

(1)

65th Street

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,035	17	207	811	-	-	524	524	1.55
2012-13	923	16	181	726	-	-	523	523	1.39
2013-14	834	14	185	635	-	-	506	506	1.25

(1)

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

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City of Sacramento
Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Citywide and Community Support	-	-	-	-	-	-	-	-	23	23
Code Enforcement	-	82.00	94	92	107	90	-	-	-	-
Community Development	-	-	-	-	-	107	170	166	159	163
Convention, Culture & Leisure	204	204	208	213	214	206	196	194	133	138
Development Services	252	259	243	246	222	-	-	-	-	-
Economic Development	-	17.00	17	24	27	22	18	14	11	11
Fire	609	623	651	651	655	582	611	589	527	642
General Government	393	374	408	419	400	329	319	312	305	320
General Services	457	260	264	287	307	257	247	225	368	367
Neighborhood Services	86	16	16	15	15	9	-	-	-	-
Parks and Recreation	841	896	930	925	872	680	648	579	553	577
Planning	-	-	38.00	33	34	-	-	-	-	-
Police	1,189	1,207	1,265	1,272	1,271	1,091	1,060	900	847	940
Public Works	-	-	-	-	-	-	-	-	395	406
Transportation	333	340	350	356	437	424	409	409	-	-
Utilities	497	727	732	741	741	752	698	698	505	510
Total	4,860	5,003	5,213	5,273	5,300	4,549	4,374	4,083	3,825	4,095

Source: City of Sacramento Approved Operating Budgets

**City of Sacramento
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Adult arrests	25,623	27,314	24,703	22,783	21,230	20,555	19,885	17,058	18,650	19,570
Citizen initiated calls for service with officer responses	194,969	187,731	181,793	181,873	173,045	176,157	166,207	154,193	154,233	118,975
Fire ⁽¹⁾										
Number of incidents	63,242	65,714	66,284	70,609	64,525	59,608 ⁽²⁾	71,111	73,343	74,427	75,000
Number of structure fires	835	1,189	500	414	401	359 ⁽²⁾	606	652	680	586
Number of construction inspection/reviews	5,181	NA	NA	NA	NA	2,790	NA	1,895	4,568 ⁽¹²⁾	4,761
General Services										
Number of animal licenses issued	9,446	12,815	14,944	18,812	18,732	17,094	17,132	17,318	15,810 ⁽¹³⁾	15,057
Number of animal outplacements	4,267	4,323	4,352	4,252	4,025	3,300	2,901	3,750	5,521 ⁽¹⁴⁾	6,167
Public Works										
Number of traffic investigations completed	927	922	1,123	1,019	1,028	903	712 ⁽⁴⁾	717	821	936
Number of parking citations issued	199,428	201,196	194,193	233,901	236,103	240,248	184,215 ⁽⁵⁾	164,492	165,700	171,066
Convention, Culture and Leisure										
Number of Community Convention Center events	607	600	664	568	528	453	417	389	378	378
Community Convention Center event attendance	929,425	833,428	849,000	863,759	862,000	780,000	873,577	796,000	645,000 ⁽¹⁵⁾	881,253
Number of Zoo attendance	485,000	485,000	529,734	482,072	467,446	481,452	498,518	526,959	508,061	512,758
Parks and Recreation										
Number of students enrolled in START	7,149	7,913	8,845	8,364	8,695	8,563	7,437	5,755 ⁽⁷⁾	5,330	5,603
Number of students enrolled in 4th R ⁽⁹⁾	2,695	2,885	3,000	3,500	2,675	2,600	2,142	1,899	1,949	1,955
Number of lunches served through food programs	195,000	192,500	160,900	156,916	197,020	120,726 ⁽³⁾	133,687	42,848 ⁽⁸⁾	- ⁽¹⁶⁾	-
Community Development ⁽¹⁸⁾										
Number of building permits issued	17,869	18,261	16,930	14,349	13,182	11,786	11,474	11,545	12,146	13,950
Building permit valuation (in million of dollars)	883	817	1,005	862	557	543	387	281	391	362
Vehicles abated by City	4,660	3,747	2,572	1,538	898	694	429	254 ⁽¹⁰⁾	282	343
Notice and orders issued on housing and dangerous buildings	279	293	445	378	360	305	250	188 ⁽¹¹⁾	253	154
Water										
Number of accounts	136,347	151,459	151,459	135,665	137,029	136,600	136,812	137,148	135,353	135,590
Amount distributed/pumped (million of gallons)	44,177	45,180	49,463	NA	42,726	38,453	37,393	38,692	40,034	34,896
Wastewater										
Number of accounts	78,596	78,541	79,620	76,253	76,802	76,385	76,394	76,477	76,484	76,657
Amount distributed/pumped (million of gallons)	18,054	19,185	19,185	NA	15,889	14,302	18,030	10,695	6,805 ⁽¹⁷⁾	10,603
Storm Drainage										
Number of accounts	130,426	128,427	132,376	131,801	132,727	132,556	133,188	133,814	134,651	135,834
Amount distributed/pumped (million of gallons)	41,608	53,444	53,444	NA	27,936	27,288	NA	28,445	17,602	14,585 ⁽¹⁹⁾
Solid Waste										
Residential garbage disposed (in Tons)	129,499	127,120	128,802	128,060	104,542	112,203	110,103	106,085	109,141	109,060
Commercial garbage collected (in Tons)	23,159	22,469	NA	24,804	18,937	17,688	12,918 ⁽⁶⁾	12,251	1,222	- ⁽²⁰⁾

Notes: (1) The threshold for investigation of a fire was raised from \$10,000 or \$30,000 in fiscal year 2005.

(2) Due to a system problem in October 2009, only 11 months of data are available.

(3) In FY10, the decrease in number of lunches served through food programs was due to decrease in number of sites in operation from 112 to 43. The sites were scaled back to better manage the program and reduce waste.

(4) In FY11, the reason for the significant drop in the number of traffic investigations completed was due to the decrease in calls from the General Public. In addition, FY11 onwards, Maintenance Calls were excluded.

(5) In FY11, the reasons for the significant drop in the number of citations written were due to a) the depressed economy; (b) there were 4 fewer parking enforcement officers; and c) the staff were furloughed.

(6) In FY11, the reason for the significant drop in the commercial garbage collected was primarily due to loss of two major accounts, i.e. Sacramento City Unified School District to Atlas Disposal and California State University, Sacramento to Allied Waste.

(7) In FY12, the number of school sites the City of Sacramento served under START program were reduced from 57 to 46, thus reducing the total number of students enrolled.

(8) In FY12, the number of lunches served through food programs decreased significantly because the federal grant for this program ended in September 2011.

(9) The number of students enrolled in 4th R program has been declining since FY09 due to substantial decline in the subsidy-side of enrollees.

Due to the recession many parents/guardians lost their employment and were not pursuing post secondary education/skill training which make them ineligible to receive these subsidies because the requirement for eligibility is either employment or post secondary education/skill training.

In addition, there was also some decline in fee based enrollment.

(10) In FY12, the number of vehicles abated by City decreased significantly due to the slow economic conditions which led to people holding onto their vehicles longer as well as turning in vehicles for the cost of parts or scrap metal.

(11) In FY12, the number of complaints for housing and dangerous buildings declined largely due to proactive inspections performed under the City's Rental Housing Inspection Program which led to decrease in notice and orders issued on housing and dangerous buildings.

(12) Fire Prevention has been working diligently to improve the way they track inspection data. Therefore, current year data is more accurate than prior years data.

(13) In FY13, the number of animal licenses issued declined largely due to economic down turn as pet owners make tough choices licensing suffered.

(14) Partnership with outside agencies in California and other states resulted in an increase in the number of animal outplacements in FY13.

(15) In FY13, the number of entertainment events at Memorial Auditorium declined largely due to a major stage extension maintenance/replacement project that limited its use for approximately four months, no sold-out and extended-run performances. FY12 included sold out extended run performances of Wicked.

(16) In FY13, the summer food program is terminated.

(17) The reduction in flows have occurred due to water conservation efforts and reduced system infiltration caused by the below normal rainfall influence on the water table. There was less rainfall in FY13 than in FY12.

(18) Prior to FY13, reported as Development and Code Enforcement Departments.

(19) Amount of storm drain pumped/distributed is dependent on rainfall. There was less rainfall in FY14 than in FY13 and FY12.

(20) Solid Waste commercial garbage collection was discontinued in October 2012.

Source: Various City of Sacramento Departments

**City of Sacramento
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Number of stations ⁽¹⁾	2	2	2	4	4	4	4	4	4	4
Number of patrol units ⁽²⁾	238	229	210	210	210	242	242	242	263	243
Number of aircraft	NA	NA	NA	NA	3	3	3	4	4	4
Number of watercraft	NA	NA	NA	NA	2	2	2	3	3	3
Fire										
Number of stations	23	23	23	23	23	23	23	24	24	24
Number of fire suppression, support or prevention vehicles	167	169	170	151	150	160	160	159	159	159
Public Works										
Miles of streets	2,960	3,025	3,034	3,045	3,044	3,063	3,108	3,108	3,065	3,077
Number of street lights	38,450	39,277	39,964	40,578	41,131	41,252	41,301	41,679	41,788	42,048
Number of City parking spaces ⁽³⁾	8,488	8,518	8,795	8,798	8,484	8,484	8,484	8,484	8,484	8,484
Miles of off-street bikeways	58	62	67	76	78	78	82	82	83	84
Parks and recreation										
Number of parks	204	205	205	206	208	212	213	213	222	222
Park acreage ⁽⁴⁾	3,122	3,124	3,125	3,126	3,167	3,171	3,171	3,150 ⁽¹⁰⁾	3,161 ⁽¹¹⁾	3,161
Number of community centers ⁽⁵⁾	17	17	17	16	13	13	13	13	13	13
Number of swimming pools (including wading pools)	23	23	23	23	26	26	26	26	26	26
Water										
Miles of water mains and distribution lines ^{(6) (7)}	1,708	1,873	1,873	1,859	1,720	1,724	1,596	1,599	1,599	1,597
Sewers and storm drainage										
Miles of sanitary sewers and storm drainage ⁽⁸⁾	2,081	2,081	2,024	1,859	1,693	1,950	1,954	1,951	1,951	1,951
Off-street parking										
Number of City garages and open parking lots	11	11	12	12	10	10	10	10	10	10
Golf										
Number of golf courses	6	6	6	6	6	6	6	6	6	6
Marina										
Number of boat harbor slips	563	563	547	475 ⁽⁹⁾	475	475	475	475	475	475

- Notes: (1) From FY2008 onwards, police stations refer to stations plus police headquarters.
(2) From FY2010 onwards, patrol units include cars and motorcycles.
(3) From FY2009 onwards, City parking spaces is defined as only those which are City-owned.
(4) Golf course acreage is not included from FY2005 onwards.
(5) Does not include neighborhood centers.
(6) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.
(7) From FY2009 onwards, does not include miles for private mains and mains owned by other agencies.
(8) Non-pipe elements may have been included in years prior to FY2009.
(9) In FY2008, the marina boat slips were made larger thereby decreasing their total number.
(10) In FY2012, the City conveyed 22.79 acres to a developer from Granite Regional Park, pursuant to a development agreement, and acquired two parcel adding 1.73 acres to the Sacramento River Parkway.
(11) In FY2013, the City added 10.78 acres in 6 parks (all in the River District in the Central City). Bercut Richards Plaza (0.12 ac.); Cannery Plaza parksite (0.19 ac.); Persimmon Paseo (0.21 ac.); Victory Promenade (0.49 ac.); 7th Street Promenade (1.0 ac.); and Township 9 Park (8.77 ac.).

Source: Various City of Sacramento Departments

City of Sacramento

Miscellaneous Statistics

Current Fiscal Year and Nine Years Ago

Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
	2014	2005
Number of budgeted positions	4,095	4,399
Area in square miles	99	99
Altitude in feet	20	20
City of Sacramento facilities and services:		
Police		
Number of stations	4	2
Number of police personnel sworn / civilian (actual)	643/296	713/377
Number of patrol units	243	238
Fire		
Number of stations	24	23
Number of fire personnel sworn / unsworn	580/61	552/58
Number of fire protection, support and prevention vehicles	159	167
Utilities		
Miles of water mains and distribution lines ⁽¹⁾	1,597	1,708
Annual water production in gallons	35 billion	44 billion
Miles of sanitary sewers and storm drainage ⁽²⁾	1,951	2,081
Public Works		
Miles of streets	3,077	2,960
Number of street lights	42,048	38,450
Number of City managed parking lots / spaces	11/1,974	11/8,488
Miles of off-street bikeways	84	58
Convention, Culture and Leisure		
Golf courses	6	6
Boat harbor slips ⁽³⁾	475	547
Zoo animals ⁽⁴⁾	578	600
Fairytale town attendance for year	252,351	201,496
Crocker Art Museum attendance for year	218,649	119,480
Community Convention Center attendance for year	881,253	929,425
Parks and Recreation		
Parks	222	196
Park acreage ⁽⁵⁾	3,161	3,627
Camp Sacramento attendance for year	2,558	3,031
Community centers	13	17
Neighborhood centers	5	N/A
Swimming pools	17	21
Baseball fields ⁽⁶⁾	102	84
Soccer fields	132	75
Ball courts	180	118
Library		
Library branches	12	27 ⁽⁷⁾
Library books and audiovisual recordings in circulation	2,051,606	2,011,794

Notes: (1) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.

(2) Non-pipe elements may have been included in years prior to FY2009.

(3) In FY2008, the marina boat slips were made larger thereby decreasing their total number.

(4) Zoo animals number is comprised of animals on-site (either owned by zoo or owned by other entity).

(5) Golf course acreage is not included from FY 2005 onwards.

(6) This includes softball, little league and adult baseball from FY2011 onwards.

(7) This includes all library branches in the Sacramento public library system.

Source: Various City of Sacramento departments and publications

KEVIN JOHNSON
Mayor

ANGELIQUE ASHBY
Mayor Pro Tem, District 1

ALLEN WARREN
Councilmember, District 2

STEVE COHN
Councilmember, District 3

STEVE HANSEN
Councilmember, District 4

JAY SCHENIRER
Vice Mayor, District 5

KEVIN MCCARTY
Councilmember, District 6

DARRELL FONG
Councilmember, District 7

BONNIE J. PANNELL
Councilmember, District 8

CITY OF SACRAMENTO FACTS

The City of Sacramento was founded in 1849 and is the oldest incorporated city in California.

In 1920, city voters adopted a Charter (municipal constitution) and a City Council/City Manager form of government.

The City is divided into eight districts.

Elected members of the City Council serve a four-year term.

The Mayor is elected by all voters in the City. In 2002, voters approved a measure for the Mayor to serve full-time. All other Councilmembers are elected by district and serve part-time.

The Mayor and other Councilmembers have an equal vote in all matters.

The City of Sacramento currently encompasses approximately 100 square miles.

The current estimated population is 475,122.



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APPENDIX C

THE MASTER LEASED PROJECT

General. The assets that will compose the Master Leased Project as of the date of issuance of the 2015 Bonds are set forth in the table in this Appendix C. All of the assets are located in the City. The Master Project Lease may be amended in the future to add additional property to the Master Leased Property to enable the City to secure the payment of additional Master Lease Bonds of the Authority payable from additional Base Rental Payments under the Master Project Lease. The City may also add, delete, or substitute assets in accordance with the Master Project Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — The Master Project Lease” herein.

Valuation. In accordance with the Master Project Lease, except as expressly noted, the values of the various properties that are part of the Master Leased Project identified in the table below were determined by the City as of the date the properties were originally included in the Master Leased Project. See “THE MASTER LEASED PROJECT” in the forepart of this Official Statement.

MASTER LEASED PROJECT

<u>Essential Assets</u>	<u>Value for Purposes of Master Lease</u>	<u>Non-Essential Assets</u>	<u>Value for Purposes of Master Lease</u>
Sac River-West Treatment Plant	\$68,000,000	Memorial Auditorium	\$44,750,966
New City Hall	54,801,000	Cavanaugh Golf Course	26,144,168
Pioneer Reservoir ⁽¹⁾	39,826,000	Portion of Seymour Park	23,140,030
Granite Regional Park ⁽¹⁾	30,658,842	Portion of Del Paso Regional Park ⁽¹⁾	15,404,014
Sump #2	30,000,000	Fremont Park	21,170,161
Lot G	-	Reichmuth Park	19,028,101
Sac River-West Treatment Plant-Basin 3	25,000,000	Southside Park	17,681,601
Hansen Ranch Park Site	22,849,398	Coloma Community Center	14,011,269
24th Street Corp. Yard	22,347,461	Cesar E. Chavez Park	13,531,351
Lot H	21,620,450	Garcia Bend Park	9,743,172
Memorial Garage (a.k.a.)Lot C	21,325,928	Glenbrook Park ⁽³⁾	-
Florin Reservoir	20,118,000	Muir Park	9,120,901
Meadowview Corp Yard	15,606,083	O'Neil Park	8,440,801
Portion of 35th Ave Combined Wastewater Treatment Plant (a.k.a. 35 th Corp Yard)	14,645,176	Curtis Park	7,350,010
Historic City Hall	11,328,315	Oki Park	7,074,631
Tower Bridge Garage (a.k.a. Lot R)	11,255,947	North Laguna Creek Park	7,039,996
Sequoia Pacific (Warehouse)	3,070,558	Tahoe Park	6,956,881
Rooney Police Station	3,046,527	Portion of Carl-Johnston Park	6,856,001
Animal Control Shelter	2,827,397	McKinley Park & Library	6,423,648
Sequoia Pacific (Forensic ID Lab)	2,182,158	Robla Community Park ⁽³⁾	-
Sac River Underground Reservoir	2,000,000	Glenn Hall Park	5,243,121
Fire Station #16	1,251,576	South Natomas Library	4,874,680
Fire Station # 10	1,049,832	Northgate Park	4,587,316
Fire Station #19	871,373	Orchard Park	4,587,316
Fire Station #7	859,421	Washington Park ⁽³⁾	-
Fire Station #1	809,120	Winn Park	4,285,741
Fire Station #17	808,147	South Natomas Community Center	4,105,201
Fire Station #14 ⁽²⁾	807,545	Cabrillo Park	2,196,911
Fire Station #15 ⁽²⁾	510,142	Lawrence Park	1,830,759
Rooney Police Garage	170,837	Brockway Park	1,332,561
		Stanford Park	1,085,780
		Grant Park	1,085,780
		Shore Park	811,932
Total Essential	\$429,647,233	Total Non-Essential	\$299,894,800
Total Asset Value Currently Composing the Leased Property:			\$729,542,033
Total Principal Amount of Master Lease Bonds secured by Base Rental Payments:			\$405,790,000

(1) Original value (established at the time the property was included in the Master Leased Project) has been reduced in connection with the removal of portions of the particular properties from Master Leased Project in accordance with the Eighth and Ninth Amendments to the Master Project Lease.

(2) The City is currently considering the removal of these fire stations from the Master Leased Project in connection with their replacement. Removal would be subject to the requirements of the Master Project Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS — Master Project Lease."

(3) Although portions of these assets are part of the Master Leased Project, during the course of procuring title insurance in connection with the issuance of the 2015 Bonds, the City discovered that significant portions of the identified assets are not currently included in the Master Leased Project, and therefore values for purpose of the Master Lease have not been included in the table.

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the 2015 Indenture, the Master Site Lease and the Master Project Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the 2015 Indenture, the Master Site Lease and the Master Project Lease, respectively.

INDENTURE DEFINITIONS

The following are definitions of certain terms used in the 2015 Indenture:

“2015 Bond Insurance Policy” means the Municipal Bond Insurance Policy issued by the 2015 Bond Insurer that guarantees the scheduled payment of principal of and interest on the 2015 Insured Bonds.

“2015 Bond Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“2015 Bonds” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) authorized, executed, authenticated, and delivered under the 2015 Indenture.

“2015 Indenture” means the Indenture dated as of October 1, 2015, between the Authority and the Trustee executed under the Act, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed under the provisions of the 2015 Indenture.

“2015 Insured Bonds” means the 2015 Bonds maturing on December 1, 2021 to and including December 1, 2036.

“2015 Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the 2015 Bond Insurer on the date of the original delivery of the 2015 Bonds and deposited into the Reserve Account to satisfy the Reserve Requirement.

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Act” means the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State, and all laws amendatory thereof or supplemental thereto.

“Authority” means the Sacramento City Financing Authority, a joint-exercise-of-powers created between the City and the Housing Authority of the City of Sacramento in accordance with the Act and duly organized and existing under and by virtue of the laws of the State.

“Authority Bonds” means all revenue bonds issued by the Authority that are payable from Master Lease Base Rental Payments.

“Board” means the governing board of the Authority.

“Business Day” means any day (other than a Saturday, a Sunday, or a legal holiday) on which banks in New York, New York, and in Los Angeles and San Francisco, California, are open for business and on which the Trustee is open for business at its Principal Corporate Trust Office.

“Certificate of the Authority” means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board for that purpose, and attested by the Secretary or the Assistant Secretary of the Authority.

“Chair” means the Chair of the Authority.

“City” means the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that the regulations are, at the time, applicable and in effect, and reference to any particular section of the Code includes reference to all successor sections of the Code.

“Continuing Disclosure Certificate” means the continuing disclosure certificate executed by the City relating to the 2015 Bonds, dated the date of the original issuance of the 2015 Bonds.

“Costs of Issuance” means all costs directly or indirectly payable by or reimbursable to the Authority or the City related to the execution and delivery of the Program Obligation and the discharge, payment, and satisfaction of the Prior Master Lease Base Rental Payments and the Prior Solid Waste Base Rental Payments and the 2015 Indenture and the refunding and defeasance of the Prior Bonds and the authorization and sale of the 2015 Bonds including, but not limited to costs of preparation and reproduction of documents; costs of the Rating Agencies and costs to provide information required by the Rating Agencies; filing, recording, and title-insurance fees, charges, and fees of the Trustee; legal fees and expenses; fees and expenses of consultants and professionals; financial advisory fees; costs of the premiums for the 2015 Bond Insurance Policy and the 2015 Reserve Policy; charges and fees incidental to the acquisition of rights under the Program Obligation by the Authority and the preparation, execution, authentication, and original delivery of the 2015 Bonds; and any other charge, cost, expense, or fee in connection with the issuance and delivery of the 2015 Bonds.

“Costs of Issuance Fund” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Costs of Issuance Fund established under the provisions of the 2015 Indenture described herein under “THE INDENTURE - Costs of Issuance Fund” (to be maintained by the Trustee).

“Defeasance Securities” means:

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (2) direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America.

“DTC” means The Depository Trust Company, New York, New York, and its successors or assigns; or (in accordance with then current guidelines of the Securities and Exchange Commission) any other securities depository that the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as Escrow Agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement dated as of October 1, 2015, by and between the Authority and the Escrow Agent relating to the defeasance and refunding of the Prior Bonds.

“Event of Default” means an event defined as such in provisions of the 2015 Indenture described herein under “THE INDENTURE - Events of Default and Acceleration of Maturities.”

“Holder” or “Bondholder” means any person who is the registered owner of any Bond, as shown on the registration books maintained by the Trustee under the provisions of the 2015 Indenture regarding Bond Registration Books.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the Authority, and who, or each of whom

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as an officer of the Authority, but who may be regularly retained to provide accounting services to the Authority.

“Interest Account” means the account by that name within the Revenue Fund established under the provisions of the 2015 Indenture described herein under “THE INDENTURE - the Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.”

“Interest Payment Date” means a date on which interest is due on the 2015 Bonds, being June 1 and December 1 of each year to which reference is made, commencing on December 1, 2015.

“Legal Investments” means any of the following obligations if and to the extent that, at the time of making the investment, they are permitted by applicable law:

- (1) Defeasance Securities
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHA’s)
 - Federal Housing Administration
 - Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(4) U.S. dollar denominated deposit accounts, federal funds, and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) that have a rating on their short-term certificates of deposit on the date of purchase of "P-1" or higher by Moody's and "A-1" or "A-1+" or higher by Standard & Poor's and mature not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank).

(5) Commercial paper that is rated at the time of purchase in the single highest classification, "P-1" or higher by Moody's and "A-1+" or higher by Standard & Poor's and matures not more than 270 calendar days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or higher by Standard & Poor's, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(7) Pre-refunded municipal obligations, which are bonds or other obligations of any state of the United States of America, or of any agency, instrumentality, or local governmental unit of any such state, that are not callable at the option of the obligor before maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and are either—

rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and Standard & Poor's or any successors thereto; or

are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow (i) may be applied only to the payment of such interest and principal and redemption premiums, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate; and (ii) is sufficient, as verified by a nationally recognized independent certified public accountant, to pay interest and principal and redemption premiums, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(8) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and Standard & Poor's.

(9) Investments in the City of Sacramento Investment Pool "A."

"Master Lease Base Rental Payments" means the Base Rental Payments due under the Master Project Lease.

"Master Project Lease" means that certain Master Project Lease dated as of December 1, 1999, between the Authority and the City, as amended to the date of issuance of the 2015 Bonds and as amended from time to time in accordance with the terms thereof.

“Master Site Lease” means that certain Master Site Lease dated as of December 1, 1999, between the Authority and the City, as amended to the date of issuance of the 2015 Bonds and as amended from time to time in accordance with the terms thereof.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if that corporation is dissolved or liquidated or no longer performs the services of a municipal securities rating agency, then “Moody’s” will refer to any other nationally recognized municipal securities rating agency selected by the Authority.

“Opinion of Counsel” means a written opinion of a law firm of recognized national standing relating to municipal bonds that is retained by the Authority.

“Outstanding,” when used as of any particular time with reference to 2015 Bonds, means (subject to the provisions of the 2015 Indenture regarding disqualified bonds) all 2015 Bonds except:

- (1) 2015 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) 2015 Bonds paid or deemed to have been paid under the provisions of the 2015 Indenture described herein under “THE INDENTURE - Discharge of the 2015 Bonds;” and
- (3) 2015 Bonds in lieu of or in substitution for which replacement 2015 Bonds have been executed, authenticated, and delivered under the provisions of the 2015 Indenture.

“Principal Corporate Trust Office” means the principal corporate trust office of the Trustee in Los Angeles, California, at which at any particular time its corporate trust business is being administered, except that with respect to the presentation of 2015 Bonds for registration, transfer, exchange, payment, or redemption, this term means such other office or agency of the Trustee designated in writing from time to time by the Trustee to the Authority as its Principal Corporate Trust Office.

“Principal Subaccount” means the subaccount by that name within the Redemption Account established under the provisions of the 2015 Indenture described herein under “THE INDENTURE – Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.”

“Prior Bonds” means all of the outstanding (1) Sacramento City Financing Authority 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) (outstanding in the aggregate principal amount of \$6,710,000); (2) Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Project) (outstanding in the aggregate principal amount of \$15,395,000); (3) Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) (outstanding in the aggregate principal amount of \$139,180,000); (4) Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) (outstanding in the aggregate principal amount of \$70,740,000); and (5) Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition) (outstanding in the aggregate principal amount of \$25,605,000), all as more fully set forth in the Escrow Agreement.

“Prior Master Lease Base Rental Payments” means the base rental payments discharged, paid and satisfied in accordance with their terms by the City and as further defined in the Tenth Amendment to Master Project Lease.

“Prior Solid Waste Base Rental Payments” means the base rental payments discharged, paid, and satisfied in accordance with their terms by the City and as further defined in the Tenth Amendment to Master Project Lease.

“Program” means the program adopted by the Authority under the Act to provide assistance to the City so that the City can finance or refinance capital improvements in order that the City may achieve its public purposes.

“Program Obligation” means the Tenth Amendment to Master Project Lease.

“Program Obligation Payments” means the Refunding Base Rental Payments paid by the City under the Tenth Amendment to Master Project Lease.

“Rating Agencies” means Moody’s and Standard & Poor’s, and their respective successors or assigns, but only to the extent that and so long as either of them is then rating the 2015 Bonds, or any other nationally recognized securities rating agency or agencies then rating the 2015 Bonds at the request of the Authority.

“Rebate Fund” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Rebate Fund established under the provisions of the 2015 Indenture described herein under “THE INDENTURE - Rebate Fund” (to be maintained by the Trustee).

“Record Date” means, with respect to an Interest Payment Date, the day that is the 15th day of the month before the Interest Payment Date, whether or not such day is a Business Day.

“Redemption Account” means the account by that name within the Revenue Fund established under the provisions of the 2015 Indenture described herein under “THE INDENTURE - Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.”

“Reserve Account” means the account by that name within the Revenue Fund established under the provisions of the 2015 Indenture described herein under “THE INDENTURE - Establishment and Maintenance of Accounts for Use of Money in Revenue Fund.”

“Reserve Policy Costs” means the amounts owed with respect to repayment of draws on the 2015 Reserve Policy, including interest thereon at a rate specified in the agreement pertaining to such 2015 Reserve Policy and expenses owed to the 2015 Bond Insurer related to the 2015 Reserve Policy.

“Reserve Requirement” means as of any date of determination by the City, one-half of the maximum annual Refunding Base Rental Payments payable in the current or any future one-year period ending on each June 30.

“Revenue Fund” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Revenue Fund established under the provisions of the 2015 Indenture described herein under “THE INDENTURE - Receipt and Deposit of Revenues in the Revenue Fund” (to be maintained by the Trustee).

“Revenues” means (1) all Program Obligation Payments, including all amounts realized upon the enforcement of the Program Obligation Payments due under the Program Obligation; (2) all money deposited and held from time to time in any of the accounts and funds established under the 2015 Indenture (except the Rebate Fund); and (3) all investment income with respect to any money held in the accounts and funds established under the 2015 Indenture (except the Rebate Fund).

“Secretary” means the Secretary of the Authority.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if Standard & Poor’s Ratings Service is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Standard & Poor’s” will refer to any other nationally recognized securities rating agency selected by the Authority.

“State” means the State of California.

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the Authority and the Trustee, amendatory of or supplemental hereto; but only to the extent it is specifically authorized under the 2015 Indenture.

“Tax Certificate” means the Tax Certificate executed by the Authority and the City at the time of the original issuance of the 2015 Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate, as the same may be amended or supplemented from time to time in accordance with its terms.

“Tenth Amendment to Master Project Lease” means the Tenth Amendment to Master Project Lease dated as of October 1, 2015, between the Authority and the City.

“Treasurer” means the Treasurer of the Authority.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the 2015 Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California which may at any time be substituted in its place as provided in the provisions of the 2015 Indenture concerning the Trustee.

“Written Request of the Authority” means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board of Directors for that purpose.

THE INDENTURE

Equal Security

In consideration of the acceptance of the 2015 Bonds by the Holders thereof, the 2015 Indenture will be deemed to be and will constitute a contract between the Authority, the Trustee, and the Holders from time to time to secure the full and final payment of the interest on and the principal of all 2015 Bonds that may from time to time be authorized, sold, executed, authenticated, and delivered under the 2015 Indenture as and when they become due, subject to the agreements, conditions, covenants, and terms contained in the 2015 Indenture; and all agreements, conditions, covenants, and terms contained in the 2015 Indenture required to be observed or performed by or on behalf of the Authority will be for the equal and proportionate benefit, security, and protection of all Holders without distinction, preference, or priority as to security or otherwise of any 2015 Bonds over any other 2015 Bonds by reason of the number thereof or the time of execution, authentication, or delivery thereof or for any cause whatsoever, except as expressly provided in the 2015 Indenture or therein.

Authorization and Purpose of 2015 Bonds

The Board has reviewed all proceedings heretofore taken relative to the authorization of the 2015 Bonds and has found, as a result of such review, and finds and determines, that all acts, conditions, and things required by law to exist, happen and be performed precedent to and for the issuance of the 2015 Bonds do exist, have happened, and have been performed in due time, form, and manner as required by the Act. Accordingly, the Authority is now authorized, under each requirement of the Act and of the 2015 Indenture, to issue the 2015 Bonds in the form and manner provided in the 2015 Indenture, and the 2015 Bonds will be entitled to the benefit, protection, and security of the Act and of the 2015 Indenture.

The purpose for which the 2015 Bonds are to be issued under the Act and under the 2015 Indenture is to provide funds to pay the costs of the acquisition by the Authority of the rights to receive the Program Obligation Payments due under the Program Obligation and to pay the Costs of Issuance.

From and after the issuance of the 2015 Bonds, (1) the findings and determinations of the Board respecting the 2015 Bonds will be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the 2015 Bonds is at issue; (2) no bona fide purchaser of any of the 2015 Bonds will be required to see to the existence of any fact, to the performance of any condition, to the taking of any proceeding required before issuance, or to the application of the purchase price paid for the 2015 Bonds; and (3) the validity of the issuance of the 2015 Bonds will not be dependent on or affected in any way by any proceedings taken by the Authority for the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligation or by any contracts made by the Authority in connection therewith, and will not be dependent upon the performance by any person, firm or corporation of his or her or its obligation with respect thereto.

The recital contained in the 2015 Bonds that the 2015 Bonds are issued under the Act and the 2015 Indenture will be conclusive evidence of their validity and of the regularity of their issuance, and the 2015 Bonds shall be deemed to be issued, within the meaning of the 2015 Indenture, whenever the definitive 2015 Bonds (or any temporary 2015 Bonds exchangeable therefor) have been originally delivered to the purchaser thereof and the proceeds of sale thereof received.

Costs of Issuance Fund

There is established under the 2015 Indenture a fund to be maintained by the Trustee to be known as the “Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Costs of Issuance Fund.” The Trustee shall withdraw and use the moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of the City, which shall include payee and payment instructions. Upon receipt of each Written Request of the City, the Trustee shall pay the amount set forth in the Written Request of the City as directed by its terms. Each Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein, and the Trustee will have no duty to confirm the accuracy of those facts.

Upon Written Request of the City specifying the date of closure of the Costs of Issuance Fund, the Trustee (1) shall transfer any amounts remaining in the Costs of Issuance Fund to the Revenue Fund and (2) close the Costs of Issuance Fund.

Assignment of Program Obligation and Pledge of Revenues

The Authority under the 2015 Indenture assigns to the Trustee for the benefit of the Holders of the 2015 Bonds all of the Authority’s right, title, and interest in the rights to receive the Program Obligation Payments due under the Program Obligation as security for the payment of the 2015

Bonds, subject to the following: the assignment of the rights to receive the Program Obligation Payments due under the Program Obligation to the Trustee is solely in its capacity as Trustee under the 2015 Indenture, and the duties, powers, and liabilities of the Trustee in acting thereunder are subject to the provisions of the 2015 Indenture, and the Trustee will have no responsibility for the representations, covenants, or warranties of the Authority contained in the Program Obligation. All Revenues received by the Authority under the 2015 Indenture are thereby pledged to the payment of the interest on and the principal of the 2015 Bonds as and when they become due as provided in the 2015 Indenture, and the Revenues may not be used for any other purpose while any of the 2015 Bonds remain Outstanding; provided, however, that out of the Revenues there may be applied such sums for such purposes as are permitted under the 2015 Indenture. This pledge in the 2015 Indenture constitutes a first pledge of and charge and lien upon the Revenues for the payment of the interest on and the principal of the 2015 Bonds as and when they become due in accordance with the terms of the 2015 Indenture and thereof.

Receipt and Deposit of Revenues in the Revenue Fund

In order to carry out and effectuate the assignment and pledge contained in the 2015 Indenture, the Authority agrees and covenants that all Revenues when and as received by the Authority will be forthwith transferred by the Authority to the Trustee for deposit in the "Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Revenue Fund," which fund is created and which fund the Authority agrees and covenants to maintain with the Trustee so long as any 2015 Bonds are Outstanding under the 2015 Indenture. All money in the Revenue Fund will be accounted for through and held in trust in the Revenue Fund by the Trustee, and the Authority will have no beneficial right or interest in any money in the Revenue Fund. All Revenues may be allocated, applied, and disbursed solely to the purposes and uses hereinafter in this article set forth, and must be accounted for separately and apart from all other accounts, funds, money, or other resources of the Authority.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts within the Revenue Fund (each of which is created and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

First, to the Interest Account;

Second, to the Redemption Account;

Third, to the Reserve Account.

All money in each of these accounts will be held in trust by the Trustee and may be applied, used, and withdrawn only for the purposes hereinafter authorized in this section.

Interest Account. On or before June 1 and December 1 of each year, commencing on December 1, 2015, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account an amount of money equal to the amount of interest becoming due and payable on all Outstanding 2015 Bonds on such June 1 or December 1, as the case may be, except that no deposit need be made into the Interest Account if the amount contained therein is at least equal to the amount of interest becoming due and payable on all Outstanding 2015 Bonds on such June 1 or December 1.

All money in the Interest Account may be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2015 Bonds as it becomes due and payable (including the payment of accrued interest on any 2015 Bonds purchased or redeemed before maturity).

Redemption Account. On or before December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Subaccount in the Redemption Account (which subaccount is created and which the Trustee covenants and agrees to cause to be maintained so long as any 2015 Bonds are Outstanding) an amount of money equal to the principal amount of all Outstanding 2015 Bonds maturing on such December 1 but no deposit need be made in the Redemption Account if the amount contained in the Principal Subaccount therein is at least equal to the principal amount of all Outstanding 2015 Bonds maturing by their terms on such December 1.

All money in the Principal Subaccount in the Redemption Account may be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2015 Bonds as they become due and payable, whether at maturity or on prior redemption.

Reserve Account. The Authority shall satisfy the Reserve Requirement by depositing the 2015 Reserve Policy in the Reserve Account. The Trustee shall draw on the 2015 Reserve Policy in accordance with its terms and the provisions under the 2015 Indenture, in a timely manner, to the extent necessary to pay the principal of and interest on the 2015 Bonds. In the event the 2015 Bond Insurer is downgraded by a rating agency, the Authority is not required to replace the 2015 Reserve Policy or deposit cash in the Reserve Account. On or before June 1 and December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Reserve Account a sum equal to the amount of money, if any, determined by the Trustee to be necessary, after taking into account the amount available under the 2015 Reserve Policy, to restore the Reserve Account to the Reserve Requirement and to repay all draws and related costs under the 2015 Reserve Policy (to the extent money is available for this purpose in the Revenue Fund). No deposit need be made in the Reserve Account if the amount contained therein (valued as aforesaid) is at least equal to the Reserve Requirement; and if, as a result of the foregoing valuation, the Trustee determines that an amount in excess of the Reserve Requirement is on deposit in the Reserve Account, the Trustee shall withdraw the excess and shall deposit it in the Revenue Fund as a credit against payments due under the Program Obligation.

All money in the Reserve Account may be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the 2015 Bonds if no other money is available in the Revenue Fund for that purpose and, as directed in a Written Request of the Authority, to pay the Reserve Policy Costs.

Rebate Fund

There is established under the 2015 Indenture a fund to be maintained by the Trustee to be known as the “Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Rebate Fund.” The Trustee shall deposit in the Rebate Fund from funds provided by the Authority an amount equal to the Rebate Requirement in accordance with the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee, and the Trustee shall apply all money held in the Rebate Fund as provided in the provisions of the 2015 Indenture concerning Tax Covenants and in the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee. Subject to the provisions of the 2015 Indenture concerning Tax Covenants, all money held in the Rebate Fund is pledged under the 2015 Indenture to secure payments to the United States of America, and the Authority and the Holders will have no rights in or claims to that money.

In accordance with the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States of America, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee; in addition, if the Tax Certificate so requires, the Trustee shall deposit money into or transfer money out of the Rebate Fund from or into the

accounts or funds as therein provided, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee.

Punctual Payment and Performance

The Authority shall punctually pay the interest on and the principal of all 2015 Bonds issued under the 2015 Indenture as and when they become due in strict conformity with the terms of the Act and of the 2015 Indenture and of the 2015 Bonds, and shall faithfully observe and perform all the agreements, conditions, covenants, and terms contained in the 2015 Indenture and in all Supplemental Indentures, and in the 2015 Bonds required to be observed and performed by it.

Indebtedness and Encumbrances

The Authority shall not issue any evidences of indebtedness payable from the Revenues except as provided in the 2015 Indenture, and shall not create, or permit the creation of, any pledge, lien, or other encumbrance upon any money in the Revenue Fund other than as provided in the 2015 Indenture; except that the Authority may at any time issue additional Authority Bonds payable from the Base Rental Payments under the Master Project Lease and may create additional pledges, liens, or other encumbrances upon the Base Rental Payments under the Master Project Lease if the provisions set forth in the Master Project Lease are first satisfied.

Tax Covenants

The Authority shall at all times do and perform all acts and things permitted by law and under the 2015 Indenture that are necessary to assure that interest paid on the 2015 Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in the interest not being excluded from gross income for federal income-tax purposes. Without limiting the generality of the foregoing, the Authority shall comply with the provisions of the Tax Certificate. This covenant will survive payment in full or defeasance of the 2015 Bonds.

Payment of Claims

The Authority shall pay and discharge any and all lawful claims that, if unpaid, might become payable from the Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or the principal of the 2015 Bonds, or that might impair the security of the 2015 Bonds.

Accounting Records and Reports

The Authority shall keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions relating to the receipts, disbursements, allocation, and application of the Revenues, and those books must be available for inspection by the Trustee at reasonable hours and under reasonable conditions. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate, and the Trustee will have no duty to review or examine such statements.

The Authority acknowledges in the 2015 Indenture that it is required to comply with California Government Code Section 6599.1 as it may be amended from time to time. The failure of the Authority to comply with Section 6599.1 as it may be amended from time to time will not be an Event of Default under the 2015 Indenture.

Protection of Security and Rights of Holders

The Authority shall preserve and protect the security of the 2015 Bonds and the rights of the Holders and shall warrant and defend their rights against all claims and demands of all persons.

Prosecution and Defense of Suits

The Authority shall defend against every suit, action, or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application, or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the 2015 Indenture; except, that the Trustee or any affected Holder at its election may appear in and defend any such suit, action, or proceeding. The Authority shall indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of any such failure by the Authority and shall indemnify and hold harmless the Trustee against any attorney's fees or other expenses it may incur in connection with any litigation to which it may become a party by reason of its actions under the 2015 Indenture, except for any loss, cost, damage, or expense resulting from the active or passive negligence or willful misconduct of the Trustee.

Enforcement and Amendment of the Program Obligation; Enforcement of the Master Site Lease

The Authority shall enforce all of its rights with respect to the Program Obligation to the fullest extent necessary to preserve the rights and protect the security of the Holders under the 2015 Indenture. The Program Obligation may only be amended without the consent of or prior notice to the Holders or the written approval of the Trustee for the purposes set forth in the Program Obligation, and neither the Authority nor the Trustee may consent to any other amendment, change, or modification of the Program Obligation without the mailing of a notice thereof and receipt of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the 2015 Bonds at the time Outstanding given and procured as provided in this section. No such amendment may (a) extend the payment date of any Program Obligation Payments or reduce the interest or principal payments due under the Program Obligation, without the prior written consent of the Holder of each Bond so affected; and no such amendment may reduce the percentage of 2015 Bonds the consent of the Holders of which is required for the execution of any amendment to the Program Obligation; nothing under this section in the Indenture prevents the Trustee, with the prior consent of the Authority, from settling a default under the Program Obligation on such terms as the Trustee may determine to be in the best interests of the Holders. If at any time the Authority requests the consent of the Trustee to a proposed amendment, change, or modification of the Program Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be mailed in the same manner as provided by the provisions of the 2015 Indenture relating to Notice by Mail, which such notice must briefly set forth the nature of the proposed amendment, change, or modification and must state that copies of the instrument embodying the same are on file at the Principal Corporate Trust Office of the Trustee for inspection by the Holders. The Authority agrees to enforce its rights under the Master Site Lease

Maintenance of Existence

The Authority shall, so long as any 2015 Bonds are Outstanding under the 2015 Indenture, maintain its existence, powers, and authority as a joint exercise-of-powers authority under the Act.

Continuing Disclosure

The Authority shall cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as originally executed and as they may be amended from time to time in accordance with the terms thereof. The failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default under the 2015 Indenture or a breach by the Trustee of any of its duties or obligations under the 2015 Indenture. The Trustee may and, at the request of the Authority or the Holders of at least 25% in aggregate principal amount of Outstanding 2015 Bonds (but only to the extent indemnified to its satisfaction from liability or expense, including fees and expenses of its attorneys) shall, or any Holder may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

Further Assurances

The Authority shall adopt, deliver, execute, make, and file any and all further assurances, instruments, and resolutions that may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the 2015 Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the 2015 Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Revenues provided in the 2015 Indenture to the fullest extent possible under applicable law of the State.

The Trustee

The Bank of New York Mellon Trust Company, N.A., at its Principal Corporate Trust Office, is appointed Trustee for the purposes of (a) receiving all Revenues the Authority is required to deposit with the Trustee under the 2015 Indenture; (b) allocating, applying and using the Revenues as provided in the 2015 Indenture; (c) paying the interest on and the principal of the 2015 Bonds presented for payment at its Principal Corporate Trust Office; and (d) cancelling and destroying all paid or redeemed 2015 Bonds and all other 2015 Bonds surrendered by the Authority to it under the provisions of the 2015 Indenture concerning Acquisition of 2015 Bonds by Authority, with the rights and obligations provided in the 2015 Indenture. The Authority shall at all times maintain a Trustee having a corporate trust office in Los Angeles or in San Francisco, California.

The Authority may at any time, unless there exists any Event of Default, remove the original Trustee appointed under the 2015 Indenture and any successor Trustee thereto and appoint a successor Trustee thereto by an instrument in writing. A successor Trustee must be a national banking association or state bank; must have a corporate trust office in either Los Angeles or San Francisco, California; must have (or, for an institution that is affiliated with a bank holding company, the holding company must have) a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000; and must be subject to supervision or examination by national or state authority. If such a national banking association or state bank publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then, for the purpose of this section, the combined capital and surplus of the bank or trust company or national banking association (or, for an institution that is affiliated with a bank holding company, the holding company) will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving prior written notice of resignation to the Authority and by mailing notice of such resignation to the Holders. Upon receiving a notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing, subject to the following: notwithstanding any other provision in the 2015 Indenture, no removal, resignation, or termination of the Trustee and appointment of a successor Trustee will become effective until the

acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee has been appointed and has accepted the appointment, the removed or resigning Trustee may petition any federal or state court for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by this Trustee section.

The Trustee is authorized under the 2015 Indenture to pay or redeem the 2015 Bonds when duly presented for payment at maturity or on redemption before maturity. The Trustee shall cancel all 2015 Bonds upon payment thereof or upon the surrender thereof by the Authority, shall destroy such 2015 Bonds, and shall deliver to the Authority a certificate of such destruction upon request of the Authority. The Trustee shall keep accurate records of all 2015 Bonds paid and discharged and cancelled by it.

The Trustee shall, before an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and obligations (and only such duties and obligations) as are specifically set forth in the 2015 Indenture, and no implied duties or obligations of the Trustee should be read into the 2015 Indenture. The Trustee shall, during the existence of any Event of Default (that has not been cured), exercise the rights and powers vested in it under the 2015 Indenture, and use the same degree of care and skill in their exercise, as a corporate trustee would exercise or use under the circumstances.

Procedure for Amendment of or Supplement to the 2015 Indenture

(a) Amendment or Supplement with Consent of Holders. The 2015 Indenture and the rights and obligations of the Authority and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture will become binding when the written consents of the Holders of at least a majority in aggregate principal amount of the 2015 Bonds then Outstanding, exclusive of 2015 Bonds disqualified as provided in the 2015 Indenture concerning disqualified bonds, have been filed with the Trustee, subject to the following:

(1) before executing any Supplemental Indenture, the Trustee must first be provided at the Authority's expense with an Opinion of Counsel that the Supplemental Indenture complies with the provisions of the 2015 Indenture, on which opinion the Trustee may conclusively rely; and

(2) no amendment or supplement may (A) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or the principal of any Bond at the time and place and at the rate and in the currency and from the funds provided in the 2015 Indenture without the express written consent of the Holder of the Bond, or (B) permit the issuance by the Authority of any obligations payable from the Revenues other than the 2015 Bonds as provided in the 2015 Indenture, or jeopardize the ability of the Authority to collect the Revenues, (C) reduce the percentage of 2015 Bonds required for the written consent to any such amendment or supplement, or (D) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The 2015 Indenture and the rights and obligations of the Authority and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture will become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and only after receiving an approving Opinion of

Counsel that the Supplemental Indenture complies with the provisions of the 2015 Indenture and only for any one or more of the following purposes —

(1) To add to the agreements and covenants required in the 2015 Indenture to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority that will not (in the opinion of the Authority) adversely affect the interests of the Holders, or to surrender any right or power reserved in the 2015 Indenture to or conferred in the 2015 Indenture upon the Authority that will not (in the opinion of the Authority) adversely affect the interests of the Holders.

(2) To make such provisions for the purpose of curing any ambiguity or of curing, correcting, or supplementing any defective provision contained in the 2015 Indenture or in regard to questions arising under the 2015 Indenture that the Authority may deem desirable or necessary and not inconsistent herewith and that will not (in the opinion of the Authority) adversely affect the interests of the Holders.

(3) To add to the agreements and covenants contained in the 2015 Indenture such other agreements and covenants as may be necessary to qualify the 2015 Indenture under the Trust 2015 Indenture Act of 1939.

(4) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to ensure the exclusion from gross income for purposes of federal income taxation of the interest on the 2015 Bonds or the exemption of interest from State personal income taxes.

(5) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then-current rating by any of the Rating Agencies on the 2015 Bonds.

(6) To add to the rights of the Trustee.

In connection with the proceedings for the execution of any Supplemental Indenture, the Authority shall provide each of the Rating Agencies with a notice of the amendment together with a copy of the proposed Supplemental Indenture at least 15 days before the execution and delivery thereof.

Events of Default and Acceleration of Maturities

Each of the following events is an “Events of Default;”

(a) A default by the Authority in the due and punctual payment of any interest on or principal of the 2015 Bonds when and as the same become due and payable.

(b) A default by the Authority in the observance or performance of any of the other agreements or covenants contained in the 2015 Indenture required to be observed or performed by it, and the default has continued for 30 days after the Authority receives notice in writing of the default by the Trustee.

(c) The Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court with jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief

or aid of debtors, any court with jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property.

(d) An Event of Default (as that term is defined in the Master Project Lease) has occurred under the Master Project Lease.

Upon the occurrence of an Event of Default and during the continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the 2015 Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall, by notice in writing to the Authority, declare the principal of all 2015 Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon that declaration the same will, without further action, become due and payable, anything contained in the 2015 Indenture or in the 2015 Bonds to the contrary notwithstanding, subject to the following condition: if, at any time after the principal of the 2015 Bonds then Outstanding has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all matured interest on all the 2015 Bonds and all principal of the 2015 Bonds matured before the declaration, (with interest at the rate borne by the 2015 Bonds on the overdue interest and principal) and to pay the reasonable fees and expenses of the Trustee, and if any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the 2015 Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then and in every such case the Holders of not less than a majority in aggregate principal amount of 2015 Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the 2015 Bonds then Outstanding, rescind and annul the declaration and its consequences except, that no such rescission and annulment will extend to or will affect any subsequent default or impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All money in the accounts and funds provided in the provisions of the 2015 Indenture concerning the Assignment of the Program Obligation Payments and Pledge of Revenues and Receipt and Deposit of Revenues in the Revenue Fund upon the date of the declaration of acceleration by the Trustee as provided in the 2015 Indenture described herein under "THE INDENTURE - Events of Default and Acceleration of Maturities," and all Revenues thereafter received by the Authority under the 2015 Indenture, will be transmitted to the Trustee and be applied by the Trustee in the following order:

First, to the payment of the fees, costs, and expenses of the Trustee, if any, in carrying out the provisions of the 2015 Indenture and of any other agreement to which the Trustee is a party in connection herewith, including any outstanding fees and expenses of the Trustee and including reasonable compensation to its accountants and counsel, and thereafter to the payment of the costs and expenses of the Holders in providing for the declaration of the Event of Default, including reasonable compensation to their accountants and counsel.

Second, upon presentation of the several 2015 Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the 2015 Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by the 2015 Bonds, and if the money is insufficient to pay in full the whole amount so owing and unpaid upon the 2015 Bonds, then to the payment of the interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among the interest, principal, and interest on overdue interest and principal ratably to the aggregate of the interest, principal, and interest on overdue interest and principal.

Institution of Legal Proceedings by the Trustee

If one or more Events of Default occurs and is continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the 2015 Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of 2015 Bonds under the 2015 Indenture by a suit in equity or action at law, either for the specific performance of any agreement or covenant contained in the 2015 Indenture or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights and duties under the 2015 Indenture. Nothing contained in the 2015 Indenture or in the 2015 Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the interest on and the principal of the 2015 Bonds to the Holders of the 2015 Bonds as and when they become due as provided in the 2015 Indenture from the Revenues as provided therein pledged for payment, and nothing therein or in the 2015 Bonds affects or impairs the right of such Holders, which is also absolute and unconditional, to institute suit to enforce payment by virtue of the contract embodied in the 2015 Indenture and in the 2015 Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any right or remedy or be construed to be a waiver of any default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this article may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Holders.

If any action, proceeding, or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee, and any Holder will be restored to their former positions, rights, and remedies as if the action, proceeding, or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the 2015 Indenture conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every remedy is cumulative and in addition to every other remedy given under the 2015 Indenture or now or thereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of the 2015 Bonds

(a) If the Authority pays or causes to be paid, or if there shall otherwise be paid, to the Holders of all Outstanding 2015 Bonds the interest thereon and the principal thereof as and when they become due and payable in accordance with their terms or upon redemption proceedings as provided in the 2015 Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the 2015 Bonds is paid, or provision has been made for the payment of the same as provided in the 2015 Indenture, together with all other sums payable by the Authority under the 2015 Indenture, including all fees and expenses of the Trustee, then and in that case the 2015 Indenture and the lien created thereby will be completely discharged and satisfied and the Authority will be released from the agreements, conditions, covenants, and other obligations of the Authority contained in the 2015 Indenture, and the Trustee shall assign and transfer to or upon the order of the Authority all property, money, or securities (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances, and the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

(b) Any Outstanding 2015 Bonds shall, before the maturity date or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture described in subsection (a) of this section if there is on deposit with the Trustee money that is sufficient to pay the interest due on the 2015 Bonds on that date and the principal due on the 2015 Bonds on that date.

(c) Any Outstanding 2015 Bonds shall, before the maturity date or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described in subsection (a) of this section (except that the Authority will remain liable for the payment of the 2015 Bonds, but only out of the money or securities deposited with the Trustee or an escrow agent as hereinafter described) if:

(1) in case any of 2015 Bonds to be redeemed on any date before their maturity date, the Authority has agreed to mail a notice of redemption pursuant to the provisions of the 2015 Indenture concerning Notice by Mail to the Holders of all Outstanding 2015 Bonds to be redeemed and to DTC;

(2) there has been deposited with the Trustee or an escrow agent either money in an amount sufficient to pay when due or Defeasance Securities, the interest on and the principal of which when paid will provide money that, together with the money, if any, deposited with the Trustee or the escrow agent at the same time, will be sufficient to pay when due, the interest to become due on the 2015 Bonds on and before the maturity dates or redemption dates thereof, as the case may be, and the principal of the 2015 Bonds on and before the maturity dates or the redemption dates thereof, as the case may be, as evidenced by:

(A) an Accountant's Report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the 2015 Bonds in full on the maturity or redemption date (a "Verification");

(B) an Escrow Deposit Agreement; and

(C) an Opinion of Counsel to the effect that the 2015 Bonds are no longer Outstanding; and

(3) in the event such 2015 Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority has agreed to mail under the provisions of the 2015 Indenture concerning Notice by Mail a notice to the Holders of the 2015 Bonds and to DTC that the deposit required by clause (2) above has been made with the escrow agent or the Trustee and that the 2015 Bonds are deemed to have been paid in accordance with this section, and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of the 2015 Bonds. 2015 Bonds will be deemed Outstanding under the 2015 Indenture unless and until they are in fact paid and retired or the above criteria are met.

Unclaimed Money

Anything in the 2015 Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the 2015 Bonds or any interest thereon that remains unclaimed for two (2) years after the date when the 2015 Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption before maturity, if the money was held by the Trustee on that date, or for two years after the date of deposit of the money if deposited with the Trustee after the date when the 2015 Bonds or interest thereon became due and

payable, will be repaid by the Trustee to the Authority as its absolute property free from trust for use in accordance with the Act, and the Trustee will thereupon be released and discharged with respect thereto and the Holders will look only to the Authority for the payment of the 2015 Bonds and the interest thereon. Before the Trustee is required to make any such repayment, the Authority shall mail under the provisions of the 2015 Indenture concerning Notice by Mail a notice to the Holders of all Outstanding 2015 Bonds and to DTC that the money remains unclaimed and that after a date named in the notice, which date must not be less than 30 days after the date of the mailing of the notice, the balance of such money then unclaimed will be returned to the City.

Provisions Relating to the 2015 Bond Insurance Policy, the 2015 Reserve Policy and the 2015 Bond Insurer

Provisions Relating to the 2015 Bond Insurance Policy. For so long as the 2015 Insured Bonds are Outstanding, the provisions summarized under this caption shall apply notwithstanding any other provision of the 2015 Indenture to the contrary, unless an Insurer Default (as defined below) has occurred and is continuing:

(a) The 2015 Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2015 Insured Bonds for the purposes under the 2015 Indenture, the Master Site Lease and the Master Project Lease, including all approvals, consents, waivers, institution of any action, and the direction of all remedies.

(b) Any amendment, supplement, modification to, or waiver of, any of the 2015 Indenture, the Master Site Lease or the Master Project Lease that requires the consent of holders of the 2015 Bonds or adversely affects the rights or interests of the 2015 Bond Insurer shall be subject to the prior written consent of the 2015 Bond Insurer; provided that no consent shall be required for any amendments to the Master Site Lease or the Master Project Lease made (i) in connection with the issuance of Authority Bonds from time to time or (ii) to add, delete or substitute property in accordance with the provisions of the Master Project Lease.

(c) Any reorganization or liquidation plan with respect to the City or the Authority must be acceptable to the 2015 Bond Insurer. In the event of any reorganization or liquidation of the City or the Authority, the 2015 Bond Insurer shall have the right to vote on behalf of all holders of the 2015 Insured Bonds.

(d) Anything in the 2015 Indenture, the Master Site Lease or the Master Project Lease to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default under the 2015 Indenture, the Master Site Lease or the Master Project Lease, the 2015 Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the 2015 Insured Bonds or the Trustee for the benefit of the holders of the 2015 Insured Bonds. No default or event of default may be waived without the 2015 Bond Insurer's written consent.

(e) The 2015 Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration under the 2015 Indenture.

(f) No grace period shall be permitted for payment defaults under the 2015 Indenture relating to the 2015 Insured Bonds. No grace period for a covenant default under the 2015 Indenture relating to the 2015 Insured Bonds shall exceed 30 days without the prior written consent of the 2015 Bond Insurer.

(g) If an Insurer Default (as defined below) shall occur and be continuing, then, notwithstanding anything in paragraphs (a) – (d) above to the contrary, (1) if at any time prior to or

following an Insurer Default, the 2015 Bond Insurer has made payment under the 2015 Bond Insurance Policy, to the extent of such payment the 2015 Bond Insurer shall be treated like any other holder of the 2015 Insured Bonds for all purposes, including giving of consents, and (2) if the 2015 Bond Insurer has not made any payment under the 2015 Bond Insurance Policy, the 2015 Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the 2015 Bond Insurer makes a payment under the 2015 Bond Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the 2015 Bond Insurer has failed to make any payment under the 2015 Bond Insurance Policy when due and owing in accordance with its terms; or (B) the 2015 Bond Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the 2015 Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the 2015 Bond Insurer (including without limitation under the New York Insurance Law).

(h) The 2015 Bond Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the 2015 Bond Insurer in writing. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the 2015 Bond Insurer, shall be qualified and appointed in accordance with the 2015 Indenture.

(i) At least 3 Business Days prior to any defeasance with respect to the 2015 Insured Bonds, the Authority shall deliver to the 2015 Bond Insurer draft copies of an escrow agreement, an opinion of counsel to the Authority regarding the validity and enforceability of the escrow agreement, an opinion of bond counsel regarding the defeasance of the 2015 Insured Bonds, and a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to the 2015 Bond Insurer and shall be in form and substance satisfactory to the 2015 Bond Insurer. In addition, the escrow agreement shall provide that:

(1) any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not, in and of itself, result in the inclusion of interest on the 2015 Insured Bonds in gross income for federal income tax purposes and the prior written consent of the 2015 Bond Insurer, which consent will not be unreasonably withheld.

(2) the Authority will not exercise any prior optional redemption of 2015 Insured Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the 2015 Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(3) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the 2015 Bond Insurer.

(j) The 2015 Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the 2015 Indenture and the Master Project Lease and may enforce the provisions of the 2015 Indenture and the Master Project Lease conferred upon, given or granted to the 2015 Bond Insurer under such documents.

Additional Payments. The Authority agrees subject to the availability of Revenues that it will pay or reimburse the 2015 Bond Insurer within 30 days of demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the 2015 Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the 2015 Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the 2015 Indenture, the Master Site Lease or the Master Project Lease ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the 2015 Bond Insurer spent in connection with the actions described in the preceding sentence. The Authority agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the 2015 Bond Insurer until the date the 2015 Bond Insurer is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the 2015 Bond Insurer solely from Revenues (i) a sum equal to the total of all amounts paid by the 2015 Bond Insurer under the 2015 Bond Insurance Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by the 2015 Bond Insurer until payment thereof in full by the Authority, payable to the 2015 Bond Insurer at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The Authority covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the Revenues on a basis that is subordinate to the pledge of Revenues to the Trustee for the Bonds.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the 2015 Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the 2015 Bond Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the 2015 Bond Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

Payment Procedure Relating to the 2015 Bond Insurance Policy. In the event that principal and/or interest due on the 2015 Insured Bonds shall be paid by the 2015 Bond Insurer pursuant to the 2015 Bond Insurance Policy, the 2015 Insured Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge under the 2015 Indenture and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the 2015 Bond Insurer, and the 2015 Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2015 Insured Bonds.

In the event that on the second business day prior to any payment date on the 2015 Insured Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the 2015 Insured Bonds due on such payment date, the Trustee shall immediately notify the 2015 Bond Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the 2015 Bond Insurer or its designee.

In addition, if the Trustee has notice that any holder of the 2015 Insured Bonds has been required to disgorge payments of principal of or interest on the 2015 Insured Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the 2015 Bond Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the 2015 Bond Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the 2015 Insured Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the 2015 Insured Bonds, the Trustee shall (i) execute and deliver to the 2015 Bond Insurer, in form satisfactory to the 2015 Bond Insurer, an instrument appointing the 2015 Bond Insurer as agent and attorney-in-fact for such holders of the 2015 Insured Bonds in any legal proceeding related to the payment and assignment to the 2015 Bond Insurer of the claims for interest on the 2015 Insured Bonds, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the 2015 Bond Insurance Policy payment from the 2015 Bond Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the 2015 Insured Bonds, the Trustee shall (i) execute and deliver to the 2015 Bond Insurer, in form satisfactory to the 2015 Bond Insurer, an instrument appointing the 2015 Bond Insurer as agent and attorney-in-fact for such holder of the 2015 Insured Bonds in any legal proceeding related to the payment of such principal and an assignment to the 2015 Bond Insurer of the 2015 Insured Bonds surrendered to the 2015 Bond Insurer, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the 2015 Bond Insurance Policy payment therefore from the 2015 Bond Insurer, and (iii) disburse the same to such holders.

(c) The Trustee shall designate any portion of payment of principal on 2015 Insured Bonds paid by the 2015 Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2015 Insured Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the 2015 Bond Insurer, registered in the name directed by the 2015 Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement 2015 Insured Bond shall have no effect on the amount of principal or interest payable by the Authority on any 2015 Insured Bond or the subrogation or assignment rights of the 2015 Bond Insurer.

Payments with respect to claims for interest on and principal of 2015 Insured Bonds disbursed by the Trustee from proceeds of the 2015 Bond Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such 2015 Insured Bonds, and the 2015 Bond Insurer shall become the owner of such unpaid 2015 Insured Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee agree for the benefit of the 2015 Bond Insurer that:

(a) They recognize that to the extent the 2015 Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the 2015 Insured Bonds, the 2015 Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the 2015 Indenture and the 2015 Insured Bonds; and

(b) They will accordingly pay to the 2015 Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the 2015 Insured Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the 2015 Insured Bonds to holders, and will otherwise treat the 2015 Bond Insurer as the owner of such rights to the amount of such principal and interest.

Exercise of Rights by 2015 Bond Insurer

(a) The rights granted to the 2015 Bond Insurer under the 2015 Indenture to request, consent to or direct any action are rights granted to the 2015 Bond Insurer in consideration of its issuance of the 2015 Bond Insurance Policy. Any exercise by the 2015 Bond Insurer of such rights is merely an exercise of the 2015 Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the 2015 Insured Bonds and such action does not evidence any position of the 2015 Bond Insurer, affirmative or negative, as to whether the consent of the holders of the 2015 Insured Bonds or any other person is required in addition to the consent of the 2015 Bond Insurer.

(b) The 2015 Bond Insurer shall be entitled to pay principal or interest on the 2015 Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the 2015 Bond Insurance Policy) and any amounts due on the 2015 Insured Bonds as a result of acceleration of the maturity thereof in accordance with the 2015 Indenture, whether or not the 2015 Bond Insurer has received a claim upon the 2015 Bond Insurance Policy.

Reporting Requirements. The Authority will provide the 2015 Bond Insurer with all notices and other information it is obligated to provide to the holders of 2015 Insured Bonds or the Trustee under the 2015 Indenture.

Provisions Relating to the 2015 Reserve Policy

(a) The Authority shall repay solely from Revenues any draws under the 2015 Reserve Policy and pay all related reasonable expenses incurred by the 2015 Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the 2015 Bond Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the 2015 Bond Insurer in its sole and absolute discretion shall specify.

(b) Subject to Revenues being available after payment of principal of and interest on the Bonds, repayment of draws and payment of expenses and interest accrued thereon at the Late Payment Rate (collectively, the “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw; *provided, however, that all such payments shall be due prior to termination of the Tenth Amendment to Master Project Lease.*

(c) Amounts in respect of Policy Costs paid to the 2015 Bond Insurer shall be credited first to interest due, then to the expenses due (unless otherwise specified as 2015 Additional Payments) and then to principal due. As and to the extent that payments are made to the 2015 Bond Insurer on account of principal due, the coverage under the 2015 Reserve Policy will be increased by a like amount, subject to the terms of the 2015 Reserve Policy.

(d) All cash and investments in the Reserve Account established for the Bonds shall be transferred to the Revenue Fund for payment of the debt service on the Bonds before any drawing may be made on the 2015 Reserve Policy in lieu of cash.

(e) Payment of any Policy Cost shall be made prior to replenishment of any cash amounts.

(f) Draws under the 2015 Reserve Policy may only be used to make payments of principal of and interest on Bonds.

(g) If the Authority shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above from Revenues, the 2015 Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the 2015 Indenture other than (i) acceleration of the maturity of the Bonds, (ii) remedies which would adversely affect owners of the Bonds, or (iii) remedies that are prohibited by the laws of the State of California.

(h) In order to secure the Authority’s payment obligations with respect to the Policy Costs, the Authority hereby covenants and agrees that the Policy Costs are payable from and secured by a lien on and pledge of the Revenues on a basis that is subordinate to the pledge of Revenues to the Trustee for the Bonds.

(i) The 2015 Indenture shall not be discharged until all Policy Costs owing to the 2015 Bond Insurer shall have been paid in full. The Authority’s obligation to pay such amount shall expressly survive payment in full of the Bonds.

(j) The Trustee shall ascertain the necessity for a claim upon the 2015 Reserve Policy in accordance with the provisions of paragraph (d) hereof and provide notice to the 2015 Bond Insurer at least two business days prior to each date upon which interest or principal is due on the Bonds.

(k) The 2015 Reserve Policy shall expire on the earlier of the date the Bonds are no longer outstanding and the final maturity date of the Bonds.

Liability of Authority Limited to Revenues and Certain Other Funds

Notwithstanding anything contained in the 2015 Indenture, the Authority is not required to advance any money derived from any source of funds other than the Revenues and the other funds provided in the 2015 Indenture for the payment of the interest on or the principal of the 2015 Bonds or for the performance of any agreements or covenants contained therein. But the Authority may advance funds

for any of these purposes so long as such funds are derived from a source legally available for the purpose without incurring an indebtedness.

The 2015 Bonds are limited obligations of the Authority, and are payable from, and are secured as to the payment of the interest thereon and the principal thereof, in accordance with their terms and the terms of the 2015 Indenture, solely from the Revenues and the other funds provided in the 2015 Indenture for their payment. The 2015 Bonds do not constitute a charge against the general credit of the Authority or the general credit of the City, and under no circumstances will the Authority be obligated to pay the interest on or the principal of the 2015 Bonds except from the Revenues and other funds. Neither the State nor any public agency thereof nor the City will be obligated to pay the interest on or the principal of the 2015 Bonds. Neither the faith and credit nor the taxing power of the Authority, the State, or any public agency thereof or the City is pledged to the payment of the interest on or the principal of the 2015 Bonds, and the payment of the interest on or the principal of the 2015 Bonds does not constitute a debt, liability, or obligation of the State, any public agency as the State, or the City.

Deposit and Investment of Money in Accounts and Funds

All money held by the Treasurer in any account or fund established in the 2015 Indenture is to be invested in Legal Investments that mature not later than the date on which it is estimated that the money will be required to be paid out under the 2015 Indenture, and all money held by the Trustee in any account or fund established in the 2015 Indenture is to be invested by the Trustee under a Written Request of the Authority received by the Trustee at least one day before making any such investment in those Legal Investments specified in the Written Request of the Authority that mature not later than the date on which it is estimated that the money will be required to be paid out under the 2015 Indenture, and the Trustee may conclusively rely that any investment specified in the Written Request of the Authority is a Legal Investment. In the absence of receipt of any Written Request of the Authority, the Trustee shall hold the funds uninvested and notify the Authority to request investment instructions as soon as practicable. For investment purposes, the Trustee may commingle the money in the accounts and funds established under the 2015 Indenture (except the money in the Reserve Account), but must account for each such fund or account separately. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor, or manager in connection with the making or disposition of any investment by the Trustee under the 2015 Indenture and may impose its customary charges therefor, and the Trustee will not be responsible for any loss suffered in connection with any investment made in accordance herewith.

To the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority waives receipt of those confirmations to the extent permitted by law. But the Trustee shall furnish the Authority with periodic cash transaction statements that include details for all investment transactions made by the Trustee under the 2015 Indenture.

All interest received on any money so deposited or invested that exceeds the requirements of the fund from which the money was deposited or invested must (subject to the requirements of the 2015 Indenture concerning Tax Covenants) be deposited in the Revenue Fund, and all losses on any money so deposited or invested will be borne by the fund from which the deposit or investment was made.

The value of any Legal Investments will be determined as follows:

(a) For the purpose of determining the amount in any fund, all Legal Investments credited to the fund will be valued at fair market value. The Trustee shall determine the fair market value based on its pricing service as reflected on its regular accounting statements.

(b) As to the certificates of deposit and bankers' acceptances, the face amount thereof.

(c) As to any investment not specified above, the value thereof established by prior agreement between the Authority and the Trustee.

Acquisition of 2015 Bonds by Authority

All 2015 Bonds acquired by the Authority, whether by purchase or gift or otherwise, must be surrendered to the Trustee for cancellation as provided in the 2015 Indenture.

Maintenance of Accounts and Funds

Any account or fund required in the 2015 Indenture to be established and maintained by the Treasurer or the Trustee may be maintained by the Treasurer or the Trustee, as the case may be, in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of those accounting records, any audits thereof, and any financial reports or statements with respect thereto, be treated either as an account or as a fund. All accounting records with respect to all accounts and funds must at all times be maintained by the Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the 2015 Bonds and the rights of the Holders.

LEASE DEFINITIONS

The following are definitions of certain terms used in the Master Site Lease and the Master Project Lease.

“2015 Bonds” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) authorized, executed, authenticated, and delivered under the 2015 Indenture.

“2015 Bond Insurance Policy Costs” means the BAM Policy Payments and the BAM Reimbursement Amounts and any other amounts owed with respect to repayment of draws on the 2015 Bond Insurance Policy, including interest thereon at a rate specified in 2015 Indenture and expenses owed to the 2015 Bond Insurer related to the 2015 Bond Insurance Policy.

“Additional Bonds” means any additional revenue bonds issued by the Authority, the proceeds of which will be used as the source of funds for financing and refinancing the acquisition and construction of Additional Improvements.

“Additional Improvements” means any additional improvements for the City or any additional loan obligations of the Agency so that the Agency can undertake redevelopment activities for the benefit of the City that will be financed under an amendment to the Master Project Lease.

“Additional Project” means any Additional Site, together with the improvements located thereon, that will be leased by the Authority to the City under an amendment to the Master Project Lease.

“Additional Rental Payments” means the Additional Rental Payments due under the Master Project Lease.

“Additional Site” means any additional real property that is leased by the City to the Authority under an amendment to the Master Site Lease.

“Base Rental Payment Date” means any date on which Base Rental Payments are scheduled to be paid under the Master Project Lease.

“Base Rental Payments” means the scheduled Base Rental Payments (the Refunding Base Rental Payments under the Tenth Amendment to Master Project Lease) due under the Master Project Lease.

“Bond Insurer” means any municipal bond insurance company providing insurance for any revenue bonds issued by the Authority that are payable from Base Rental Payments.

“Bonds” means the 2015 Bonds and all Additional Bonds.

“Certificate,” when used with respect to the City, means an instrument in writing signed on behalf of the City by the City Manager of the City or the City Treasurer of the City, or by any other officer of the City duly authorized by the City Council of the City for the purpose of signing documents on its behalf under the Master Project Lease, and by the City Clerk of the City, with the seal of the City affixed thereto; and when used with respect to the Authority, means an instrument in writing signed on behalf of the Authority by the Chairman of the Authority or the Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board of Directors of the Authority for the purpose of signing documents on its behalf under the Master Project Lease, and by the Secretary of the Authority, with the seal of the Authority affixed thereto.

“Essential Assets” means assets necessary to provide municipal services related to the health, safety and welfare of the citizens of the City, including, but not limited to, the following types of assets of the City: animal control, communication, infrastructure, transportation, police, solid waste, city cemetery, fire protection, parking, tree maintenance, support and administrative facilities and utilities, but does not include assets used for leisure or cultural activities, including, but not limited to, the following types of assets of the City: community centers, library, zoo, golf, open space, parks, museums and learning centers.

“Event of Default” means an event defined as such in the provisions of the Master Project Lease described herein under “THE MASTER PROJECT LEASE – Defaults and Remedies.”

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Holder” means any person who shall be the registered owner of any Bond, as shown on the registration books maintained by the Trustee pursuant to the 2015 Indenture.

“Improvements” means the improvements acquired and constructed by the City under the Master Project Lease, including all Additional Improvements.

“Lien” means any mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, including, but not limited to, any mortgage or pledge of, any security interest in or any lien or encumbrance on the Project.

“Master Project Lease” has the meaning given herein under “INDENTURE DEFINITIONS.”

“Master Site Lease” means that certain Master Site Lease dated as of December 1, 1999, between the Authority and the City as amended to the date of issuance of the 2015 Bonds and as amended from time to time in accordance with the terms thereof.

“Opinion of Counsel” means a written opinion of a law firm of recognized national standing relating to municipal bonds that is retained by the City.

“Permitted Encumbrances” means, as of any particular time: (i) the Master Site Lease; (ii) the Master Project Lease; (iii) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Master Project Lease, make payment in installments over a period of years; (iv) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law for work or services performed or materials furnished in connection with the Project which are not due and payable or which are not delinquent or the amount or validity of which is being contested in good faith and the collection of which is stayed; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which take effect after the date of the original execution and delivery of the 2015 Bonds and which an independent architect or engineer (or other professional) certifies in writing will not materially impair the use of the Project for the purpose intended by the City; and to which the Authority and the City consent in writing, and as to which the Rating Agencies shall have been given written notice.

“Principal Payment Date” means with respect to the 2015 Bonds, December 1 of each year, commencing on December 1, 2015 and ending on the last principal payment date of the 2015 Bonds.

“Project” those parcels of real property, together with the improvements located thereon, that have been leased by the Authority and the City pursuant to the Master Project Lease, including all Additional Projects.

“Rating Agencies” means Moody’s and Standard & Poor’s, and their respective successors or assigns, but only to the extent that and so long as either of them is then rating the 2015 Bonds, or any other nationally recognized securities rating agency or agencies then rating the 2015 Bonds at the request of the Authority.

“Refunding Base Rental Payments” means the payments payable by the City as Base Rental Payments under the Tenth Amendment to Master Project Lease, which constitute Base Rental Payments under the Master Project Lease.

“Rental Payments” means the Base Rental Payments and the Additional Rental Payments.

“Reserve Policy Costs” means the amounts owed with respect to repayment of draws on the Reserve Policy, including interest thereon at a rate specified in the agreement pertaining to such Reserve Policy and expenses owed to the 2015 Bond Insurer related to the Reserve Policy.

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the Authority and the Trustee, amendatory of or supplemental thereto; but only to the extent that such Supplemental Indenture is specifically authorized under the 2015 Indenture.

“Tenth Amendment to Master Project Lease” means the Tenth Amendment to Master Project Lease executed and entered into as of October 1, 2015, between the Authority and the City, amending the Master Project Lease to refund a portion of the Project leased by the Authority to the City thereunder and to refund certain solid-waste facilities leased by the Authority to the City under the Solid Waste Facility Lease.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a banking corporation duly organized and existing under and by virtue of the laws of the State and authorized to accept and execute trusts of the character set forth in the 2015 Indenture, at its Principal Corporate Trust Office (as that term is defined in the 2015 Indenture), and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California, that may at any time be substituted in its place as provided in the provisions of the 2015 Indenture concerning the Trustee.

THE MASTER SITE LEASE

Under the Master Site Lease, as amended, the City leases to the Authority and the Authority hires from the City, on the terms and conditions set forth therein, those certain parcels of real property more particularly described therein, constituting the Site.

If on December 1, 2036, all Refunding Base Rental Payments and the interest accrued thereon and all 2015 Additional Rental Payments and the interest accrued thereon and all fees and expenses of the Trustee relating to the 2015 Bonds shall not have been fully paid pursuant to the Master Project Lease, or if any Refunding Base Rental Payments shall have been abated such that any of the Bonds otherwise payable from such abated Refunding Base Rental Payments shall not have been fully paid in accordance with the terms of the Indenture, then the term of the Master Site Lease shall be extended until the earlier of (i) the date on which all such payments and all such Bonds have been fully paid pursuant to the Master Project Lease and the Indenture; or (ii) December 1, 2046; provided, that if prior to December 1, 2046, all such payments shall have been fully paid, the term of the Master Site Lease shall end on the date of such payment.

THE MASTER PROJECT LEASE

Lease of the Project

Under the Master Project Lease, the Authority leases the Project to the City, and the City hires and rents the Project from the Authority, on the conditions and terms therein set forth. The City agrees and covenants that during the term of the Master Project Lease, except as provided therein, it will use the Project for public purposes, subject to and consistent with all agreements with respect thereto theretofore entered into by it, so as to afford the public the benefits contemplated by the Master Project Lease and so as to permit the Authority to carry out its agreements and covenants contained in the Master

Project Lease and in the Indentures, and the City further agrees and covenants that during the term of the Master Project Lease it will not abandon or vacate the Project.

Prohibition Against Encumbrance or Sale

The Authority and the City will not sell or otherwise dispose of the Project or any property essential to the proper operation of the Project, except as otherwise provided in the Master Project Lease, and will not create or suffer to be created any Lien upon the Project, or upon any real or personal property essential to the operation of the Project, except Permitted Encumbrances.

Liens

In the event the City shall at any time during the term of the Master Project Lease cause any improvements to be constructed to the Project or cause any materials to be supplied in or upon or attached to the Project, the City shall pay or cause to be paid when due all sums of money that may become due for any labor, services, materials, supplies or equipment furnished to or for the City in, upon, about or relating to the Project and shall keep the Project free of any and all mechanics' and materialmen's liens against the Project, and in the event any such lien attaches to or is filed against the Project, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due; provided, that if the City desires to contest any such lien, it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge such judgment. The City shall, to the maximum extent permitted by law, indemnify and hold the Authority and its officers and the Trustee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Project.

Addition or Deletion of Portions of the Project

(a) The City and the Authority may amend the Master Project Lease to (1) add any Additional Project to the Project, and/or (2) delete any real property and/or improvements thereon from the Project, upon compliance with all of the conditions set forth in the Master Project Lease; and after any such addition, the portion of the Project for which the addition has been effected shall be added to the leasehold created under the Master Project Lease; and after any such deletion, the portion of the Project for which the deletion has been effected shall be released from the leasehold created thereunder; provided, that no addition or deletion shall take place under the Master Project Lease until the City first delivers to each Bond Insurer, the Rating Agencies and the Trustee all of the following documents:

(1) A Certificate of the City containing a description of the real property and/or improvements constituting the Additional Project to be added to the Project, or a description of the real property and/or improvements to be deleted from the Project;

(2) Executed copies of the amendment to the Master Site Lease containing the amended description of the Site and the amendment to the Master Project Lease containing the amended description of the Project, together with a Certificate of the City stating that such amendments have been duly recorded in the official records of the Sacramento County Recorder;

(3) A Certificate of the City evidencing (A) that the annual fair rental value of the Project after such amendment will be at least equal to one hundred twenty-five per cent (125%) of the maximum amount of Base Rental Payments becoming due in the then current or in any subsequent year ending on December 1 in which Base Rental Payments become due; provided, that the annual fair rental value of any portion of the Project which has been made subject to the lien of the Master Project Lease shall not be increased in excess of the value that was established at the time such portion of the Project first became subject to the lien of the Master Project Lease, (B) that the Project is composed of at least fifty per cent (50%) Essential Assets after such amendment, (C) that such amendment does not adversely affect the City's use and occupancy of the Project for the purposes intended and (D) that the useful life of the Project after any such amendment equals or exceeds the remaining term of the Authority Bonds;

(4) A California Land Title Association leasehold owner's policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Project after such amendment in an amount at least equal to the principal amount of the Authority Bonds then Outstanding (including any Authority Bonds to be issued in connection with such amendment), each of which such insurance instruments, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority under the Master Site Lease (as amended) and the City under the Master Project Lease (as amended) in the Project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy the Project and as will not result in an abatement of Base Rental Payments payable by the City under the Master Project Lease;

(5) An opinion of the City Attorney of the City to the effect that the exceptions, if any contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Project described in such policy by the City for the purposes of leasing or using the Project; and

(6) An Opinion of Counsel or an opinion of the City Attorney of the City, as applicable, stating that such amendments to the Master Site Lease and the Master Project Lease (i) are authorized or permitted by the Constitution and laws of the State of California and the Master Site Lease, the Master Project Lease and the Indentures; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City in accordance with their respective terms; and (iii) will not cause the interest on any Bonds to be included in gross income for federal income tax purposes or not to be excluded from State of California personal income taxes.

(b) If any Additional Bonds are to be issued with respect to any related Additional Improvements, the amendment to the Master Project Lease shall also contain the following:

(1) An exhibit which sets forth the schedule of the additional Base Rental Payments relating to such Additional Bonds;

(2) The payment dates for such additional Base Rental Payments, which shall be the Interest Payment Dates;

(3) The prepayment premiums, if any, and the prepayment provisions of such additional Base Rental Payments;

(4) The provisions relating to establishment and funding of a reserve account, if any, by the City for the benefit of the registered owners of such Additional Bonds;

(5) The amount, if any, to be deposited from the proceeds of such Additional Bonds in an improvement fund established to finance the acquisition of the Additional Improvements for the City;

(6) The trustee for the Additional Bonds is the Trustee;

(7) The extension of the term of the Master Project Lease, if necessary; and

(8) Such other provisions as are necessary or appropriate and not inconsistent with the terms of the Master Project Lease.

(c) If any Additional Bonds are to be issued with respect to any related Additional Improvements, the City shall also deliver a Certificate of the City stating that the City has complied with the covenants contained in the Master Project Lease.

Substitution of Portions of the Project

In accordance with the terms of the Master Project Lease, in the event that the Base Rental Payments due for any portion of the Project are abated, the City and the Authority will use their best efforts (to the extent then permitted by law) to remove the real property on which such portion of the Project is located from the Master Site Lease and to remove the improvements constituting such portion of the Project from the Master Project Lease, and to substitute therefor other real property and other improvements of the City.

Term of the Master Project Lease

The term of the Master Project Lease shall (subject to the discharge of obligations section of the Master Project Lease) remain November 30, 2036; provided, that if on November 30, 2036, all Refunding Base Rental Payments and the interest accrued thereon and all 2015 Additional Rental Payments and the interest accrued thereon and all fees and expenses of the Trustee relating to the 2015 Bonds shall not have been fully paid pursuant to the Master Project Lease, or if any Refunding Base Rental Payments shall have been abated such that any of the Bonds otherwise payable from such abated Refunding Base Rental Payments shall not have been fully paid in accordance with the terms of the 2015 Indenture, then the term of the Master Project Lease shall be extended until the earlier of (i) the date on which all such payments and all such Bonds have been fully paid pursuant to the Master Project Lease and the 2015 Indenture; or (ii) November 30, 2046; provided, that if prior to November 30, 2046, all such payments shall have been fully paid, the term of the Master Site Lease shall end on the date of such payment.

If the term of the Master Site Lease is extended or shortened in accordance with the terms thereof, the term thereof will end on the day immediately preceding the date of termination of the Master Site Lease.

Use of Proceeds of Additional Bonds

The use of proceeds of Additional Bonds shall be applied in accordance with the applicable Supplemental Indenture.

Tax Covenants

The City covenants and agrees that it will at all times do and perform all acts and things permitted by law and the Master Project Lease which are necessary in order to assure that interest paid on the 2015 Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City will comply with the provisions of the Tax Certificate, and this covenant shall survive payment in full or defeasance of the 2015 Bonds.

Payment of Rental Payments Under the Tenth Amendment to Master Project Lease

The City agrees to pay to the Authority, or the Authority's successor or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Project the following amounts at the following times:

(a) Refunding Base Rental Payments. The City shall pay to the Authority the Refunding Base Rental Payments which are due in the amounts and at the times set forth in the Refunding Base Rental Payment Schedule contained in Exhibit B attached to the Tenth Amendment to Master Project Lease and made a part thereof, which Refunding Base Rental Payments will be payable by the City, together with certain other Base Rental Payments, for the lease of the Project to it. Each Refunding Base Rental Payment will be payable to the Trustee (as assignee of the Authority under the 2015 Indenture) in immediately available funds on or before the fifteenth day immediately preceding each Base Rental Payment Date (the "Due Date"), and any payments remitted to the Trustee before any Due Date are to be invested for the credit of the City as instructed by the City, and any interest or other income with respect thereto accruing before each Due Date will belong to the City and will be returned by the Trustee, on behalf of the Authority, to the City on June 1 and December 1 of each year or be transferred as otherwise directed by the City. The City shall provide written notice to the Trustee at least 30 Business Days before any Due Date upon which it expects to be unable to pay the Refunding Base Rental Payment due on the Due Date, informing the Trustee of its expected inability to pay the Refunding Base Rental Payment due on the Due Date. The City covenants (subject to the Rental Abatement provisions of the Master Project Lease) to take such action each year as may be necessary to include all Refunding Base Rental Payments due under the Tenth Amendment to Master Project Lease in its annual budgets and (to the extent that provisions for the payment of Refunding Base Rental Payments have not been otherwise made) to make the necessary annual appropriations for all of the Refunding Base Rental Payments, and the City will furnish to the Trustee, within 90 days after the final adoption of each annual budget of the City, a certificate that the annual budget of the City provides for all of the Refunding Base Rental Payments required to be made under the Tenth Amendment to Master Project Lease in such year.

If the term of the Master Project Lease shall have been extended, Refunding Base Rental Payment installments shall continue to be due on June 1 and December 1 in each year, and payable prior thereto as hereinabove described, continuing to and including the date of termination of the Tenth Amendment to Master Project Lease. Upon such extension of term, the City shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the principal and interest components of the Refunding Base Rental Payments so that the principal components will in the aggregate be sufficient to pay all unpaid principal components with interest components sufficient to pay all unpaid interest components plus interest and to pay any 2015 Bond Insurance Policy Costs and any Reserve Policy Costs.

If at any time the Refunding Base Rental Payments shall not have been paid by the City when due, for any reason whatsoever, and no other source of funds shall have been available to make the payments of principal and interest on the Bonds, the principal and interest components of the Refunding Base Rental Payments shall be recalculated by the City to reflect interest on the unpaid Refunding Base Rental Payments and to pay any 2015 Bond Insurance Policy Costs and to pay Reserve Policy Costs. Upon request by the Authority or the Trustee, a revised Refunding Base Rental Payment Schedule to the Tenth Amendment to Master Project Lease shall be prepared by the City and supplied to the Authority and the Trustee reflecting such recalculation.

(b) 2015 Additional Rental Payments. The City shall pay to the Authority or the Trustee, as the case may be, as 2015 Additional Rental Payments under the Tenth Amendment to Master Project Lease (in addition to the foregoing Refunding Base Rental Payments) all amounts in each year as are required by the Authority or the Trustee for the payment of all costs and expenses incurred by the Authority or the Trustee in connection with the performance, enforcement, or amendment of the Tenth Amendment to Master Project Lease, including but not limited to payment of all fees and expenses of the Authority or the Trustee in connection with the lease of the Project to the City, together with all salaries and wages of employees; all expenses, compensation and indemnification of the Trustee payable by the Authority under the 2015 Indenture; all fees of auditors, accountants, attorneys, or engineers; all insurance premiums; and all taxes and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the 2015 Bonds or the 2015 Indenture or under the Tenth Amendment to Master Project Lease, including the payment of all costs due under the 2015 Bond Insurance Policy or Reserve Policy. The 2015 Additional Rental Payments are to be billed to the City by the Authority or by the Trustee from time to time, and all amounts so billed will be due and payable by the City to the Authority or the Trustee, as designated in the bill to the City, within 30 days after receipt of the bill by the City. The City reserves the right to audit billings for 2015 Additional Rental Payments although exercise of that right will in no way affect the duty of the City to make full and timely payment for all 2015 Additional Rental Payments.

All Rental Payments for each rental payment period during the term of the Master Project Lease shall constitute the total payments for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Project during the rental payment period for which such rental is paid. The parties have agreed and determined that the fair rental value of the Project is at least equal to the Base Rental Payments due under the Master Project Lease, and in making such determination, consideration has been given to the costs of the acquisition and construction of the Project, the other obligations of the parties under the Master Project Lease, the uses and purposes which may be served by the Project and the benefits therefrom which will accrue to the City, its residents and the general public.

Each Rental Payment payable under the Master Project Lease shall be paid in lawful money of the United States of America, and any such Base Rental Payment which shall not be paid when due shall bear interest at the rate of twelve per cent (12%) per annum from the date when it became due hereunder until it shall be paid.

The Authority and the City understand and intend that the obligation of the City to pay the Rental Payments under the Master Project Lease as consideration for the use and occupancy of the Project constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Master Project Lease constitute a pledge of the general tax revenues of the City. The Rental Payments due under the Master Project Lease shall be payable only, firstly, from legally available funds in the General Fund of the City

which are budgeted and appropriated by the City for such purpose pursuant to the Master Project Lease, and secondly, from money then on deposit in the reserve account established pursuant to an amendment of the Master Project Lease (with respect to the additional Base Rental Payments specified in such amendment). The Authority and the City further understand that the Master Project Lease shall not create an immediate indebtedness for the aggregate payments which may become due under the Master Project Lease in the event that the term of the Master Project Lease is extended, and the City has not pledged the full faith and credit of the City, the State of California or any agency or department thereof to the payment of the Rental Payments due under the Master Project Lease.

Annual Budgets; Reporting Requirements

The City covenants (subject to the provisions for abatement in the Master Project Lease) to take such action as may be necessary to include all Rental Payments due under the Master Project Lease in its annual budgets and to make the necessary annual appropriations for all such Rental Payments, and the City will furnish to the Trustee, within ninety (90) days after the final adoption of each annual budget of the City, a certificate that the annual budget of the City contains an appropriation sufficient for all such Rental Payments required to be made under the Master Project Lease in such Fiscal Year.

Application of Payments

All payments received by the Trustee under the Master Project Lease shall be applied first to the payment of the Base Rental Payments due thereunder, and then to the payment of the Additional Rental Payments due thereunder, but no such application of any payments which are less than the total payment due and owing shall be deemed a waiver of any default under the Master Project Lease.

Rental Abatement

During any period in which, by reason of material damage or destruction or condemnation (as provided in the Master Project Lease) there is substantial interference with the use and possession by the City of any portion of the Project, any such interference shall first be allocated to that portion (if any) of the Project usable by the City that was not financed or refinanced with the proceeds of the Authority Bonds, and thereafter the Base Rental Payments due under the Master Project Lease with respect to each portion of the Project financed or refinanced with the proceeds of the Authority Bonds shall be abated proportionately by the fractional amount that the cost of the portion of the Project financed or refinanced with the proceeds of the Authority Bonds so damaged or destroyed or condemned bears to the entire cost of the Project financed or refinanced with the proceeds of the Authority Bonds, as calculated by the City and set forth in writing to the Authority, the Trustee, each Bond Insurer and the Rating Agencies; and the City waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Master Project Lease by virtue of any such interference and the Master Project Lease shall continue in full force and effect. Any abatement of Base Rental Payments pursuant to the Master Project Lease shall not be considered an Event of Default thereunder. Such abatement shall continue for the period commencing with the date of such damage or destruction or condemnation of such portion of the Project and ending with the substantial completion of the work of repair or replacement of the portion of the Project financed or refinanced with the proceeds of the Authority Bonds so damaged or destroyed or condemned.

Payments to Be Unconditional

The obligations of the City to make the Rental Payments required under the Master Project Lease and to perform and observe the other agreements and covenants contained therein shall be absolute and unconditional, subject to the provisions thereof, and notwithstanding any dispute between or among the City, the Authority and any other person, the City shall make all Rental Payments when due without deduction or offset of any kind, and the City shall not withhold any such payments pending final resolution of such dispute nor shall it assert any right of set-off or counterclaim against its obligation to make such payments required thereunder. In the event of a determination that the City was not liable for any Rental Payments or any portion thereof, such payments or excess of payments, as the case may be, shall, at the option of the City, be credited against any subsequent Rental Payments that may become due under the Master Project Lease or shall be refunded at the time of such determination.

Obligation to Make Rental Payments

The agreements and covenants on the part of the City contained in the Master Project Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants contained in the Master Project Lease agreed to be carried out and performed by the City and to make the Rental Payments as provided therein.

Reserve Account for 2015 Bonds

The City has deposited the 2015 Reserve Policy in an amount equal to the Reserve Requirement with the Trustee to hold for the benefit of the Reserve Account (as that term is defined in the 2015 Indenture) under the 2015 Indenture. The City agrees that, if ever the Reserve Account is drawn upon, the first Refunding Base Rental Payments made thereafter will be used to restore the Reserve Account to an amount equal to the Reserve Requirement or to repay the 2015 Bond Insurer for any draws made on the 2015 Reserve Policy, except, that after the 2015 Bonds are no longer Outstanding (as that term is defined in the 2015 Indenture) under the 2015 Indenture, any balance of money remaining in the Reserve Account will be transferred to such other fund or account of the City or be otherwise used by the City for any lawful purpose as the City may direct.

Title to the Project

Title to the Project shall (except as provided in the Master Project Lease) remain in the Authority during the term of the Master Project Lease, and title to all moveable property that is placed in or about the Project by the City during the term thereof shall remain in the City during the term thereof. The City shall take all necessary actions to execute and deliver or cause to be executed and delivered all such other and further instruments, documents and assurances as may be necessary or reasonably required in order to further and more fully vest the title to the Project in the Authority.

The Authority's interest in and title to the Project shall be transferred, conveyed and assigned to and become vested in the City and the Master Project Lease shall terminate with respect thereto at the end of the term thereof, and the Authority will execute and deliver such conveyances, deeds, bills of sale, registration documents and other instruments as may be necessary to effect such vesting of record.

Security Interest

To secure the payment of all of the City's obligations under the Master Project Lease, in the event that it is determined that the Master Project Lease is intended as security, which determination shall not be affected by this section, the City grants to the Authority a security interest constituting a first lien on the Project and on all repairs, replacements or modifications thereto, and on any proceeds therefrom, except for those additions to the Project made by the City that may be removed without damaging the Project. The City will execute such additional documents, including financing statements, affidavits, notices and similar instruments, in form satisfactory to the Authority that are necessary or appropriate to establish and maintain such security interest and the security interest of any Holder or any other assignees of the Authority in the Project.

Maintenance of the Project by the City

The City agrees that, at all times during the term of the Master Project Lease, it will, at its own cost and expense, maintain, preserve and keep the Project and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, and will pay all maintenance, operation and repair costs of the Project as they become due from all legally available money.

Taxes, Other Governmental Charges and Utility Charges

The parties to the Master Project Lease contemplate that the Project will be used for public purposes by the City and, therefore, that the Project will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use or possession by the Authority or the City of the Project is found to be subject to taxation in any form, the City will pay during the term of the Master Project Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Project, as well as all gas, water, electricity, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the Project Lease is in effect.

Insurance

The City shall procure or cause to be procured and maintain or cause to be maintained throughout the term of the Master Project Lease with reputable commercial insurers insurance against the following risks in the following respective amounts:

(1) insurance against loss or damage to each portion of the Project by fire and lightning, with an extended coverage endorsement and vandalism and malicious mischief insurance and sprinkler system leakage insurance and boiler insurance, which such extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and which such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of such portion of the Project, excluding the cost of excavations, of grading and filling and of the land (except that such insurance may be subject to deductible clauses of not to exceed one hundred thousand dollars (\$100,000) for any one

loss); provided, that such insurance shall in any event be in an amount sufficient, in the event of total or partial loss, to enable the City either to retire the Bonds attributable to such portion of the Project or to restore such portion of the Project to the condition existing before such loss;

(2) use and occupancy insurance against loss, total or partial, of the use and occupancy of each portion of the Project as a result of any of the hazards covered by the insurance required by paragraph (1) above, in an amount sufficient to pay the proportionate share of the Base Rental Payments attributable to such portion of the Project for the succeeding twenty-four (24) month period;

(3) workers' compensation insurance covering all employees working in or on the Project, in the same amount and type as other workers' compensation insurance maintained by the City for similar employees doing similar work (and the City shall also require any other person or entity working in or on the Project to carry the foregoing amount of workers' compensation insurance); and

(4) a standard comprehensive public entity liability insurance policy or policies in protection of the City, the Authority and its officers and the Trustee and its directors, officers and employees, indemnifying and defending such parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Project, with minimum liability limits of one million dollars (\$1,000,000) for personal injury or death of each person and three million dollars (\$3,000,000) for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of two hundred thousand dollars (\$200,000) (subject to a deductible clause of not to exceed one hundred thousand dollars (\$100,000)) for damage to property resulting from each accident or event; provided, that such public liability and property damage insurance may be in the form of a single limit policy in the amount of three million dollars (\$3,000,000) covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the City.

Notwithstanding the above provisions, as an alternative to providing the insurance required by paragraphs (1), (3) and (4) above, the City may provide a self-insurance method or plan of protection, which such self-insurance maintained by the City pursuant to the foregoing sections shall comply with the following terms:

- i. the self-insurance program shall be approved by the City's Risk Manager;
- ii. the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the City's Risk Manager, and any deficiencies in any self-insurance claims fund shall be remedied in accordance with the recommendation of the City's Risk Manager;
- iii. the self-insurance claims fund shall be held in a separate fund by an independent trustee or such other entity as may be approved by each Bond Insurer;
- iv. in the event the self-insurance program shall be discontinued, the actuarial soundness of its claim reserve fund, as determined by the City's Risk Manager, shall be maintained; and
- v. the self-insurance program shall be acceptable to each Bond Insurer (with copies of any such acceptance sent to the Rating Agencies).

Any insurance policy issued pursuant to this section shall be so written or endorsed as to make losses, if any, payable to the City, the Authority and the Trustee as their respective interests may appear, except that the net proceeds, if any, of the insurance policy described in paragraph (2) of this section shall be deposited in the Revenue Funds established under the Indentures in proportion to the Outstanding Bonds secured by each of the Indentures, and each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least sixty (60) days in advance of such intended cancellation or modification; provided, that the Trustee shall not be responsible for the sufficiency of any insurance required in the Master Project Lease and shall be fully protected in accepting payment on account of such insurance or any adjustments, compromise or settlement of any loss agreed to by it.

The City shall file a certificate with the Trustee and each Bond Insurer not later than July 1 of each year certifying that the insurance required by this section is in full force and effect and that the Trustee is named as a loss payee on each insurance policy which the Master Project Lease requires to be so endorsed.

Advances

In the event the City shall fail to maintain the full insurance coverage required by the Master Project Lease or shall fail to keep the Project in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Rental Payments, which amounts the City will pay within thirty (30) days of a written request therefor, together with interest thereon at the rate of twelve per cent (12%) per annum.

Damage, Destruction or Condemnation; Use of Net Proceeds

If prior to the termination of the term of the Master Project Lease (a) any portion of the Project is destroyed or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the Project or the estate of the Authority or the City in such portion of the Project shall be condemned by any governmental body or by any person or firm or corporation acting under governmental authority, then the Authority and the City will cause the net proceeds of any insurance payment or any condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of such damaged, destroyed or condemned portion of the Project, and any balance of the net proceeds remaining after such work has been completed shall be paid to the City; provided, that the City, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay that portion of the principal components of the Base Rental Payments due under the Master Project Lease that has been abated, may elect (not later than forty-five (45) days after such damage, destruction or condemnation) not to repair, restore, modify, improve or replace such destroyed, damaged or condemned portion of the Project and thereupon shall cause said proceeds to be used for the prepayment of such portion of the unpaid principal components of the Base Rental Payments pursuant to the provisions of the Master Project Lease.

Disclaimer of Warranties

The Authority makes no agreement, warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the

Project, or warranty with respect thereto. The City acknowledges that the Authority is not a manufacturer of any portion of the Project or a dealer therein and that the City leases the Project as-is, it being agreed that all of the aforementioned risks are to be borne by the City. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Project Lease or the existence, furnishing, functioning or the City's use of the Project as provided by the Project Lease.

Default and Remedies

(a) If the City shall fail to pay any Base Rental Payment under the Master Project Lease when the same becomes due and payable, time being expressly declared to be of the essence thereof, or the City shall fail to keep, observe or perform any other term, covenant or condition contained therein required to be kept or performed by the City for a period of thirty (30) days after notice of the same has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in subsection (b) of this section (any such case above being an "Event of Default"), the City shall be deemed to be in default under the Master Project Lease and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant thereto, and upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following, but only subject to the direction of the Bond Insurer insuring the greatest amount of then Outstanding Bonds:

(1) To terminate the Master Project Lease in the manner provided therein on account of default by the City (to the extent then permitted by law), notwithstanding any re-entry or re-letting of the Site and the improvements thereon provided for in subparagraph (2) below, and to re-enter the Site and the improvements thereon and remove all persons in possession thereof and all personal property whatsoever situated upon the Site and the improvements thereon and place such personal property in storage in any warehouse or other suitable place located within the City of Sacramento, California. In the event of such termination, the City will surrender immediately possession of the Site and the improvements thereon, without delay or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Site and the improvements thereon and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Master Project Lease. Notwithstanding anything contained therein, neither notice to pay rent or to deliver up possession of the Site or the improvements thereon given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Site and the improvements thereon nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Project Lease shall of itself operate to terminate the Master Project Lease, and no termination thereof on account of default by the City shall be or become effective by operation of law or acts of the parties to the Master Project Lease, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Master Project Lease. The City covenants and agrees that no surrender of the Site and the improvements thereon or of the remainder of the term of the Master Project Lease or any termination thereof shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(2) Without terminating the Master Project Lease, (i) to collect each Base Rental Payment as it becomes due and enforce any other terms or provision of the Master Project Lease to be kept or performed by the City, regardless of whether or not the City has abandoned any portion of the

Project, or (ii) to exercise any and all rights of re-entry upon the Site and the improvements thereon. In the event the Authority does not elect to terminate the Master Project Lease in the manner provided for in subparagraph (1) above, the City shall remain liable and agrees to keep or perform all covenants and conditions in the Master Project Lease contained to be kept or performed by the City and, if the Site and the improvements thereon are not re-let, to pay the full amount of the rent to the end of the term thereof, or, in the event that the Site and the improvements thereon are re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided therein for the payment of rent thereunder (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Site and the improvements thereon. Should the Authority elect to enter or re-enter as provided, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Site and the improvements thereon, or any portion thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Site and the improvements thereon and to place such personal property in storage in any warehouse or other suitable place located in the City of Sacramento, California, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Site and the improvements thereon and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Project Lease. The City agrees that the terms of the Master Project Lease constitute full and sufficient notice of the right of the Authority to re-let the Site and the improvements thereon and to do all other acts to maintain or preserve the Site and the improvements thereon as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender thereof, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination thereof irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Master Project Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (1) above. The City further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments specified in the Master Project Lease and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Site and the improvements thereon. The City further will pay the Authority the cost of any alterations or additions to the Site and the improvements thereon necessary to place the Site and the improvements thereon in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Site and the improvements thereon as provided in the Master Project Lease and all claims for damages that may result from the destruction of the Site and the improvements thereon and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Site and the improvements thereon.

(b) If (1) the City's interest in the Master Project Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as hereinafter provided for, or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or

obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors, or if (3) the City shall abandon or vacate the Site and the Project, then the City shall be deemed to be in default under the Master Project Lease.

(c) The Authority shall in no event be in default in the performance of any of its obligations under the Master Project Lease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City shall be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth in this section of the Master Project Lease, upon the occurrence of an event of default as described in this section, the Authority, subject to the direction of the Bond Insurer insuring the greatest amount of then Outstanding Bonds, shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Master Project Lease or by law. The provisions of the Master Project Lease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority shall have the right to bring the following actions:

- (1) Accounting. By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.
- (2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.
- (3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and the members of its City Council and its officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Master Project Lease.

The exercise of any rights or remedies under the Indentures or under the Master Project Lease shall not permit acceleration of payment dates as to any Authority Bonds then insured by any Bond Insurer.

Each and all of the remedies given to the Authority under the Master Project Lease or by any law now or thereafter enacted are cumulative and the single or partial exercise of any right, power or privilege thereunder shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this section shall include, but not be limited to, re-letting by means of the operation by the Authority of the Site and the improvements thereon. If any statute or rule of law validly shall limit the remedies given to

the Authority under the Master Project Lease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Master Project Lease, the City will pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority thereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

Waiver

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Master Project Lease, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent under the Master Project Lease shall not be, or be construed to be, a waiver of any term, covenant or condition thereof.

Discharge of Obligations

(a) If the City shall pay or cause to be paid all the Additional Rental Payments and Base Rental Payments at the times and in the manner provided in the Master Project Lease, the right, title and interest of the Authority therein and the obligations of the City thereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied, except only as provided in subsection (d).

(b) Any unpaid principal component of a Base Rental Payment shall on its scheduled payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such Base Rental Payment in the manner provided in the Master Project Lease, and money for the purpose of such payment or prepayment is then held by the Trustee.

(c) All or any portion of any unpaid principal component of a Base Rental Payment shall, prior to its scheduled payment date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the City shall remain liable for such Base Rental Payment, but only out of such money or securities deposited with the Trustee as described in the Master Project Lease for such payment) if (i) notice is provided to the Trustee as required by the Indentures, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or securities defined in paragraphs (1) and (2) of the definition of Legal Investments which are not subject to redemption prior to maturity except by the holder thereof (including any such securities issued or held in book entry form) the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient, as stated in a report of a nationally recognized independent certified public accountant addressed to the City and the Trustee verifying such sufficiency in full, to pay when due such principal component of the Base Rental Payment or such portion thereof on and prior to its payment date or its date of prepayment, as the case may be, and the prepayment premium, if any, thereon, and (iii) an Opinion of Counsel addressed to the City and the Trustee is filed to the effect that the action taken pursuant to this

subsection will not cause the interest components of the Base Rental Payments to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Base Rental Payments and any applicable prepayment premiums as provided in this section, and payment of the fees and expenses of the Trustee, the Trustee, upon request of the City, shall cause an accounting to be made in accordance with standard corporate trust industry procedures and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over and deliver to the City, after payment of all fees, expenses and other amounts owed to the Trustee, as an overpayment of Base Rental Payments, all such money or investments held by it pursuant to the Master Project Lease other than such money and such investments as are required for the payment or prepayment of the Base Rental Payments, which money and investments shall continue to be held by the Trustee in trust for the payment of the Base Rental Payments and shall be applied by the Trustee pursuant to the Master Project Lease.

Net Lease

It is the purpose and intent of the Authority and the City that lease payments under the Master Project Lease shall be absolutely net to the Authority so that the Master Project Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Project, and without counterclaim, deduction, defense, deferment or set-off by the City except as specifically otherwise provided therein. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Master Project Lease except as expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Project which may arise or become due during the term of the Master Project Lease shall be paid by the City.

Amendments

The Master Project Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, that no such amendment other than amendments for the purposes contained in the succeeding paragraph shall be effective unless it shall have been consented to by the Holders of a majority of then Outstanding Bonds and by each Bond Insurer; and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Holder of each Bond so affected, or (b) reduce the percentage of Bonds the consent of the Holders of which is required for the execution of any amendment of the Master Project Lease.

The Master Project Lease and the rights and obligations of the Authority and the City thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution without the written consents of any Holders or the written approval of the Trustee or each Bond Insurer, but only to the extent permitted by law and only for any one or more of the following purposes --

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Master Project Lease other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to

surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case shall not adversely affect the interests of the Holders;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Master Project Lease or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent with the Master Project Lease, and which shall not adversely affect the interests of the Holders;

(c) to amend or supplement the Master Project Lease in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute thereafter in effect or to permit the qualification of the Indentures under the Trust Indenture Act of 1939 or any similar federal statute thereafter in effect;

(d) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion from gross income for federal income tax purposes under the Code of the interest on the Bonds;

(e) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating by any of the Rating Agencies on the Bonds; or

(f) to add or delete portions from the Project pursuant to the Master Project Lease and to extend or terminate the term thereof with respect to such additions to or deletions from the Project.

Effect of Tenth Amendment to Master Project Lease

Except as otherwise expressly provided in the Tenth Amendment to Master Project Lease, the Master Project Lease and all agreements, conditions, covenants, and terms contained therein remain in full force and effect and are thereby approved, confirmed, and ratified by the parties to the Tenth Amendment to Master Project Lease, subject to the following:

(a) the leasing by the City to the Authority of the Site will not affect or result in a merger of the City's leasehold estate under the Master Project Lease and its fee simple estate as lessor under the Master Site Lease, and the Authority will continue to have and hold a leasehold estate in the Site under the Master Site Lease throughout the term thereof and the term hereof; and as to the Site, the Tenth Amendment to Master Project Lease will be deemed and constitute a sublease; and

(b) the City agrees that (1) if it proceeds under the Master Project Lease to add an Additional Project to the Project, the real property so added will be property that has been accepted by the City, and the 2015 Bond Insurer (as that term is defined in the 2015 Indenture) will be provided with a copy of the certificate executed by the City in accordance with such Master Project Lease; (2) the 2015 Bond Insurer will have the right to give notice of covenant defaults under the Master Project Lease, and the notice will have the same force and effect thereunder as if it came from the Authority or the Trustee; (3) the City may not terminate the Master Site Lease or the Master Project Lease as a remedy for a default by the Authority thereunder; and (4) a default under the Master Project Lease will constitute an Event of Default under the 2015 Indenture.

2015 Bond Insurer Provisions

The 2015 Bond Insurer will be deemed to be the sole Holder of 2015 Insured Bonds for so long as no Insurer Default has occurred and is continuing.

The 2015 Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the Master Project Lease and may enforce the provisions of the Master Project Lease conferred upon, given or granted to the 2015 Bond Insurer thereunder.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

[Delivery Date]

Sacramento City Financing Authority
Sacramento, California

Sacramento City Financing Authority
2015 Refunding Revenue Bonds
(Master Lease Program Facilities)

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento City Financing Authority (the “Authority”) in connection with the issuance of \$183,380,000 aggregate principal amount of the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “Bonds”), issued pursuant to an indenture, dated as of October 1, 2015 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate; opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate

(including, without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge of the Revenues for the payment of interest on and principal of the Bonds as and when they respectively become due in accordance with the terms of the Indenture.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Certificate**”), dated as of October 1, 2015, is executed and delivered by the City of Sacramento (the “**City**”) in connection with the issuance of the 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “**Bonds**”) by the Sacramento City Financing Authority (the “**Authority**”). The 2015 Bonds are being issued under an Indenture dated as of October 1, 2015 (the “**2015 Indenture**”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “**Trustee**”).

SECTION 1. Purpose of this Certificate. This Certificate is being executed and delivered, for the benefit of the Owners and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule (defined in Section 2 below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“**Annual Report**” means any Annual Report the City provides in accordance with Sections 3 and 4 below.

“**Beneficial Owner**” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary) or (b) is treated as the owner of any Bond for federal income-tax purposes.

“**Business Day**” means any day the City’s offices at 915 I Street, Sacramento, California, are open to the public.

“**Dissemination Agent**” initially means the City, and thereafter it means any successor Dissemination Agent the City appoints in writing.

“**EMMA**” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (which can be found at www.emma.msrb.org) or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.

“**Listed Events**” means any of the events listed in Section 5(a) below.

“**Official Statement**” means the official statement with respect to the Bonds, dated September 29, 2015.

“**Participating Underwriters**” means the underwriters listed on the cover page of the Official Statement.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) Beginning with the fiscal year ending June 30, 2015, the City shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, not later than the last day of the ninth month after the end of the City's fiscal year (which currently ends on June 30), an Annual Report that is consistent with the requirements of Section 4 below. If the Dissemination Agent is other than the City, then the City shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent not later than 15 business days before the date referred to in the prior sentence. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4 below, except that the City's audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

(b) If the Dissemination Agent is an entity other than the City, then the provisions of this Section 3(b) will apply. The City shall provide the Annual Report to the Dissemination Agent not later than 15 Business Days before the date specified in Section 3(a) for providing the Annual Report. If the Dissemination Agent has not received a copy of the Annual Report by the 15th Business Day before the due date for the Annual Report, then the Dissemination Agent shall contact the City to determine whether the City will be filing the Annual Report in compliance with Section 3(a). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report the City must furnish under this Certificate. The Dissemination Agent may conclusively rely upon the City's certification and will have no duty or obligation to review the Annual Report.

(c) If the Annual Report has not been provided to EMMA by the date required in Section 3(a), the Dissemination Agent shall send a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the City, then, after receipt of the Annual Report, the Dissemination Agent shall promptly file a report with the City certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The City's Annual Report must contain or include by reference all of the following:

(a) The City's audited financial statements for the City's most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3 above, the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) The City's Annual Budget for the then-current fiscal year.

(c) To the extent it is not included in the documents described in Sections 4(a) and 4(b) above, an update of the information in the tables of Appendix A to the Official Statement that are titled "STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE," "GROSS ASSESSED VALUES FOR ALL TAXABLE PROPERTY," "CITY OF

SACRAMENTO LARGEST LOCAL SECURED TAXPAYERS,” and “GENERAL FUND OBLIGATION DEBT SERVICE” and “NOTICES OF DEFAULT AND FORECLOSURES OF PROPERTY WITHIN THE CITY.” The updated information must reflect the most recently completed fiscal year and must be substantially in the form of the corresponding tables in Appendix A.

(d) The actuarial valuation reports for Miscellaneous Employees Plan and Safety Employees Plan most recently provided to the City by CalPERS to the City as of the date the City files the Annual Report and the actuarial valuation report for SCERS most recently provided to the City as of the date the City files the Annual Report.

(e) Any or all of the items listed in Section 4(a) or 4(b) above may be included by specific reference to other documents (including official statements of debt issues of the City or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA.

SECTION 5. Reporting of Significant Events.

(a) The City shall give or cause the Dissemination Agent to give notice to the Municipal Securities Rulemaking Board, through EMMA, not more than 10 Business Days after the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.
- (6) Defeasances.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership, or similar proceedings.
- (9) Ratings changes.

(b) Additionally, the City shall give or cause the Dissemination Agent to give notice to the Municipal Securities Rulemaking Board, through EMMA, not more than ten Business Days after occurrence of any of the following events with respect to the Bonds, if material:

- (1) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into

a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than under its terms.

- (2) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
- (3) Nonpayment-related defaults.
- (4) Modifications to the rights of Bondholders.
- (5) Notices of prepayment.
- (6) Release, substitution, or sale of property securing repayment of the Bonds.

(c) If the City's fiscal year changes, then the City shall report the change, or shall instruct the Dissemination Agent to report the change, in the same manner and to the same parties as a Listed Event would be reported under this Section 5.

(d) The undertakings set forth in this Certificate are the City's responsibility, and the Dissemination Agent, if other than the City, is not responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the City and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the City shall give notice of the termination in the same manner as for a Listed Event under Section 5 above.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any Dissemination Agent without appointing a successor Dissemination Agent. The City will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' written notice to the City, with the resignation effective upon appointment of a new Dissemination Agent.

SECTION 8. Amendment.

(a) The City may amend this Certificate without the consent of the Owners, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:

- (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the City or the type of business the City conducts;
- (2) in the opinion of a nationally recognized bond counsel, the undertakings in this Certificate as so amended or waived would have complied with the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and

- (3) the amendment or waiver either (A) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (B) does not, in the City's determination, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the amendment must include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. This Certificate does not prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the City will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. If the City or the Dissemination Agent fails to comply with any provision of this Certificate, then any Owner or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the City and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Certificate is an action to compel performance.

SECTION 11. Duties, Immunities, and Liabilities of Dissemination Agent. Where an entity other than the City is acting as the Dissemination Agent, the Dissemination Agent will have only the duties specifically set forth in this Certificate, and the City shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities they may incur that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The City shall pay any Dissemination Agent (a) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (b) all expenses, reasonable legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate. The Dissemination Agent will have no duty or obligation to review any information the City provides to it under this Certificate. The City's obligations under this Section 11 will survive the Dissemination Agent's resignation or removal and the payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this

Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

SECTION 12. Beneficiaries. This Certificate inures solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, and the Owners and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

SECTION 13. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

This Certificate is executed as of the date and year first set forth above.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

APPENDIX G

BOOK ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2015 Bonds, payment of principal, premium, if any, accreted value and interest on the 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2015 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2015 Bond will be issued for each annual maturity of the 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2015 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2015 Bond certificates will be printed and delivered to DTC.

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

APPENDIX I

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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**MUNICIPAL BOND DEBT
SERVICE RESERVE
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF
TRANSACTION]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “**Business Day**” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. [“**Debt Service Reserve Agreement**” means the Debt Service Reserve Fund Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time.] “**Due for Payment**” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “**Nonpayment**” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “**Notice**” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “**Owner**” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. “**Policy**”

Limit” means the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the “Reserve Account Requirement”), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed \$ _____. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **“Security Documents”** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. **“Term”** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer’s Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Authorized Officer

SPECIMEN

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is \$ _____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Name:
Title:

SPECIAL AGENT

