

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2018 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from California personal income taxes. See "TAX MATTERS."*

**\$283,315,000****CITY OF SACRAMENTO****\$195,815,000**

**2018 TOT Revenue Bonds,  
Senior Series A  
(Convention Center Complex)**

**\$20,610,000**

**2018 TOT Revenue Bonds,  
Senior Series B  
(Convention Center Complex)  
(Federally Taxable)**

**\$66,890,000**

**2018 TOT Revenue Bonds,  
Subordinate Series C  
(Convention Center Complex)**

**Dated: Date of Delivery****Due: June 1, as shown on inside cover**

The City of Sacramento's 2018 TOT Revenue Bonds, Senior Series A (Convention Center Complex) (the "**2018 Tax-Exempt Senior Bonds**") and 2018 TOT Revenue Bonds, Senior Series B (Convention Center Complex)(Federally Taxable) (the "**2018 Taxable Senior Bonds**") and, together with the 2018 Tax-Exempt Senior Bonds, the "**2018 Senior Bonds**") are being issued by the City of Sacramento (the "**City**") to (i) finance a portion of the costs of renovating the City's Convention Center, Memorial Auditorium, and Community Center Theater as well as all or a portion of the costs of other projects eligible for transient occupancy tax (as more particularly defined herein, "**TOT**") funding (collectively, the "**Project**"); (ii) fund capitalized interest with respect to the 2018 Senior Bonds through June 1, 2019; (iii) pay the cost of a debt service reserve insurance policy to satisfy the Reserve Requirement for the 2018 Senior Bonds (the "**2018 Senior Bond Reserve Policy**") to be issued by Assured Guaranty Municipal Corp. (the "**Surety Provider**"); and (iv) pay the costs of issuance of the 2018 Senior Bonds. The City of Sacramento 2018 TOT Revenue Bonds, Subordinate Series C (Convention Center Complex) (the "**2018 Subordinate Bonds**") are being issued to (i) finance a portion of the costs of the Project; (ii) fund capitalized interest with respect to the 2018 Subordinate Bonds through June 1, 2019; (iii) pay the cost of a debt service reserve insurance policy to satisfy the Reserve Requirement for the 2018 Subordinate Bonds (the "**2018 Subordinate Bond Reserve Policy**") to be issued by the Surety Provider; and (iv) pay the costs of issuance of the 2018 Subordinate Bonds. The 2018 Senior Bonds and the Subordinate Bonds are referred to collectively as the "**2018 Bonds.**" The 2018 Tax-Exempt Senior Bonds and the 2018 Subordinate Bonds are referred to collectively as the "**2018 Tax-Exempt Bonds.**"

The 2018 Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York. Beneficial owners of 2018 Bonds will not receive physical certificates representing the 2018 Bonds purchased but will receive a credit balance on the books of the nominees of the purchasers. The 2018 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on the 2018 Bonds will be payable semiannually on June 1 and December 1, commencing December 1, 2018. Payments of interest on, and principal of, the 2018 Bonds will be made to DTC. DTC is obligated in turn to remit such interest and principal to the DTC participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

The 2018 Bonds are subject to optional and mandatory redemption before their stated maturities, as described herein. See "THE 2018 BONDS – Redemption Provisions."

The 2018 Bonds are being issued under an Indenture of Trust, dated as of November 1, 2018 (the "**Indenture**"), between the City and U.S. Bank National Association, as trustee (the "**Trustee**").

The 2018 Senior Bonds are payable from TOT Revenues on a senior basis. The Indenture provides that the City may issue additional senior parity obligations payable from the TOT Revenues on a parity basis ("**Senior Parity Obligations**") with the 2018 Senior Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Senior Parity Obligations."

The 2018 Subordinate Bonds are payable from the TOT Revenues on a subordinate basis to the 2018 Senior Bonds. The Indenture provides that the City may incur additional obligations payable from the TOT Revenues on a subordinate basis to the Senior Parity Obligations (the "**Subordinate Parity Obligations**") subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Subordinate Obligations."

**The 2018 Bonds are limited obligations of the City and are secured by a pledge of, and lien on, the TOT Revenues and are payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely as provided in the Indenture, and the City is not obligated to pay the 2018 Bonds except as provided in the Indenture. The General Fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the 2018 Bonds or the interest or premium thereon. The 2018 Bonds are not secured by a legal or equitable pledge of, or by a charge, a lien, or an encumbrance upon, any of the property of the City or any of its income or receipts, except as provided in the Indenture.**

**This cover page contains certain information for general reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" for a description of certain risks associated with an investment in the 2018 Bonds.**

The 2018 Bonds will be offered when, as, and if issued and received by the Underwriters, subject to the approval of validity by Jones Hall, A Professional Law Corporation, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Schiff Hardin LLP, and for the City by its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, and the City Attorney. It is expected that the 2018 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about November 1, 2018.

**MORGAN STANLEY****CITIGROUP****GOLDMAN SACHS & CO. LLC**

**\$195,815,000**  
**CITY OF SACRAMENTO**

**2018 TOT REVENUE BONDS, SENIOR SERIES A**  
**(Convention Center Complex)**

**MATURITY SCHEDULE**

**\$84,005,000 Serial Bonds**

<b>Maturity (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (786073)</b>
2025	\$510,000	5.000%	2.360%	116.007	AF3
2026	4,715,000	5.000	2.470	117.396	AG1
2027	4,950,000	5.000	2.590	118.439	AH9
2028	5,195,000	5.000	2.690	119.397	AJ5
2029	5,455,000	5.000	2.830	118.100*	AK2
2030	5,730,000	5.000	2.930	117.184*	AL0
2031	6,015,000	5.000	3.030	116.276*	AM8
2032	6,315,000	5.000	3.130	115.377*	AN6
2033	6,635,000	5.000	3.230	114.486*	AP1
2034	6,965,000	5.000	3.320	113.690*	AQ9
2035	7,315,000	5.000	3.400	112.989*	AR7
2036	7,680,000	5.000	3.450	112.554*	AS5
2037	8,060,000	5.000	3.480	112.293*	AT3
2038	8,465,000	5.000	3.510	112.034*	AU0

**\$49,120,000 5.000% Term Bonds due June 1, 2043; Yield: 3.600%; Price: 111.259\*; CUSIP<sup>†</sup>786073AV8**  
**\$62,690,000 5.000% Term Bonds due June 1, 2048; Yield: 3.680%; Price: 110.575\*; CUSIP<sup>†</sup>786073AW6**

**\*Yield to par call on June 1, 2028**

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriters and are included solely for the convenience of the registered owners of the 2018 Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2018 Bonds or as included herein.

**\$20,610,000**  
**CITY OF SACRAMENTO**

**2018 TOT REVENUE BONDS, SENIOR SERIES B**  
**(Convention Center Complex) (Federally Taxable)**

**MATURITY SCHEDULE**

**\$20,610,000 Serial Bonds**

<b>Maturity (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (786073)</b>
2021	\$3,930,000	3.455%	3.455%	100.000	AA4
2022	4,070,000	3.574	3.574	100.000	AB2
2023	4,215,000	3.674	3.674	100.000	AC0
2024	4,370,000	3.758	3.758	100.000	AD8
2025	4,025,000	3.858	3.858	100.000	AE6

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**\$66,890,000**  
**CITY OF SACRAMENTO**  
**2018 TOT REVENUE BONDS, SUBORDINATE SERIES C**  
**(Convention Center Complex)**

**MATURITY SCHEDULE**

**\$32,225,000 Serial Bonds**

<b>Maturity (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (786073)</b>
2021	\$1,150,000	5.000%	1.990%	107.541	AX4
2022	1,200,000	5.000	2.100	109.958	AY2
2023	1,265,000	5.000	2.200	112.142	AZ9
2024	1,325,000	5.000	2.300	114.069	BA3
2025	1,390,000	5.000	2.410	115.677	BB1
2026	1,460,000	5.000	2.570	116.644	BC9
2027	1,535,000	5.000	2.710	117.430	BD7
2028	1,615,000	5.000	2.820	118.192	BE5
2029	1,695,000	5.000	2.940	117.093*	BF2
2030	1,775,000	5.000	3.040	116.186*	BG0
2031	1,865,000	5.000	3.130	115.377*	BH8
2032	1,960,000	5.000	3.230	114.486*	BJ4
2033	2,055,000	5.000	3.330	113.603*	BK1
2034	2,160,000	5.000	3.420	112.815*	BL9
2035	2,265,000	5.000	3.500	112.120*	BM7
2036	2,380,000	5.000	3.550	111.688*	BN5
2037	2,505,000	5.000	3.580	111.430*	BP0
2038	2,625,000	5.000	3.610	111.173*	BQ8

**\$15,230,000 5.000% Term Bonds due June 1, 2043; Yield: 3.740%; Price: 110.066\*; CUSIP<sup>†</sup> 786073BR6**  
**\$19,435,000 5.000% Term Bonds due June 1, 2048; Yield: 3.790%; Price: 109.644\*; CUSIP<sup>†</sup> 786073BS4**

**\*Yield to par call on June 1, 2028**

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriters and are included solely for the convenience of the registered owners of the 2018 Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2018 Bonds or as included herein.

**CITY OF SACRAMENTO, CALIFORNIA**

Darrel Steinberg  
*Mayor*

**CITY COUNCIL MEMBERS**

Angelique Ashby  
*District 1*

Jay Schenirer  
*District 5*

Allen Wayne Warren  
*District 2*

Eric Guerra  
*District 6*

Jeff Harris  
*District 3*

Rick Jennings, II  
*District 7*

Steve Hansen  
*District 4*

Larry Carr  
*District 8*

**CHIEF CITY ADMINISTRATIVE PERSONNEL**

Howard Chan  
*City Manager*

John P. Colville Jr.  
*City Treasurer*

Susana Alcala Wood  
*City Attorney*

Dawn Holm  
*Finance Director*

Mindy Cuppy  
*City Clerk*

Brian Wong  
*Debt Manager*

**Special Services**

**Bond Counsel**

Jones Hall,  
A Professional Law Corporation

**Disclosure Counsel**

Stradling Yocca Carlson & Rauth,  
A Professional Corporation

**Trustee**

U.S. Bank National Association

**Municipal Advisor**

Montague DeRose and Associates, LLC

**TOT Consultant**

CBRE Group, Inc.

No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the 2018 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2018 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 representations of fact.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in affairs of the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access website, known as EMMA.

**In connection with this offering, the Underwriters may overallocate or effect transactions that may stabilize or maintain the market price of the 2018 Bonds at a level above what might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

Certain statements included or incorporated by reference in the following information constitute “forward-looking statements.” These statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” and other similar words. The achievement of certain results or other expectations contained in 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. No assurance is given that actual results will meet the City’s forecasts in any way. Except as set forth in the Continuing Disclosure Certificate, the City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions, or circumstances on which the statements are based occur or do not occur.

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 a 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.

The 2018 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance on an exemption from the registration requirements contained in that act.

The City maintains a website. The information therein is not incorporated by reference and should not be relied upon in making an investment decision.

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**OFFICIAL STATEMENT**

**\$283,315,000**

**CITY OF SACRAMENTO**

<b>\$195,815,000</b> <b>2018 TOT Revenue Bonds,</b> <b>Senior Series A</b> <b>(Convention Center Complex)</b>	<b>\$20,610,000</b> <b>2018 TOT Revenue Bonds,</b> <b>Senior Series B</b> <b>(Convention Center Complex)</b> <b>(Federally Taxable)</b>	<b>\$66,890,000</b> <b>2018 TOT Revenue Bonds,</b> <b>Subordinate Series C</b> <b>(Convention Center Complex)</b>
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**INTRODUCTION**

This introduction contains only a brief summary of certain of the terms of the 2018 Bonds being offered and a brief description of the Official Statement (which includes the cover page and appendices). 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 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 Indenture. See APPENDIX D – “SUMMARY OF THE INDENTURE.”

**Authority for Issuance and Purpose**

The purpose of this Official Statement is to set forth certain information concerning the issuance and sale of the \$195,815,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series A (Convention Center Complex) (the “2018 Tax-Exempt Senior Bonds”) and \$20,610,000 Senior Series B (Convention Center Complex)(Federally Taxable) (the “**2018 Taxable Senior Bonds**” and, together with the 2018 Tax-Exempt Senior Bonds, the “**2018 Senior Bonds**”) and the \$66,890,000 City of Sacramento 2018 TOT Revenue Bonds, Subordinate Series C (Convention Center Complex) (the “**2018 Subordinate Bonds**”). The 2018 Senior Bonds and the 2018 Subordinate Bonds are referred to collectively as the “**2018 Bonds.**” The 2018 Bonds are being issued under an Indenture of Trust, dated as of November 1, 2018 (the “**Indenture**”), between the City and U.S. Bank National Association, as trustee (the “**Trustee**”).

The 2018 Senior Bonds are being issued to finance a portion of the costs of renovating the City’s Convention Center, Community Center Theater, and Memorial Auditorium as well as all or a portion of the costs of other projects eligible for TOT funding (collectively, the “**Project**”); to fund capitalized interest with respect to the 2018 Senior Bonds through June 1, 2019; pay the cost of a debt service reserve insurance policy to satisfy the Reserve Requirement for the 2018 Senior Bonds (the “**2018 Senior Bond Reserve Policy**”) to be issued by Assured Guaranty Municipal Corp. (the “**Surety Provider**”); and to pay the costs of issuance of the 2018 Senior Bonds. The 2018 Subordinate Bonds are also being issued to finance a portion of the costs of the Project; to fund capitalized interest with respect to the 2018 Subordinate Bonds through June 1, 2019; pay the cost of a debt service reserve insurance policy to satisfy the Reserve Requirement for the 2018 Subordinate Bonds (the “**2018 Subordinate Bond Reserve Policy**”) to be issued by the Surety Provider; and to pay the costs of issuance of the 2018 Subordinate Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT.”

**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, approximately 75 air miles northeast of San Francisco. As of January 1, 2018, the City had an estimated population of about 500,000. See APPENDIX C – “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO.”

## **Security and Sources of Payment for the 2018 Bonds**

The 2018 Senior Bonds are secured by a first pledge of and lien on, and a security interest in, all of the TOT Revenues and all of the moneys on deposit in the TOT Revenue Account, which pledge, lien, and security interest are on a parity with the pledge, lien, and security interest that secures any Senior Parity Obligations. In addition, the 2018 Senior Bonds are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Senior Bonds Debt Service Fund, the Senior Bonds Interest Account, the Senior Bonds Principal Account, the Senior Bonds Reserve Account and the TOT Revenues Surplus Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Senior Bonds.”

The 2018 Subordinate Bonds are secured by a pledge of and lien on, and a security interest in, all of the TOT Revenues and all of the moneys on deposit in the TOT Revenue Account on a basis subordinate to the payment of debt service on the 2018 Senior Bonds and any Senior Parity Obligations, and amounts required to be transferred for the benefit of the 2018 Senior Bonds and the Senior Parity Obligations under the Indenture or under any instrument pursuant to which a Senior Parity Obligation is issued or incurred, which pledge, lien, and security interest are on a parity with the pledge, lien, and security interest that secures any Subordinate Parity Obligations. In addition, the 2018 Subordinate Bonds are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Subordinate Bonds Debt Service Fund, the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account and the Subordinate Bonds Reserve Account. In addition, the 2018 Subordinate Bonds are secured by amounts on deposit in TOT Revenues Surplus Account, on a basis subordinate to 2018 Senior Bonds and any Senior Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Subordinate Bonds.”

“**TOT**” means the transient occupancy taxes levied under chapter 3.28 of the Sacramento City Code (the “**City Code**”) as now in effect and as amended hereafter from time to time, and “**TOT Ordinance**” means City Code chapter 3.28.

“**TOT Revenues**” means the TOT that are levied under City Code sections 3.28.030 and 3.28.040 (as now in effect and as amended hereafter from time to time) and collected by the Revenue Division of the City Department of Finance (referred to in the City Code and in this Official Statement as the “**assessor-collector**”), including taxes and penalties thereon, but excluding specified amounts that are required to fund the Sacramento Convention and Visitors Bureau (known since 2016 as “**Visit Sacramento**”). TOT Revenues do not include TOT levied under section 3.28.050 of the Sacramento City Code. See “TOT REVENUES.”

**The 2018 Bonds are limited obligations of the City and are secured by a pledge of, and lien on, the TOT Revenues and are payable, as to principal and interest and as to any redemption premiums, solely from the TOT Revenues as and to the extent provided in the Indenture, and from amounts available in the funds and accounts as provided in the Indenture. The City is not obligated to pay the 2018 Bonds except as provided in the Indenture. The General Fund of the City is not liable, and the credit or taxing power of the City (except to the extent described herein) is not pledged, for the payment of the 2018 Bonds or the interest or premium thereon. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except as provided in the Indenture.**

### **Additional Obligations Secured by TOT Revenues**

The Indenture provides that the City may issue additional Senior Parity Obligations, subject to the terms and conditions of the Indenture, as more fully described herein. “**Senior Parity Obligations**” means any bonds, notes, loans, advances, or other indebtedness issued or incurred by the City that are secured by a pledge of, and lien on, the TOT Revenues on a parity with the 2018 Senior Bonds under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Senior Parity Obligations.”

The Indenture provides that the City may incur additional Subordinate Parity Obligations, subject to the terms and conditions of the Indenture. **“Subordinate Parity Obligations”** means any bonds, notes, loans, advances, or other indebtedness issued or incurred by the City that are secured by a pledge of, and lien on, the TOT Revenues on a parity with the 2018 Subordinate Bonds under the Indenture. See **“SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Subordinate Parity Obligations.”**

The Indenture provides that the City may incur additional bonds, notes, or other obligations secured by a pledge of, and lien on, the TOT Revenues subordinate to the pledge and lien for the Senior Bonds, the Senior Parity Obligations, the Subordinate Bonds, and the Subordinate Parity Obligations (**“Third Lien Parity Obligations”** or, for such bonds issued under a Supplemental Indenture, **“Third Lien Bonds”**). See **“SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Third Lien Obligations.”**

### **Reserve Accounts**

The Indenture provides that the 2018 Senior Bonds (and any other Participating Senior Bonds) will be secured by amounts on deposit in the Senior Bonds Reserve Account established under the Indenture, and the 2018 Subordinate Bonds (and any other Participating Subordinate Bonds) will be secured by amounts on deposit in the Subordinate Bonds Reserve Account established under the Indenture. The Senior Bonds Reserve Account and the Subordinate Bonds Reserve Account will each be funded at the time of issuance of the 2018 Bonds through the use of the 2018 Senior Bonds Reserve Policy and the 2018 Subordinate Bonds Reserve Policy, respectively, each in an amount equal to the respective Reserve Requirement. See **“THE SURETY PROVIDER.”** See APPENDIX D – **“SUMMARY OF THE INDENTURE.”**

The Senior Bonds Reserve Account only secures payment of principal, redemption price, and interest on the 2018 Senior Bonds (and on any other Participating Senior Bonds), and the Subordinate Bonds Reserve Account only secures payment of principal, redemption price, and interest on the 2018 Subordinate Bonds (and on any other Participating Subordinate Bonds) as more described in for which each such Reserve Account was established, and does not secure any other Bonds.

See **“SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Senior Bonds Reserve Account”** and **“– Subordinate Bonds Reserve Account.”**

### **TOT Revenues Surplus Account**

The Indenture provides for the establishment of a TOT Revenues Surplus Account, to be funded from TOT Revenues or other sources not required for (i) the payment of debt service with respect to Senior Parity Obligations, Subordinate Parity Obligations, Third Lien Bonds, and Third Lien Parity Obligations; or (ii) for the payment of required deposits to the Senior Bonds Reserve Account, Subordinate Bonds Reserve Account, and any additional reserve accounts for Senior Parity Obligations, Subordinate Parity Obligations, and Third Lien Parity Obligations (including Third Lien Bonds). The transfers to the TOT Revenues Surplus Account will be made until the amount on deposit in the TOT Revenues Surplus Account is equal to the Required TOT Surplus Amount. The **“Required TOT Surplus Amount”** means an amount equal to 10% of the Maximum Annual Debt Service on all Senior Bonds, Senior Parity Obligations, Subordinate Bonds, Subordinate Parity Obligations, Third Lien Bonds and Third Lien Parity Obligations. As of the date of issuance of the 2018 Bonds, the Required TOT Surplus Amount is equal to \$1,897,211.82. The TOT Revenues Surplus Account Amounts will be funded on the date of issuance of the 2018 Bonds in an amount equal to the Required TOT Surplus Amount. Amounts on deposit in the TOT Revenues Surplus Account will be used to make up any deficiencies in required monthly deposits with respect to Senior Parity Obligations (including 2018 Senior Bonds), Subordinate Parity Obligations (including 2018 Subordinate Bonds), or Third Lien Parity Obligations (including Third Lien Bonds), in that order of priority.

## **The Project**

The Project generally consists of various improvements needed to renovate the City's Convention Center, Community Center Theater, and Memorial Auditorium together with other projects that are eligible for TOT funding. See "THE PROJECT."

## **Report of the TOT Consultant**

CBRE Group, Inc., San Francisco, California (the "**TOT Consultant**") has prepared its Transient Occupancy Tax Forecast, dated October 5, 2018 (the "**Report of the TOT Consultant**"), which is included in Appendix B. The Report of the TOT Consultant should be read in its entirety for a full understanding of the TOT Consultant's analysis and the basis for its conclusions. The Report of the TOT Consultant does not constitute a recommendation to any person to purchase or sell the 2018 Bonds. The conclusions reached in the Report of the TOT Consultant are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth in the Report of the TOT Consultant. In addition, the City has agreed to indemnify the TOT Consultant against certain liabilities arising out of its engagement to provide the Report. For a more detailed summary of the methodology utilized by the TOT Consultant, including with respect to applicable assumptions, hypothetical conditions and qualifications, see the "Methodology" section of the Report of the TOT Consultant. See APPENDIX B- "REPORT OF THE TOT CONSULTANT" and "CERTAIN RISK FACTORS - Report of the TOT Consultant."

## **Continuing Disclosure**

The City has covenanted for the benefit of the holders and beneficial owners of the 2018 Bonds to provide certain specified 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 2017-18, 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 Electronic Municipal Market Access system, known as EMMA. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. This covenant has been made to assist 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 "CERTAIN RISK FACTORS" for a description of certain risks associated with an investment in the 2018 Bonds.

## **Other Matters**

Copies of the Indenture will be available for inspection at the City Treasurer's Office in Sacramento, California, and will be available upon request and payment of duplication costs from the Trustee.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the 2018 Bonds are as follows:

	2018 Tax-Exempt Senior Bonds	2018 Taxable Senior Bonds	2018 Subordinate Bonds	Total
<b>Sources:</b>				
Principal Amount	\$195,815,000.00	\$20,610,000.00	\$66,890,000.00	\$283,315,000.00
Original Issue Premium	24,742,648.25		7,812,240.55	32,554,888.80
Total	<u>\$220,557,648.25</u>	<u>\$20,610,000.00</u>	<u>\$74,702,240.55</u>	<u>\$315,869,888.80</u>
<b>Uses:</b>				
Project Fund <sup>(1)</sup>	\$213,059,201.21	\$20,000,000.00	\$72,140,798.79	305,200,000.00
Capitalized Interest <sup>(2)</sup>	5,711,270.83	440,773.38	1,950,958.33	8,103,002.54
Costs of Issuance <sup>(3)</sup>	1,787,176.21	169,226.62	610,483.43	2,566,886.26
Total	<u>\$220,557,648.25</u>	<u>\$20,610,000.00</u>	<u>\$74,702,240.55</u>	<u>\$315,869,888.80</u>

<sup>(1)</sup> Includes reimbursement to the City of approximately \$8.75 million of previously expended costs. The City expects to use a portion of this reimbursement to make a deposit to the TOT Revenues Surplus Account on the date of issuance of the 2018 Bonds in an amount equal to the Required TOT Surplus Amount.

<sup>(2)</sup> Equals capitalized interest with respect to the 2018 Senior Bonds and 2018 Subordinate Bonds through June 1, 2019.

<sup>(3)</sup> Represents funds to be used to pay costs of issuance, which include legal fees, municipal advisor fees, the Underwriters' discount, printing costs, rating agency fees, the Surety Policies and other miscellaneous expenses. For details regarding the Underwriters' discount, see "UNDERWRITING."

## THE PROJECT

The Project generally consists of improvements needed to renovate the City's Convention Center, Community Center Theater, and Memorial Auditorium together with other projects that are eligible for TOT funding, all as more particularly described below. The following tables show the aggregate costs of the Project components, as well as the expected funding sources.

**Estimated Project Costs**

<u>Project Components</u>	<u>Cost</u>
Convention Center Renovation and Expansion	\$196,715,000
Community Center Theater Renovation	85,673,000
Memorial Auditorium Renovation	16,170,000
Other TOT Eligible Projects	20,000,000
<hr/> Total	<hr/> \$318,558,000

**Estimated Sources of Project Funds**

<u>Funding Source</u>	<u>Amount</u>
Bonds <sup>(1)</sup>	\$305,200,000
Available City Funds	13,358,000
<hr/> Total	<hr/> \$318,558,000

<sup>(1)</sup> Represents net proceeds available for expenditure on the Project.

The City is currently contemplating the issuance of Third Lien Parity Obligation in 2019 in an amount sufficient to potentially fund approximately \$50 million of additional projects. The City currently anticipates that the Third Lien Parity Obligations will be secured by additional revenues consisting of assessments payable by lodging operators in the City and in limited portions of the unincorporated area of the County. (The City and the County of Sacramento are currently in the process of forming an assessment district to impose the assessments.) The City may elect not to issue the Third Lien Parity Obligations. Matters related to the potential Third Lien Parity Obligations are preliminary in nature, and the timing, amount, additional security, and other matters remain subject to change.

**Convention Center Renovation and Expansion**

The Convention Center Renovation and Expansion consists of the expansion of the existing 397,311 square foot facility through renovation of portions of the facility, demolition of obsolete components, and construction of new facilities in their place. It will include construction of 62,260 square feet of additional event space (exhibit halls, meeting rooms, and ballrooms); 15,954 square feet of additional pre-function space (e.g., lobbies, landings); a 92-square-foot increase of retail/cafe space; a 2,390-square-foot reduction of outdoor terrace space; and 33,563 square feet of additional support space (e.g., administrative office, kitchen, store rooms). The Convention Center Renovation and Expansion will also include the demolition of an adjacent 36,085-square-foot commercial office building. When complete the facility is anticipated to be 506,699 square feet.

The Convention Center site is generally bounded by 13th Street to the west, 15th Street to the east, J Street to the north, and K Street to the south.

The Convention Center Renovation is expected to commence in December 2018 and be completed in March 2021. During the Convention Center Renovation, the Convention Center is expected to be closed from July 2019 to November 2020. There can be no assurances that the temporary closure of the Convention Center will not result in a temporary reduction of TOT Revenues.

## **Community Center Theater Renovation**

The Community Center Theater Renovation element of the Project (the “**Community Center Theater Renovation**”) consists of a complete renovation of the City’s Community Center Theater, which is located in Downtown Sacramento at 1301 L Street between 13th and 14th Streets adjacent to the City’s Convention Center. The Community Center Theater is home to wide variety of performing-arts events including Broadway Sacramento, the Sacramento Philharmonic and Opera, the Sacramento Speakers Series, Sacramento Ballet and the Sacramento Choral Society, among others. In addition, the Community Center Theater is host to variety of concerts, comedy shows, and other events.

Built in 1974, the Community Center Theater is antiquated and needs substantial improvements to enable to host more events and better serve the arts groups and patrons that currently use the Theater. The Community Center Theater Renovation will improve accessibility and will address Americans with Disabilities Act issues. In addition, it will enhance the patron experience through better acoustics and will meet basic modern operational and performance standards. Other improvements include expanding the loading docks and key front-of-house spaces including restrooms, lobbies, and concession areas. In addition to renovations, the Community Center Theater will be expanded, with most of the new spaces built to the south of the existing Theater to provide more lobby space. This will result in a prominent main entrance along L Street. The renovation work will commence in February 2019, focusing on the exterior, and then the Community Center Theater will close in June 2019 for the interior improvements. Certain events that otherwise would be held at the Community Center Theater are expected to be held at the Memorial Auditorium while the Community Center Theater is temporarily closed. The Community Center Theater is expected to reopen for events in September 2020. Some remaining exterior work will continue with completion by May 2021.

## **Memorial Auditorium Renovation**

The Memorial Auditorium Renovation element of the Project (the “**Memorial Auditorium Renovation**”) includes temporary and permanent improvements, focusing on improving the facility’s functional and technical capacity to host performing arts events traditionally held at the Community Center Theater. The Sacramento Memorial Auditorium was constructed in 1926 and opened in February 1927. The Memorial Auditorium is listed on the National Historic Register. The Memorial Auditorium is a multi-purpose venue that has that has hosted entertainment and sporting events as well as meetings, conferences, banquets, receptions, and speaking engagements. Specific improvements include enhanced acoustics, new audience seating, upgraded audiovisual equipment, upgraded structural capacity for the stage and audience chamber, and mechanical and electrical upgrades.

Renovation of the Memorial Auditorium commenced on June 20, 2018, and the building is expected to reopen in May 2019. The Memorial Auditorium will then serve as a temporary home for the events relocated from the Community Center Theater during the 2019-2020 season while that building is renovated.

## **THE 2018 BONDS**

### **General**

The 2018 Bonds will be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof (each, an “**Authorized Denomination**”); will be dated their date of delivery; and will bear interest from that date at the rates set forth on the inside cover of this Official Statement, payable on June 1 and December 1 of each year, commencing December 1, 2018 (each, an “**Interest Payment Date**”). Interest on the 2018 Bonds will be computed on the basis of a 360-day year, composed of twelve 30-day months.

The 2018 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**,” and, together with any successor securities depository, the “**Depository**”). DTC will act as Depository for the 2018 Bonds. Individual purchases will be made in book-entry form. Purchasers will not receive a bond certificate representing their beneficial ownership interest in Bonds. So long as Cede & Co. as nominee of DTC, is the registered owner of the 2018 Bonds, references herein to Bondholders, Holders, or owners of the 2018 Bonds mean Cede & Co. as aforesaid, and do not mean the Beneficial Owners of Bonds.

So long as Cede & Co. is the registered owner of the 2018 Bonds, principal of, and interest on, the 2018 Bonds will be payable by wire transfer of same-day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit these amounts to the DTC Participants for subsequent disbursement to Beneficial Owners of the 2018 Bonds. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”

If the use of the book-entry system is discontinued, principal of the 2018 Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the 2018 Bonds will be paid by check sent by first-class mail on each Interest Payment Date to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the close of business on the 15<sup>th</sup> day of the calendar month immediately preceding the Interest Payment Date, whether or not such 15<sup>th</sup> calendar day is a Business Day (each, a “**Record Date**”), provided that registered owners of \$1,000,000 or more in aggregate principal amount of Bonds may request payment by wire transfer, the request to be submitted in writing and received by the Trustee on or before the applicable Record Date for the Interest Payment Date, in accordance with the Indenture.

## **Redemption Provisions**

### 2018 Senior Bonds

**Optional Redemption of 2018 Tax-Exempt Senior Bonds.** The 2018 Tax-Exempt Senior Bonds maturing on or before June 1, 2028 are not subject to optional redemption before maturity. The 2018 Tax-Exempt Senior Bonds maturing on and after June 1, 2029 are subject to redemption, at the City’s option on any date on or after June 1, 2028, as a whole or in part, by such maturities as the City determines, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2018 Tax-Exempt Senior Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Optional Redemption of 2018 Taxable Senior Bonds.** The 2018 Taxable Senior Bonds are subject to redemption, at the City’s option on any date, as a whole or in part, by such maturities as the City determines, and pro rata within a maturity, from any available source of funds, at a redemption price equal to the Make-Whole Redemption Price, together with accrued interest thereon to the date fixed for redemption.

The “Make-Whole Redemption Price” is the greater of (A) 100% of the principal amount of the 2018 Taxable Senior Bonds to be redeemed and (B) the sum of the present value of the remaining scheduled payments of principal and interest on the 2018 Taxable Senior Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2018 Taxable Senior Bonds are to be redeemed, discounted to the date on which the 2018 Taxable Senior Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 15 basis points.

“Treasury Rate” means, as of any redemption date for a particular 2018 Taxable Senior Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar



market data)) most nearly equal to the period from the redemption date to the maturity date of the 2018 Taxable Senior Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking-Fund Redemption. The 2018 Tax-Exempt Senior Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate principal amounts and on June 1 in the years as set forth in the following tables. If, however, some but not all of the 2018 Tax-Exempt Senior Term Bonds have been optionally redeemed, then the total amount of all future sinking-fund payments will be reduced by the aggregate principal amount of the 2018 Tax-Exempt Senior Term Bonds so redeemed, to be allocated among the sinking-fund payments in integral multiples of \$5,000 as selected by the City.

**2018 Tax-Exempt Senior Term Bonds  
Maturing June 1, 2043**

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
2039	\$8,890,000
2040	9,335,000
2041	9,800,000
2042	10,290,000
2043*	10,805,000

\* Final Maturity

**2018 Tax-Exempt Senior Term Bonds  
Maturing June 1, 2048**

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
2044	\$11,345,000
2045	11,910,000
2046	12,510,000
2047	13,135,000
2048*	13,790,000

\* Final Maturity

*Subordinate Bonds Redemption*

Optional Redemption. The 2018 Subordinate Bonds maturing on or before June 1, 2028, are not subject to optional redemption before maturity. The 2018 Subordinate Bonds maturing on and after June 1, 2029, are subject to redemption, at the City's option, on any date on or after June 1, 2028, as a whole or in part, by such maturities as the City determines, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2018 Subordinate Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2018 Subordinate Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate principal amounts and on June 1 in the years as set forth in the following tables. If, however, some but not all of the 2018 Subordinate Term Bonds have been optionally redeemed, then

the total amount of all future sinking-fund payments will be reduced by the aggregate principal amount of the 2018 Subordinate Term Bonds so redeemed, to be allocated among the sinking-fund payments in integral multiples of \$5,000 as selected by the City.

**2018 Subordinate Term Bonds  
Maturing June 1, 2043**

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
2039	\$2,755,000
2040	2,895,000
2041	3,040,000
2042	3,190,000
2043*	3,350,000

\*Final maturity

**2018 Subordinate Term Bonds  
Maturing June 1, 2048**

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
2044	\$3,520,000
2045	3,695,000
2046	3,875,000
2047	4,070,000
2048*	4,275,000

\*Final Maturity

**Notice of Redemption**

The Trustee on behalf, and at the expense, of the City will mail (by first-class mail, postage prepaid) or electronically post, notice of any redemption, at least 20 but not more than 60 days before the redemption date, to (i) the owners of any of the 2018 Bonds designated for redemption at their addresses appearing on the Registration Books and (ii) the Securities Depositories and to the Information Services. But such mailing or posting is not a condition precedent to redemption, and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of the 2018 Bonds or the cessation of the accrual of interest thereon. The notice must do the following: state the redemption date and the redemption price; state that optional redemption is conditioned upon the timely delivery of the redemption price by the City to the Trustee for deposit to the Redemption Fund; designate the CUSIP number of the 2018 Bonds to be redeemed; state the individual number of each 2018 Bond to be redeemed or state that all 2018 Bonds of a particular series between two stated numbers, both inclusive, or all of the 2018 Bonds outstanding of a particular series are to be redeemed; require that the 2018 Bonds of the applicable series be then surrendered at the offices of the Trustee for redemption at the redemption price and state that further interest on the 2018 Bonds will not accrue from and after the redemption date.

The City has the right to rescind any notice of the optional redemption of the 2018 Bonds by written notice to the Trustee on or before the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2018 Bonds then called for redemption, and the cancellation will not be an Event of Default. The City and the Trustee have no liability to the owners of the 2018 Bonds or to any other party

related to, or arising from, rescission of redemption. The Trustee will give notice of rescission of redemption in the same manner as the original notice of redemption was sent.

### **Partial Redemption of 2018 Bonds**

If only a portion of any 2018 Bond is called for redemption, then upon surrender of such 2018 Bond the City will execute, and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the City, a new 2018 Bond or 2018 Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

### **Manner of Redemption.**

Redemption by Lot. Whenever any 2018 Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the City thereof to the extent 2018 Bonds are no longer held in book-entry form. In the event of redemption by lot of 2018 Bonds of a particular series, the Trustee shall assign to each 2018 Bond then Outstanding of the particular series a distinctive number for each \$5,000 of the principal amount of each such 2018 Bond. The 2018 Bonds to be redeemed shall be the 2018 Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such 2018 Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All 2018 Bonds redeemed or purchased shall be cancelled and destroyed.

Pro Rata Redemption. Notwithstanding anything in the Indenture to the contrary, in the event of a redemption of the 2018 Taxable Senior Bonds in part, the following provisions shall apply, subject to the requirement that all 2018 Taxable Senior Bonds after any partial redemption thereof must remain in denominations of \$5,000 or any integral multiple thereof. If the 2018 Taxable Senior Bonds are registered in book-entry only form and so long as the Depository is the sole registered Owner of such 2018 Taxable Senior Bonds, if less than all of the 2018 Taxable Senior Bonds of a maturity are called for redemption, the particular 2018 Taxable Senior Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with the procedures of the Depository, provided that, so long as the 2018 Taxable Senior Bonds are held in book-entry form, the selection for redemption of such 2018 Taxable Senior Bonds shall be made in accordance with the operational arrangements of the Depository then in effect, and, if the Depository's operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2018 Taxable Senior Bonds will be selected for redemption, in accordance with the Depository's procedures, by lot.

The City intends that redemption allocations for the 2018 Taxable Senior Bonds made by the Depository be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City, the Original Purchasers of the 2018 Taxable Senior Bonds nor the Trustee assumes any liability in the event that the Depository, any Depository System Participant or any other intermediary allocates the redemption of 2018 Taxable Senior Bonds on other than such basis. In connection with any repayment of principal, including mandatory sinking fund payments, if any, the Trustee will direct the Depository to make a pass-through distribution of principal to the beneficial owners of the 2018 Taxable Senior Bonds. For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective 2018 Taxable Senior Bonds where (i) the numerator is equal to the amount due to the respective beneficial owners on a payment date, and (ii) the denominator is equal to the total original par amount of the respective 2018 Taxable Senior Bonds.

If the 2018 Taxable Senior Bonds are no longer registered in book-entry-only form, each Owner will receive an amount of 2018 Taxable Senior Bonds equal to the original face amount then beneficially held by that Owner, registered in such Owner's name. Thereafter, any redemption of less than all of the 2018 Taxable Senior Bonds of any maturity will continue to be paid to the Owners of such 2018 Taxable Senior Bonds on a

pro-rata basis, based on the portion of the original face amount of any such 2018 Taxable Senior Bonds to be redeemed.

### **Effect of Redemption**

From and after the date fixed for redemption, if funds available for the payment of the redemption price, including accrued interest, on the 2018 Bonds so called for redemption have been duly deposited with the Trustee, then the 2018 Bonds so called will cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS**

### **Certain Definitions**

Following are certain defined terms used in this section:

“**Senior Bonds**” means the 2018 Senior Bonds and, if the context requires, any Senior Parity Obligations issued under a Supplemental Indenture of Trust (a “**Supplemental Indenture**”).

“**Senior Parity Obligations**” means any bonds, notes, loans, advances, or other indebtedness issued or incurred by the City that are secured by a pledge of, and lien on, the TOT Revenues on a parity with the 2018 Senior Bonds under the Indenture.

“**Subordinate Bonds**” means the 2018 Subordinate Bonds and, if the context requires, any Subordinate Parity Obligations issued under a Supplemental Indenture.

“**Subordinate Parity Obligations**” means any bonds, notes, loans, advances, or other indebtedness issued or incurred by the City that are secured by a pledge of, and lien on, the TOT Revenues on a parity with the 2018 Subordinate Bonds under the Indenture.

“**Parity Obligations**” means the Senior Bonds, Senior Parity Obligations, Subordinate Bonds, Subordinate Parity Obligations, and Third Lien Parity Obligations.

“**TOT Revenue Account**” means the account to be established and held by the City for the deposit of the TOT Revenues.

“**TOT Revenues**” means the TOT that are levied under City Code sections 3.28.030 and 3.28.040 (as now in effect and as amended hereafter from time to time) and collected by the Revenue Division of the City Department of Finance (referred to in the City Code and in this Official Statement as the “**assessor-collector**”), including taxes and penalties thereon, but excluding specified amounts that are required to fund the Sacramento Convention and Visitors Bureau (known since 2016 as “**Visit Sacramento**”). TOT Revenues do not include TOT levied under section 3.28.050 of the Sacramento City Code.

### **TOT Revenue Account**

In accordance with City Code section 3.28.180, the City has previously established the Transient Occupancy Tax Account, which, under the Indenture, the City will continue to hold and maintain for depositing all TOT collected by the City. For the benefit of the holders of the 2018 Bonds and any additional Senior Parity Obligations, Subordinate Parity Obligations, or Third Lien Parity Obligations, the City will establish and maintain the TOT Revenue Account. After setting aside amounts collected under City Code section 3.28.040 that must be used to fund Visit Sacramento, and amounts payable to the General Fund of the City under section 3.28.050, the City will deposit all remaining TOT constituting TOT Revenues in the TOT

Revenue Account promptly upon the receipt thereof and will apply amounts in the TOT Revenue Account solely for the uses and purposes set forth in the Indenture and in the documents relating to any issue of Senior Parity Obligations, Subordinate Parity Obligations, or Third Lien Bonds or other Third Lien Parity Obligations.

### **Senior Bonds**

The Senior Bonds (including the 2018 Senior Bonds) are secured by a first pledge of and lien on, and a security interest in, all of the TOT Revenues and all of the moneys on deposit in the TOT Revenue Account, and the pledge, lien, and security interest are on a parity with the pledge, lien, and security interest that secure any Senior Parity Obligations.

The pledge, lien, and security interest are for the equal security of the Senior Bonds and any Senior Parity Obligations without preference or priority for number, date of execution, or date of delivery.

In addition, the Senior Bonds (but not any Senior Parity Obligation, unless set forth in a Supplemental Indenture or instrument pursuant to which the Senior Parity Obligation is issued or incurred) are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Senior Bonds Debt Service Fund, and the Senior Bonds Interest Account, the Senior Bonds Principal Account.

In addition, the 2018 Senior Bonds (and any other Participating Senior Bonds) are secured by a first pledge of and lien on, and a security interest in, the Senior Bonds Reserve Account.

In addition, the Senior Bonds and the Senior Parity Obligations are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the TOT Revenues Surplus Account, without preference or priority for number, date of execution or date of delivery.

The Indenture provides that the City may issue additional Senior Parity Obligations, subject to the terms and conditions of the Indenture, as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Senior Parity Obligations.”

### **Subordinate Bonds**

The Subordinate Bonds (including the 2018 Subordinate Bonds) are secured by a pledge of and lien on, and a security interest in, all of the TOT Revenues and all of the moneys on deposit in the TOT Revenue Account on a basis subordinate to the payment of debt service on the Senior Bonds and the Senior Parity Obligations and amounts required to be transferred for the benefit of the Senior Bonds and the Senior Parity Obligations under the Indenture, and the pledge, lien, and security interest will be on a parity with the pledge, lien, and security interest that secure any Subordinate Parity Obligations.

The pledge, lien, and security interest are for the equal security of the Subordinate Bonds and any Subordinate Parity Obligations without preference or priority for number, date of execution, or date of delivery.

In addition, the Subordinate Bonds (but not any Subordinate Parity Obligation, unless set forth in a Supplemental Indenture or instrument pursuant to which the Subordinate Parity Obligation is issued or incurred) are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Subordinate Bonds Debt Service Fund and the Subordinate Bonds Interest Account, and the Subordinate Bonds Principal Account.

In addition, the 2018 Subordinate Bonds (and any other Participating Subordinate Bonds) are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Subordinate Bonds Reserve Account.

In addition, the Subordinate Bonds and the Subordinate Parity Obligations are secured by a pledge of and lien on, and a security interest in, all of the moneys on deposit in the TOT Revenues Surplus Account, on a basis subordinate to the payment of debt service on the Senior Bonds and the Senior Parity Obligations and amounts required to be transferred for the benefit of the Senior Bonds and the Senior Parity Obligations under the Indenture or under any instrument by which any Senior Parity Obligation is issued or incurred.

The Indenture provides that the City may incur additional Subordinate Parity Obligations, subject to the terms and conditions of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS – Additional Subordinate Parity Obligations.”

### **Third Lien Parity Bonds**

The Indenture provides for the issuance of Third Lien Bonds, to be secured by a pledge of and lien on, and a security interest in, all of the TOT Revenues and all of the moneys on deposit in the TOT Revenue Account on a basis subordinate to the payment of debt service on the Senior Parity Obligations (including the Senior Bonds), the Subordinate Parity Obligations (including the Subordinate Bonds), and amounts required by the Indenture to be transferred for the benefit of the Senior Parity Obligations and the Subordinate Parity Obligations. The Third Lien Bonds and the Third Lien Parity Obligations are also secured by a pledge of and lien on, and a security interest in, all of the moneys on deposit in the TOT Revenues Surplus Account, on a basis subordinate to the payment of debt service on the Senior Bonds, Senior Parity Obligations, Subordinate Bonds, and Subordinate Parity Obligations and amounts required to be transferred for the benefit of the Senior Bonds, Senior Parity Obligations, Subordinate Bonds, and Subordinate Parity Obligations.

The City is currently contemplating the issuance of Third Lien Parity Obligation in 2019 in an amount sufficient to potentially fund approximately \$50 million of additional projects. The Third Lien Parity Bonds are currently expected to be secured by a pledge of additional revenues consisting of certain assessments expected to be imposed on lodging businesses within an assessment district expected to be formed in the City and in portions of the unincorporated area of the County before the issuance of the Third Lien Parity Bonds. **Any such additional revenues pledged as security for the Third Lien Bonds will not be pledged to, or otherwise available for payment of debt service on, any Senior Parity Obligations (including the Senior Bonds) or any Subordinate Parity Obligations (including the Subordinate Bonds).**

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS —Additional Third Lien Obligations.”

### **Senior Bonds Reserve Account**

The Indenture provides that the 2018 Senior Bonds (and any other Participating Senior Bonds) will be secured by a Senior Bonds Reserve Account established under the Indenture and held by the Trustee. The Senior Bonds Reserve Account will be funded at the time of issuance of the 2018 Senior Bonds through the use of the 2018 Senior Bonds Reserve Policy in an amount equal to the Reserve Requirement for the 2018 Senior Bonds which is \$14,481,750.00. See “THE SURETY PROVIDER.”

**“Reserve Requirement”** means, with respect to any series of Bonds (unless otherwise specified in a Supplemental Indenture, including to create a single parity reserve fund for multiple series of Senior Bonds, Subordinate Bonds, or Third Lien Bonds, as applicable), the least of (a) 125% of the average Annual Debt Service with respect to the applicable series of Bonds; (b) Maximum Annual Debt Service with respect to the applicable series of Bonds; and (c) 10% of the original principal amount of the applicable series of Bonds (or, if the applicable series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of that series of Bonds), subject to the following: (i) if a parity reserve fund for multiple series of Senior Bonds, Subordinate Bonds, or Third Lien Bonds is established, references to the applicable series of Bonds will mean all Bonds covered by the parity reserve fund; (ii) in no event will the City be obligated to deposit an amount in any reserve fund in excess of the amount permitted by the applicable

provisions of the Tax Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, if the amount of any such deposit is so limited, the Reserve Requirement will be only the amount of such deposit as permitted by the Tax Code; and (iii) the City may meet all or a portion of the Reserve Requirement with respect to any series of Bonds by depositing a Qualified Reserve Account Credit Instrument.

“**Tax Code**” means the Internal Revenue Code of 1986, as amended, plus the applicable temporary and permanent regulations promulgated under, or with respect to section 103 and sections 141 through 150, inclusive, of the Tax Code.

“**Participating Senior Bonds**” means the 2018 Senior Bonds and any other Senior Bonds that, under the terms of a Supplemental Indenture, are secured by amounts in the Senior Bonds Reserve Account.

The Trustee will apply amounts in the Senior Bonds Reserve Account solely (i) for the purpose of making transfers to the Senior Bonds Interest Account and the Senior Bonds Principal Account, in that order of priority, on the Business Day immediately preceding each date on which the principal of, or interest on, the Participating Senior Bonds is due and payable under the Indenture, if there is then a deficiency in either of the accounts (after taking into account transfers from the TOT Revenues Surplus Account, if any; or (ii) at any time for the retirement of all the Outstanding Participating Senior Bonds.

The Indenture permits the City to satisfy the Reserve Requirement for the Senior Bonds by depositing in the Reserve Account for the Senior Bonds, in lieu of cash, a Qualified Reserve Account Credit Instrument in an aggregate amount equal to the difference between the Reserve Requirement for the Senior Bonds and the sums, if any, then on deposit in the Reserve Account for the Senior Bonds or being deposited in the Senior Bonds Reserve Account concurrently with such Qualified Reserve Account Credit Instrument. The Senior Bonds Reserve Policy constitutes a Qualified Reserve Account Credit Instrument. See APPENDIX D – “SUMMARY OF THE INDENTURE.”

The City may establish separate reserve funds or accounts upon the issuance of additional Senior Parity Obligations, in the amounts set forth in the Supplemental Indenture providing for the issuance of the additional Senior Parity Obligations, that will not secure payment of principal of, or redemption price for, or interest on, the Participating Senior Bonds. In addition, the Indenture permits reserve funds and accounts to be established for Subordinate Parity Obligations and Third Lien Parity Obligations. These reserve funds and accounts will not secure payment of principal of, or redemption price for, or interest on, the Senior Bonds. **The Senior Bonds Reserve Account does not secure payment of principal of, redemption price for, or interest on, the Subordinate Bonds, any other Participating Subordinate Bonds, or any Third Lien TOT Bonds or Third Lien Parity Obligations.**

#### **Subordinate Bonds Reserve Account**

The Indenture provides that the 2018 Subordinate Bonds (and any other Participating Bonds) will be secured by a Subordinate Bonds Reserve Account established under the Indenture and held by the Trustee. The Subordinate Bonds Reserve Account will be established in an amount equal to the Reserve Requirement for the 2018 Subordinate Bonds. Upon issuance of the 2018 Subordinate Bonds, the Reserve Requirement for the 2018 Subordinate Bonds is \$4,494,750.00. The Subordinate Bonds Reserve Account will be funded at the time of issuance of the 2018 Subordinate Bonds through the use of the 2018 Subordinate Bonds Reserve Policy in an amount equal to the Reserve Requirement for the 2018 Subordinate Bonds. See “THE SURETY PROVIDER.”

“**Participating Subordinate Bonds**” means the 2018 Subordinate Bonds and any other Subordinate Bonds that, under the terms of a Supplemental Indenture, are secured by amounts in the Subordinate Bonds Reserve Account.

The Trustee will apply amounts in the Subordinate Bonds Reserve Account solely (i) for the purpose of making transfers to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account, in that order of priority, on the Business Day immediately preceding each date on which the principal of, or interest on, the Participating Subordinate Bonds is due and payable under the Indenture, if there is then a deficiency in either of those accounts (after taking into account transfers from the TOT Revenues Surplus Account, if any); or (ii) at any time for the retirement of all the outstanding Participating Subordinate Bonds.

The Indenture permits the City to satisfy the Reserve Requirement for the Subordinate Bonds by depositing in the Reserve Account for the Subordinate Bonds, in lieu of cash, a Qualified Reserve Account Credit Instrument in an aggregate amount equal to the difference between the Reserve Requirement for the Subordinate Bonds and the sums, if any, then on deposit in the Reserve Account for the Subordinate Bonds or being deposited in the Subordinate Bonds Reserve Account concurrently with the Qualified Reserve Account Credit Instrument. The 2018 Subordinate Bonds Reserve Policy constitutes a Qualified Reserve Account Credit Instrument. See "THE SURETY PROVIDER." See APPENDIX D – "SUMMARY OF THE INDENTURE."

The City may establish separate reserve funds or accounts upon the issuance of additional Subordinate Parity Obligations in the amounts set forth in the Supplemental Indenture providing for the issuance of the additional Subordinate Parity Obligations that will not secure payment of principal of, or redemption price for, of interest on, the Subordinate Bonds or any additional Subordinate Parity Obligations. In addition, the Indenture permits reserve funds or accounts to be established for Senior Parity Obligations and Third Lien Parity Obligations. These reserve funds and accounts will not secure payment of principal of, or redemption price for, or interest on, the Subordinate Bonds or any other additional Participating Subordinate Bonds. **The Senior Bonds Reserve Account does not secure payment of principal of, redemption price for, or interest on, the 2018 Subordinate Bonds, any other Senior Parity Obligations (other than Participating Senior Bonds), any other Subordinate Parity Obligations, or any Third Lien Parity Obligations that may be issued in the future.**

#### **Flow of Funds**

Under the Indenture, the City must deposit all TOT Revenues in the TOT Revenue Account promptly upon the receipt thereof and must apply amounts in the TOT Revenue Account solely for the uses and purposes set forth in the Indenture and in the documents relating to any issue of Senior Parity Obligations, Subordinate Parity Obligations, or Third Lien Parity Obligations.

#### *Transfers to Trustee with Respect to Senior Bonds and Senior Parity Obligations*

On a pro rata basis with any transfers required to be made in respect of outstanding Senior Parity Obligations (which will be made from TOT Revenues in the TOT Revenue Account for the benefit of the holders of Senior Parity Obligations on the first Business Day of each month on substantially the same basis as transfers are made to the Trustee for owners of Senior Bonds, i.e., 1/6 interest, 1/12 principal, and reserve replenishment), the City will withdraw from the TOT Revenue Account and transfer to the Trustee the following amounts at the following times, for deposit by the Trustee in the following special accounts, in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in the fund or account resulting from lack of moneys transferred from the City sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund or account subsequent in priority; if, however, amounts then on deposit in the TOT Revenue Account are insufficient to provide all deposits required as of any date by the Indenture and the corresponding provisions of any instrument under which the Senior Parity Obligation is issued or incurred, then transfers will be made by the City for the benefit of the Senior Bonds and the Senior Parity Obligations on a pro rata basis between them:

(a) Senior Bonds Interest Account. For each Interest Payment Date through and including June 1, 2019, the Trustee will use amounts deposited to the Senior Bonds Capitalized Interest Subaccount



under the Indenture to make interest payments on the Senior Bonds. For the Interest Payment Date of December 1, 2019, and each December 1st Interest Payment Date thereafter, on the first Business Day of each June, July, August, September, October, and November (commencing in June 2019), the City will transfer to the Trustee for deposit in the Senior Bonds Interest Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Senior Bonds Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the outstanding Senior Bonds on that December 1st Interest Payment Date. For the Interest Payment Date of June 1, 2020, and each June 1st Interest Payment Date thereafter, on the first Business Day of each December, January, February, March, April, and May (commencing with December 2019), the City will transfer to the Trustee for deposit in the Senior Bonds Interest Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Senior Bonds Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the outstanding Senior Bonds on that June 1st Interest Payment Date. The Trustee will apply amounts in the Senior Bonds Interest Account solely for the purpose of paying the interest on the Senior Bonds when due and payable.

(b) Senior Bonds Principal Account. For the Interest Payment Date of June 1, 2021, and each June 1st Interest Payment Date thereafter on which principal is due on the Senior Bonds, on the first Business Day of each month (commencing with June 2020), the City will transfer to the Trustee for deposit in the Senior Bonds Principal Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Senior Bonds Principal Account, equals 1/12th of the aggregate amount of principal coming due and payable on the outstanding Senior Bonds on that June 1st Interest Payment Date. The Trustee will apply amounts in the Senior Bonds Principal Account solely for the purpose of paying the principal of the Senior Bonds, either at the maturity thereof or in accordance with the mandatory sinking fund redemption thereof.

(c) Senior Bonds Reserve Account. Upon notice from the Trustee that the amount on deposit in the Senior Bonds Reserve Account (or any other reserve account established for any series of Senior Bonds) is less than the Reserve Requirement for the Participating Senior Bonds (or other applicable series of Senior Bonds), the City will transfer to the Trustee on the first Business Day of each subsequent month an amount of TOT Revenues equal to 1/12th of the aggregate amount needed to cure the deficiency. If any transfers are required to be made to the provider of a Qualified Reserve Account Credit Instrument deposited to the Senior Bonds Reserve Account (or any other reserve account established for any series of Senior Bonds) following a draw thereon, the City will transfer to the provider of the Qualified Reserve Account Credit Instrument on the first Business Day of each subsequent month an amount of TOT Revenues equal to 1/12th of the aggregate amount due to the provider.

*Transfers to Trustee with Respect to Subordinate Bonds and Subordinate Parity Obligations*

On a pro rata basis with any transfers required to be made in respect of outstanding Subordinate Parity Obligations (which will be made from TOT Revenues in the TOT Revenue Account for the benefit of the holders of Subordinate Parity Obligations on the first Business Day of each month on substantially the same basis as transfers are made to the Trustee for owners of Subordinate Bonds, i.e., 1/6 interest, 1/12 principal, and reserve replenishment), the City will withdraw from the TOT Revenue Account and transfer to the Trustee the following amounts at the following times, for deposit by the Trustee in the following special accounts, in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such fund or account resulting from lack of moneys transferred from the City sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund or account subsequent in priority; if, however, amounts then on deposit in the TOT Revenue Account are insufficient to provide all deposits required as of any date by the Indenture and the corresponding provisions of any instrument under which the Subordinate Parity Obligation is issued or incurred, then transfers will be made by the City for the benefit of the Subordinate Bonds and the Subordinate Parity Obligations on a pro rata basis between them, subject to the requirement that for each date on which transfers are required, all amounts

required to have been transferred with respect to the Senior Bonds and Senior Parity Obligations have occurred:

(a) Subordinate Bonds Interest Account. For each Interest Payment Date through and including June 1, 2019, the Trustee will use amounts deposited to the Subordinate Bonds Capitalized Interest Subaccount under the Indenture to make interest payments on the Subordinate Bonds. For the Interest Payment Date of December 1, 2019, and each December 1st Interest Payment Date thereafter, on the first Business Day of each June, July, August, September, October, and November (commencing with June 2019), the City will transfer to the Trustee for deposit in the Subordinate Bonds Interest Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Subordinate Bonds Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the Outstanding Subordinate Bonds on such December 1st Interest Payment Date. For the Interest Payment Date of June 1, 2020, and each June 1st Interest Payment Date thereafter, on the first Business Day of each December, January, February, March, April, and May (commencing with December 2019), the City will transfer to the Trustee for deposit in the Subordinate Bonds Interest Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Subordinate Bonds Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the Outstanding Subordinate Bonds on such June 1st Interest Payment Date. The Trustee will apply amounts in the Subordinate Bonds Interest Account solely for the purpose of paying the interest on the Subordinate Bonds when due and payable.

(b) Subordinate Bonds Principal Account. For the Interest Payment Date of June 1, 2021, and each June 1st Interest Payment Date thereafter on which principal is due on the Subordinate Bonds, on the first Business Day of each month (commencing with June 2020), the City will transfer to the Trustee for deposit in the Subordinate Bonds Principal Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Subordinate Bonds Principal Account, equals 1/12th of the aggregate amount of principal coming due and payable on the Outstanding Subordinate Bonds on that June 1st Interest Payment Date. The Trustee will apply amounts in the Subordinate Bonds Principal Account solely for the purpose of paying the principal of the Subordinate Bonds, either at the maturity thereof or in accordance with the mandatory sinking fund redemption thereof.

(c) Subordinate Bonds Reserve Account. Upon notice from the Trustee that the amount on deposit in the Subordinate Bonds Reserve Account (or any other reserve account established for any series of Subordinate Bonds) is less than the Reserve Requirement for the Participating Subordinate Bonds (or other applicable series of Subordinate Bonds), the City will transfer to the Trustee on the first Business Day of each subsequent month an amount of TOT Revenues equal to 1/12th of the aggregate amount needed to cure the deficiency. If any transfers are required to be made to the provider of a Qualified Reserve Account Credit Instrument deposited to the Subordinate Bonds Reserve Account (or any other reserve account established for any series of Subordinate Bonds) following a draw thereon, the City will transfer to the provider of the Qualified Reserve Account Credit Instrument on the first Business Day of each subsequent month an amount of TOT Revenues equal to 1/12th of the aggregate amount due to the provider.

*Transfers to Trustee with Respect to Third Lien Bonds and Third Lien Parity Obligations*

On a pro rata basis with any transfers required to be made in respect of outstanding Third Lien Parity Obligations (which will be made from TOT Revenues in the TOT Revenue Account for the benefit of the holders of Third Lien Parity Obligations on the first Business Day of each month on substantially the same basis as transfers are made to the Trustee for owners of Third Lien Bonds, i.e., 1/6 interest, 1/12 principal, and reserve replenishment), the City will withdraw from the TOT Revenue Account and any other accounts pledged to the Third Lien Bonds and transfer to the Trustee the following amounts at the following times, for deposit by the Trustee in the following special accounts, in the following order of priority, the requirements of each fund or account (including the making up of any deficiencies in the fund or account resulting from lack of moneys transferred from the City sufficient to make any earlier required deposit) at the time of deposit to be

satisfied before any deposit is made to any fund or account subsequent in priority; if, however, amounts then on deposit in the TOT Revenue Account are insufficient to provide all deposits required as of any date by the Indenture and the corresponding provisions of any instrument under which the Third Lien Parity Obligation is issued or incurred, transfers will be made by the City for the benefit of the Third Lien Bonds and the Third Lien Parity Obligations on a pro rata basis between them, subject to the requirement that for each date on which withdrawals from the TOT Revenue Account are required, all amounts required to have been transferred with respect to Senior Bonds, Senior Parity Obligations, Subordinate Bonds, and Subordinate Parity Obligations under the Indenture have occurred:

(a) Third Lien Bonds Interest Account. Subject to amounts on deposit in the Third Lien Bonds Capitalized Interest Subaccount, with respect to each December 1st Interest Payment Date on which interest is due on any Third Lien Bonds, on the first Business Day of each June, July, August, September, October, and November, the City will transfer to the Trustee for deposit in the Third Lien Bonds Interest Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Third Lien Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the Outstanding Third Lien Bonds on such December 1st Interest Payment Date. Subject to amounts on deposit in the Third Lien Bonds Capitalized Interest Subaccount, with respect to each June 1st Interest Payment Date on which interest is due on any Third Lien Bonds, on the first Business Day of each December, January, February, March, April, and May, the City will transfer to the Trustee for deposit in the Third Lien Bonds Interest Account an amount that, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Third Lien Bonds Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the Outstanding Third Lien Bonds on such June 1st Interest Payment Date. The Trustee will apply amounts in the Third Lien Bonds Interest Account solely for the purpose of paying the interest on the Third Lien Bonds when due and payable.

(b) Third Lien Bonds Principal Account. With respect to each June 1st Interest Payment Date on which principal is due on any Third Lien Bonds, on the first Business Day of each month, the City will transfer to the Trustee for deposit in the Third Lien Bonds Principal Account an amount which, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Third Lien Bonds Principal Account, equals 1/12th of the aggregate amount of principal coming due and payable on the Outstanding Third Lien Bonds on that June 1st Interest Payment Date. The Trustee will apply amounts in the Third Lien Bonds Principal Account solely for the purpose of paying the principal of the Third Lien Bonds, either at the maturity thereof or in accordance with the mandatory sinking fund redemption thereof.

(c) Third Lien Bonds Reserve Account. Upon notice from the Trustee that the amount on deposit in the Third Lien Bonds Reserve Account (or any other reserve account established for any series of Third Lien Bonds) is less than the Reserve Requirement for the Participating Third Lien Bonds (or other applicable series of Third Lien Bonds), the City will transfer to the Trustee on the first Business Day of each subsequent month an aggregate amount of TOT Revenues and other revenues pledged to the Third Lien Bonds equal to 1/12th of the aggregate amount needed to cure the deficiency. If any transfers are required to be made to the provider of a Qualified Reserve Account Credit Instrument deposited to the Third Lien Bonds Reserve Account (or any other reserve account established for any series of Third Lien Bonds) following a draw thereon, the City will transfer to the provider of the Qualified Reserve Account Credit Instrument on the first Business Day of each subsequent month an aggregate amount of TOT Revenues and other revenues pledged to the Third Lien Bonds equal to 1/12th of the aggregate amount due to the provider.

*Transfers to Trustee with Respect to TOT Revenues Surplus Account; Excess TOT Revenues*

Following the transfer of all amounts required to be transferred under the sections described above, on the first Business Day of each month the City will transfer any TOT Revenues remaining in the TOT Revenue Account to the Trustee for deposit in the TOT Revenues Surplus Account until the amount on deposit in the TOT Revenues Surplus Account is equal to the Required TOT Surplus Amount. The “**Required TOT Surplus Amount**” means an amount equal to 10% of the Maximum Annual Debt Service on all Senior Bonds, Senior

Parity Obligations, Subordinate Bonds, Subordinate Parity Obligations, Third Lien Bonds, and Third Lien Parity Obligations. As of the date of issuance of the 2018 Bonds, the Required TOT Surplus Amount is equal to \$1,897,211.82. TOT Revenues remaining in the TOT Revenue Account following this transfer on the first Business Day of each month will be released from the pledge and lien that secures the 2018 Bonds and the Parity Obligations and may be applied by the City for any lawful purposes, including the payment of any Termination Payments and any other obligations of the City that constitute fees, expenses, and similar charges of the City that are not Senior Parity Obligations, Subordinate Parity Obligations, or Third Lien Parity Obligations.

### **TOT Revenues Surplus Account**

The Trustee will hold the TOT Revenues Surplus Account for the benefit of the City and the Owners of the 2018 Bonds and Parity Obligations. Amounts will be deposited into the TOT Revenues Surplus Account in accordance with the Indenture as described above until the amount on deposit therein equals the Required TOT Surplus Amount.

The Trustee will apply amounts in the TOT Revenues Surplus Account solely (i) for the purpose of making transfers to the Senior Bonds Interest Account, the Senior Bonds Principal Account, the Senior Bonds Reserve Account (or any other reserve account established for Senior Bonds that are not Participating Senior Bonds), the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Bonds Reserve Account (or any other reserve account established for Subordinate Bonds that are not Participating Subordinate Bonds), the Third Lien Bonds Interest Account, the Third Lien Bonds Principal Account, the Third Lien Bonds Reserve Account (or any other reserve account established for Third Lien Bonds that are not Participating Third Lien Bonds), and the corresponding accounts or set-asides for the Parity Obligations, in such order of priority, without preference between the 2018 Bonds and the Parity Obligations, on the Business Day immediately following each date on which a deposit of 1/6th interest, 1/12th principal or reserve replenishment is required to be made under the Indenture or under any instrument by which the applicable Parity Obligation is issued or incurred, if there is then a deficiency in any of such accounts or amounts, or (ii) at any time for the retirement of all the Outstanding Bonds and Parity Obligations. So long as no Event of Default has occurred and is continuing and the Senior Bonds Reserve Account, Subordinate Bonds Reserve Account, Third Lien Bonds Reserve Account, and each other reserve account established for any series of Bonds or any Parity Obligations are fully funded, if the amount on deposit in the TOT Revenues Surplus Account at any time equals or exceeds the Required TOT Surplus Amount, the Trustee will promptly notify the City of that fact and, at the direction of the City, transfer the excess amount to the City, whereby the amount will be released from the pledge and lien that secures the 2018 Bonds and the Parity Obligation and may be applied by the City for any lawful purposes.

If amounts on deposit in the TOT Revenues Surplus Account are used to make up any deficiencies in required monthly deposits with respect to Senior Parity Obligations, Subordinate Parity Obligations, or Third Lien Parity Obligations, there can be no assurances that TOT Revenues will be available thereafter (after all required deposits with respect to Senior Parity Obligations, Subordinate Parity Obligations, and Third Lien Parity Obligations are made) in amounts sufficient to make future deposits into the TOT Revenues Surplus Account.

### **Additional Senior Parity Obligations**

The City may issue or incur Senior Parity Obligations in such principal amount as it determines, that are secured in whole or in part by a pledge of, and lien on, the TOT Revenues on a parity with the pledge in favor of the 2018 Senior Bonds, subject to the following conditions precedent:

- (a) No Event of Default (and no event that would constitute an Event of Default if not corrected after notice has been given and all grace periods have passed) has occurred and is continuing.

(b) As shown by the City's books for the latest Fiscal Year or for any other 12-month period selected by the City and ending not more than 90 days before the date of issuance of the Senior Parity Obligation, TOT Revenues are at least equal to: (i) 175% of Maximum Annual Debt Service on all Senior Bonds and other Senior Parity Obligations that will be Outstanding following the issuance of the Senior Parity Obligation and (ii) 115% of Maximum Annual Debt Service on all Senior Bonds, Senior Parity Obligations, Subordinate Bonds and Subordinate Parity Obligations that will be Outstanding following the issuance of the Senior Parity Obligation.

(c) The Supplemental Indenture or other document authorizing the issuance of the Senior Parity Obligations must provide that—

(i) interest on the Senior Parity Obligations is payable on June 1 and December 1 in each year of the term of the Senior Parity Obligations, except that interest during the first twelve-month period may be payable on any June 1 or December 1;

(ii) the principal of the Senior Parity Obligations is payable on June 1 in any year in which principal is payable, except that principal during the first 12-month period may be payable on any date as determined by the City; and

(iii) interest and principal will be transferred or set aside from TOT Revenues in the TOT Revenue Account on the first Business Day of each month on substantially the same basis as transfers are made to the Trustee for Owners of Senior Bonds as described in the Indenture.

(b) An amount of cash or a Qualified Reserve Account Credit Instrument is deposited in the Senior Bonds Reserve Account or a separate reserve fund or account in an amount equal to the amount, if any, required by the Supplemental Indenture or other document authorizing the issuance of the Senior Parity Obligations.

(c) Notwithstanding the foregoing, if the Senior Parity Obligations are being incurred solely to refund Senior Bonds or Senior Parity Obligations, and if the resulting Annual Debt Service on all Senior Bonds and Senior Parity Obligations for each bond year is less than the Annual Debt Service on all Senior Bonds and Senior Parity Obligations for each bond year before the issuance of the refunding Senior Parity Obligations, then the City need not comply with paragraph (b) above.

(d) Notwithstanding the foregoing, if the Senior Parity Obligations are being incurred as a State Loan, the City need not comply with the provisions set forth in paragraph (c)(i) or (c)(ii) above. "State Loan" means any Senior Parity Obligation, Subordinate Parity Obligation, or Third Lien Parity Obligation with the California Infrastructure Economic Development Bank, or similar entity.

(e) Any Senior Parity Obligations issued by the City will be secured by a pledge of and lien on the TOT Revenues on a parity with the pledge and lien that secures the Senior Bonds. Senior Parity Obligations issued by the City will not be secured by or payable from amounts held in the Senior Bonds Interest Account, the Senior Bonds Principal Account, or the Senior Bonds Reserve Account that are established under the Indenture for the Senior Bonds, unless otherwise provided in a Supplemental Indenture.

#### **Additional Subordinate Parity Obligations**

The City may issue or incur Subordinate Parity Obligations, in such principal amount as it determines, that are secured in whole or in part by a pledge of, and lien on, the TOT Revenues on a parity with the pledge in favor of the 2018 Subordinate Bonds, subject to the following conditions precedent, compliance with which shall be set forth in a Certificate of the City delivered to the Trustee:

(a) No Event of Default (and no event that would constitute an Event of Default if not corrected after notice has been given and all grace periods have passed) has occurred and is continuing.

(b) As shown by the City's books for the latest Fiscal Year or any other 12-month period selected by the City and ending not more than 90 days before the date of issuance of the Subordinate Parity Obligation, TOT Revenues are at least equal to 115% of Maximum Annual Debt Service on all Senior Bonds, Senior Parity Obligations, Subordinate Bonds and Subordinate Parity Obligations that will be Outstanding following the issuance of the Subordinate Parity Obligation.

(c) The Supplemental Indenture or other document authorizing the issuance of the Subordinate Parity Obligations must provide that—

(i) interest on the Subordinate Parity Obligations is payable on June 1 and December 1 in each year of the term of the Subordinate Parity Obligations, except that interest during the first twelve-month period may be payable on any June 1 or December 1;

(ii) the principal of the Subordinate Parity Obligations is payable on June 1 in any year in which principal is payable, except that principal during the first 12-month period may be payable on any date as determined by the City; and

(iii) interest and principal will be transferred or set-aside from TOT Revenues in the TOT Revenue Account on the first Business Day of each month on substantially the same basis as transfers are made to the Trustee for Owners of Subordinate Bonds as described in the Indenture.

(d) An amount of cash or a Qualified Reserve Account Credit Instrument is deposited in the Subordinate Bonds Reserve Account or a separate reserve fund or account in an amount equal to the amount, if any, required by the Supplemental Indenture or other document authorizing the issuance of such Subordinate Parity Obligations.

(e) Notwithstanding the foregoing, if the Subordinate Parity Obligations is being incurred solely to refund Subordinate Bonds or any outstanding Subordinate Parity Obligations, and the resulting Annual Debt Service on all Senior Bonds, Senior Parity Obligations, Subordinate Bonds, and Subordinate Parity Obligations for each bond year is less than Annual Debt Service on all Senior Bonds, Senior Parity Obligations, Subordinate Bonds, and Subordinate Parity Obligations for each bond year before the issuance of the refunding Subordinate Parity Obligations, the City need not comply with the provisions set forth in paragraph (b) above.

(f) Notwithstanding the foregoing, if the Subordinate Parity Obligations are being incurred as a State Loan, the City need not comply with the provisions set forth in paragraph (c)(i) or (c)(ii) above.

(g) Any Subordinate Parity Obligations issued by the City will be secured by a pledge of and lien on the TOT Revenues on a parity with the pledge and lien that secures the Subordinate Bonds. But Subordinate Parity Obligations will not be secured by, or payable from, amounts held in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, or the Subordinate Bonds Reserve Account established under the Indenture for the Subordinate Bonds, unless otherwise provided in a Supplemental Indenture.

### **Additional Third Lien Obligations**

The City may from time to time issue or incur bonds, notes, or other obligations that are secured, in whole or in part, by a pledge of, and lien on, the TOT Revenues subordinate to the pledge and lien securing the Senior Bonds and Subordinate Bonds, including Third Lien Bonds and Third Lien Parity Obligations, in such principal amount as the City may determine, subject to the following conditions precedent:

(a) The bonds, notes, or other obligations are secured by a pledge of, or lien on, TOT Revenues that is subordinate to the pledge and lien that secures the Senior Bonds and Subordinate Bonds.

(b) No Event of Default (and no event that would constitute an Event of Default if not corrected after notice has been given and all grace periods have passed) has occurred and is continuing.

(c) The Supplemental Indenture or other document authorizing the issuance of the 2018 Bonds, notes, or other obligations must provide that—

(i) interest thereon is payable on June 1 and December 1 in each year of the term thereof, except that interest during the first twelve-month period may be payable on any June 1 or December 1;

(ii) the principal thereof is payable on June 1 in any year in which principal is payable, except that principal during the first 12-month period may be payable on any date as determined by the City; and

(iii) interest and principal will be transferred or set-aside from TOT Revenues in the TOT Revenue Account on the first Business Day of each month on substantially the same basis as transfers are made to the Trustee for owners of Third Lien Bonds as described in the Indenture or on a basis that is further subordinated.

(d) Notwithstanding the foregoing, if the bond, note, or other obligation is being incurred as a State Loan, the City need not comply with the provisions set forth in paragraph (c)(i) or (c)(ii) above.

#### **Other Covenants of the City**

The Indenture contains additional provisions relating to the security for the 2018 Bonds, including the following:

General. The Indenture requires the City to preserve and protect the security of the 2018 Bonds and the rights of the owners. From and after the date of issuance of the 2018 Bonds, the City is prohibited from contesting the validity or enforceability of the 2018 Bonds or the Indenture.

Non-Impairment. The City covenants that while the 2018 Bonds are Outstanding, the City (1) will levy the transient occupancy tax authorized by Sacramento City Code chapter 3.28 and collect the TOT Revenues to the fullest extent permitted by law; and (2) will not either repeal Sacramento City Code chapter 3.28 or amend it in any way that would materially reduce the City's receipt of TOT Revenues or otherwise impair the City's ability to pay the 2018 Bonds when due.

Maintenance of Priority of Pledges. Except for Trustee fees and indemnification, the City may not create any pledge, lien, or security interest in any of the TOT Revenues having priority over the pledge, lien, and security interest granted in favor of the Senior Bonds. The City may not create any pledge, lien, or security interest in any of the TOT Revenues having priority over the Subordinate Bonds, except for Trustee fees and indemnification and except for the pledge, lien, and security interest granted in favor of the Senior Bonds and Senior Parity Obligations. The City may not create any pledge, lien, or security interest in any of the TOT Revenues having priority over the Third Lien Bonds, except for the Trustee fees and indemnification and except for the pledge, lien, and security interest granted in favor of the Senior Bonds, Senior Parity Obligations, Subordinate Bonds, and Subordinate Parity Obligations in accordance with the Indenture.

Collection of TOT Revenues. The City must take all actions and must execute and deliver all documents as may be required to enable the City to collect the TOT Revenues and any other revenues pledged to any series of Senior Bonds and Subordinate Bonds, and must apply the TOT Revenues and the other

revenues to pay debt service on the Senior Bonds and Subordinate Bonds when due, replenish the Senior Bonds Reserve Account, the Subordinate Bonds Reserve Account, the Third Lien Bonds Reserve Account, or any other reserve account established for any series of Bonds (and pay to any provider of a Qualified Reserve Account Credit Instrument deposited therein amounts due as a result of a draw thereon), and pay all other obligations secured by the TOT Revenues or the other revenues, as applicable. Without limiting the foregoing, the City must enforce the collection of the TOT Revenues and any other revenues pledged to any series of Bonds to the fullest extent permitted by law and must levy and collect the penalties and delinquencies accruing with respect to any late payments thereof, as applicable.

Amounts Transferred for Particular Bonds or Parity Obligations. Amounts transferred by the City to the Trustee or set aside by the City for benefit of any particular series of Bonds or Parity Obligations in accordance with the terms of the Indenture or any instrument under which a Parity Obligation is issued or incurred, including payment of interest, principal, or redemption price due with respect thereto, will, upon the transfer or set-aside and pending the payment, be held in trust for the owners of the applicable Bonds or the holders of the applicable Parity Obligations with no other owners of Bonds or holders of Parity Obligations having a claim thereon.

City Actions. If the TOT Revenue Bond Law or any other law under which this Indenture is entered into, the 2018 Bonds are issued, or the TOT Revenues or any other revenues pledged to any series of Bonds are levied or collected is ever be held to be invalid or unenforceable, the City will take any action that is legally available to the City to comply with the obligations of the City under this Indenture.

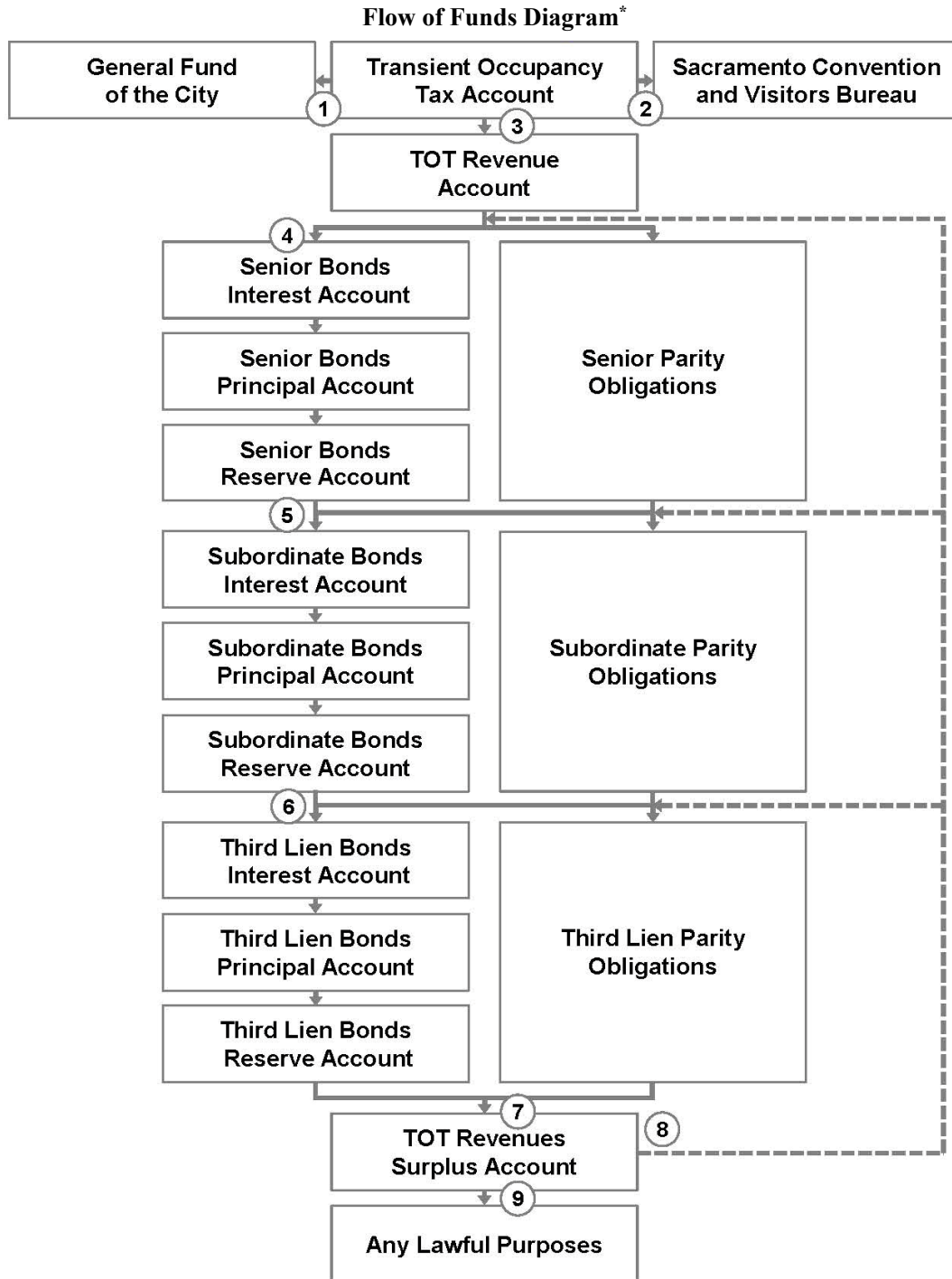
Punctual Payment. The City will punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the 2018 Bonds in strict conformity with the terms of the 2018 Bonds and this Indenture. The City will faithfully observe and perform all of the conditions, covenants, and requirements of the Indenture and all Supplemental Indentures. Nothing in the Indenture prevents the City from making advances of other legally available funds to make any such payment.

Budget and Appropriation. So long as any Bonds remain Outstanding under the Indenture, the City will adopt all necessary budgets and make all necessary appropriations for the payment of principal of and interest and premium (if any) on the 2018 Bonds from the TOT Revenues and any other revenues pledged to any series of Bonds, as applicable. If any payment of principal of and interest and premium (if any) on the 2018 Bonds requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. The Indenture provides that the covenants on the part of the City described in this paragraph constitute duties imposed by law and that it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of the officials to enable the City to carry out and perform the covenants and agreements.



**Flow of Funds Summary Diagram**

The following diagram illustrates in a summary fashion the flow of funds under the Indenture and is not intended to be a complete or definitive description of the flow of funds. For a more complete description of the flow of funds, see “SECURITY AND SOURCES OF PAYMENT – Flow of Funds” and APPENDIX D – “SUMMARY OF THE INDENTURE.”



\* See notes on following page

\* This chart reflects a simplified version of the flow of funds. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS –Flow of Funds” for a more complete discussion.

(1) Represents transfer to the City General Fund of the portion of TOT collected under section 3.28.050 of the City Code, which does not constitute TOT Revenues. See “TOT REVENUES.”

(2) Represents transfer to Visit Sacramento of the portion of the TOT collected under section 3.28.040 that are required to be paid to Visit Sacramento. See “TOT REVENUES.”

(3) Represents transfer of TOT Revenues to the TOT Revenue Account. See “TOT REVENUES.”

(4) Represents transfers with respect to Senior Bonds and Senior Parity Obligations. The Indenture requires these transfers to be made on the first Business Day of each month. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Flow of Funds - Transfers to Trustee with Respect to Senior Bonds and Senior Parity Obligations.”

(5) Represents transfers with respect to Subordinate Bonds and Subordinate Parity Obligations. The Indenture requires these transfers to be made on the first Business Day of each month after required transfers with respect to Senior Bonds and other Senior Parity Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Flow of Funds - Transfers to Trustee with Respect to Subordinate Bonds and Subordinate Parity Obligations.”

(6) Represents transfers with respect to Third Lien Bonds and Third Lien Parity Obligations. The Indenture requires these transfers to be made on the first Business Day of each month after required transfers with respect to Senior Bonds, other Senior Parity Obligations, Subordinate Bonds, and other Subordinate Parity Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Flow of Funds - Transfers to Trustee with Respect to Third Lien Bonds and Third Lien Parity Obligations.”

(7) Represents transfer with respect to the TOT Revenues Surplus Account. The Indenture requires this transfer to be made on the first Business Day of each month after required transfers with respect to Senior Bonds, other Senior Parity Obligations, Subordinate Bonds, other Subordinate Parity Obligation, Third Lien Bonds, and other Third Lien Parity Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Flow of Funds - Transfers to Trustee with Respect to TOT Revenues Surplus Account; Excess TOT Revenues.”

(8) Represents potential transfers from the Surplus Account. The Indenture requires these transfers to be made on the first Business Day of each month. The Indenture also requires the Trustee to apply amounts in the Surplus Account solely (i) for the purpose of making transfers to the Senior Bonds Interest Account, the Senior Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Third Lien Bonds Interest Account, and the Third Lien Bonds Principal Account, in that order of priority, on the Business Day immediately following each date on which a deposit of 1/6 interest and 1/12 principal must be made under the Indenture, if there is then a deficiency in any of the accounts, after required transfers with respect to Senior Bonds, other Senior Parity Obligations, Subordinate Bonds, other Subordinate Parity Obligation, Third Lien Bonds, and other Third Lien Parity Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Flow of Funds - Transfers to Trustee with Respect to TOT Revenues Surplus Account; Excess TOT Revenues.”

(9) The Indenture provides that, so long as no Event of Default under the Indenture has occurred and is continuing, if the amount on deposit in the TOT Revenues Surplus Account at any time equals or exceeds the Required TOT Surplus Amount, the Trustee will promptly notify the City of that fact and, at the direction of the City, transfer the excess amount to the City, whereby that amount will be released from the pledge and lien that secures the 2018 Bonds and may be applied by the City for any lawful purposes. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Flow of Funds - Transfers to Trustee with Respect to TOT Revenues Surplus Account; Excess TOT Revenues.”

**PAYMENT SCHEDULE**

Debt service with respect to the 2018 Bonds is set forth below.

Fiscal Year Ending June 30	2018 Tax-Exempt Senior Bonds		2018 Taxable Senior Bonds		2018 Subordinate Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019		\$ 5,711,270.83		\$ 440,773.38		\$ 1,950,958.33	\$ 8,103,002.54
2020		9,790,750.00		755,611.50		3,344,500.00	13,890,861.50
2021		9,790,750.00	\$ 3,930,000	755,611.50	\$ 1,150,000	3,344,500.00	18,970,861.50
2022		9,790,750.00	4,070,000	619,830.00	1,200,000	3,287,000.00	18,967,580.00
2023		9,790,750.00	4,215,000	474,368.20	1,265,000	3,227,000.00	18,972,118.20
2024		9,790,750.00	4,370,000	319,509.10	1,325,000	3,163,750.00	18,969,009.10
2025	\$ 510,000	9,790,750.00	4,025,000	155,284.50	1,390,000	3,097,500.00	18,968,534.50
2026	4,715,000	9,765,250.00			1,460,000	3,028,000.00	18,968,250.00
2027	4,950,000	9,529,500.00			1,535,000	2,955,000.00	18,969,500.00
2028	5,195,000	9,282,000.00			1,615,000	2,878,250.00	18,970,250.00
2029	5,455,000	9,022,250.00			1,695,000	2,797,500.00	18,969,750.00
2030	5,730,000	8,749,500.00			1,775,000	2,712,750.00	18,967,250.00
2031	6,015,000	8,463,000.00			1,865,000	2,624,000.00	18,967,000.00
2032	6,315,000	8,162,250.00			1,960,000	2,530,750.00	18,968,000.00
2033	6,635,000	7,846,500.00			2,055,000	2,432,750.00	18,969,250.00
2034	6,965,000	7,514,750.00			2,160,000	2,330,000.00	18,969,750.00
2035	7,315,000	7,166,500.00			2,265,000	2,222,000.00	18,968,500.00
2036	7,680,000	6,800,750.00			2,380,000	2,108,750.00	18,969,500.00
2037	8,060,000	6,416,750.00			2,505,000	1,989,750.00	18,971,500.00
2038	8,465,000	6,013,750.00			2,625,000	1,864,500.00	18,968,250.00
2039	8,890,000	5,590,500.00			2,755,000	1,733,250.00	18,968,750.00
2040	9,335,000	5,146,000.00			2,895,000	1,595,500.00	18,971,500.00
2041	9,800,000	4,679,250.00			3,040,000	1,450,750.00	18,970,000.00
2042	10,290,000	4,189,250.00			3,190,000	1,298,750.00	18,968,000.00
2043	10,805,000	3,674,750.00			3,350,000	1,139,250.00	18,969,000.00
2044	11,345,000	3,134,500.00			3,520,000	971,750.00	18,971,250.00
2045	11,910,000	2,567,250.00			3,695,000	795,750.00	18,968,000.00
2046	12,510,000	1,971,750.00			3,875,000	611,000.00	18,967,750.00
2047	13,135,000	1,346,250.00			4,070,000	417,250.00	18,968,500.00
2048	13,790,000	689,500.00			4,275,000	213,750.00	18,968,250.00
<b>Total</b>	<b>\$ 195,815,000</b>	<b>\$ 202,177,520.83</b>	<b>\$ 20,610,000</b>	<b>\$ 3,520,988.18</b>	<b>\$ 66,890,000</b>	<b>\$ 64,116,208.33</b>	<b>\$ 553,129,717.34</b>

## THE SURETY PROVIDER

The information in this section has been provided by the Surety Provider. Neither the City nor the Underwriters is responsible for the information, and no representation is made by the City or the Underwriters as to its accuracy or completeness.

### Reserve Surety Policies

Concurrently with the issuance of the 2018 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue the 2018 Senior Bonds Reserve Policy and the 2018 Subordinate Bonds Reserve Policy (together, the "Surety Policies").

The Surety Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

### *Capitalization of AGM*

At June 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,221 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2018 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "THE SURETY PROVIDER – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously

included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the 2018 Bonds or the advisability of investing in the 2018 Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “THE SURETY PROVIDER.”

### **TOT REVENUES**

The City imposes the TOT on operators of hotels in the City in an amount equal to 12% of the rent charged by the operator of the hotel. For purposes of the imposition of the TOT, “hotels” includes “any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodginghouse, rooming house, apartment house, dormitory, public or private club, mobilehome or house trailer at a fixed location or other similar structure or portion thereof.” The TOT is imposed on “transients,” defined to mean any person who occupies a hotel for a period of 30 days or less. Historically, most of the TOT has been collected from traditional hotels. In recent years, a portion of the TOT collected has been from individual homeowners renting all or a portion of their homes through AirBnB and similar organizations. See “– Short Term Home/Apartment Rentals” below.

As described herein, under the Indenture “TOT Revenues” means the transient occupancy taxes of the City collected by the assessor-collector that are levied under sections 3.28.030 and 3.28.040 of the City Code, as now in effect and as it may from time to time hereafter be amended or supplemented, including taxes and penalties thereon, excluding amounts collected under section 3.28.040 that are required to fund Visit Sacramento in accordance with that section. In addition, TOT Revenues do not include amounts collected by the City pursuant to section 3.28.050 of the City Code.

The City Code requires that operators of hotels collect the TOT at the same time as the rent is collected from a transient. The City Code requires that the amount of tax must be separately stated from the amount of the rent charged. Employees of federal, state, county, and city governments and tax-exempt governmental instrumentalities who are attending to government business are exempt from paying TOT. Hotel operators are required to remit the TOT to the City assessor-collector monthly by mail or in person. The TOT is due on or before the last day of the month following the month in which the TOT was collected. Any operator who fails to remit required taxes is required to pay a penalty of 10% of the amount of the tax in addition to the amount of the tax. In addition, any operator who fails to remit any delinquent remittance within 30 days after the date on which the remittance first became delinquent must pay a second delinquency penalty equal to 10% of the amount of the tax in addition to the amount of the tax and the 10% penalty first imposed. If the assessor-collector determines that the nonpayment of any remittance due under this chapter is due to fraud, a penalty of 25% of the amount of the tax will be added thereto in addition to the penalties described above. Interest of 6% is also collected on unpaid TOT.

As of October 1, 2018, there are three hotels with outstanding delinquencies totaling approximately \$424,000:

- One hotel owes \$114,000 in TOT from a previous payment plan that it defaulted on, and \$70,000 in the prior fiscal year.
- A second hotel owes about \$20,000.

- A third hotel ceased operations in June of 2015 and the operator owes \$220,000 in TOT. A judgement has been reached in the City’s lawsuit against that hotel operator; however, since that hotel operator may not have significant assets of value, it seems unlikely that the City will be able to collect on the delinquent \$220,000.

The TOT Ordinance provides that a specific amount of the TOT collected each year must be paid to Visit Sacramento and is therefore not subject to the pledge of the Indenture or otherwise available for the payment of debt service with respect to the 2018 Bonds. For fiscal year 2017-18 this amount is \$1,307,388. The amount paid to Visit Sacramento is subject to increase in future years by percentage equal to the lesser of the annual increase in the consumer price index or 10%. For purposes of the calculation “consumer price index” means the U.S. Department of Labor, Bureau of Labor Statistics’ Consumer Price Index (all urban) for the San Francisco-Oakland area (or the Sacramento area if the index is established for the Sacramento area). The amount payable to Visit Sacramento will increase whether or not there are increases in the amount of TOT collected, which may result in a reduction in TOT Revenues, since the amount paid to Visit Sacramento will increase, even if TOT collections decrease, resulting in lower TOT Revenues.

The City has previously established the Transient Occupancy Tax Account, which the City is required to continue to hold and maintain for the purpose of depositing all TOT collected by the City. Promptly upon receipt, the City will set aside amounts collected under section 3.28.040 of the City Code that are required to fund the Visitors Bureau, which amounts are not pledged to the 2018 Bonds or any Parity Obligations. On the first business day of each January, April, July, and October, or such other dates as determined by the City, the City will transfer from the Transient Occupancy Tax Account one-quarter of the amount required to fund the Visit Sacramento under section 3.28.040 of the City Code.

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## Historical Revenue

The 2018 Bonds are the first obligations of the City to which the TOT Revenues are being pledged. The following pro forma table shows the amount of TOT Revenues that would have been available annually since fiscal year 2006-07, using the conventions described in the Indenture, if the Indenture had been in effect.

**Table 1**  
**Historical TOT; Pro Forma TOT Revenues**

Fiscal Year Ending June 30	Transient Occupancy Taxes <sup>(1)</sup>	General Fund Portion <sup>(2)</sup>	Visitors Bureau Payments <sup>(3)</sup>	Pro Forma TOT Revenues <sup>(4)</sup>	Percentage Change <sup>(5)</sup>
2007	\$20,587,247	\$(3,341,208)	\$(993,016)	\$16,163,023	-
2008	21,023,451	(3,503,909)	(1,028,468)	16,491,075	2.0%
2009	18,949,541	(3,158,257)	(1,059,012)	14,732,272	(10.7)
2010	16,983,775	(2,830,629)	(1,087,500)	13,065,646	(11.3)
2011	18,431,604	(3,071,934)	(1,097,832)	14,261,838	9.2
2012	18,815,879	(3,135,980)	(1,112,320)	14,567,579	2.1
2013	19,756,679	(3,292,780)	(1,144,132)	15,319,767	5.2
2014	21,444,451	(3,574,075)	(1,173,536)	16,696,840	9.0
2015	23,810,447	(3,968,407)	(1,200,060)	18,641,979	11.6
2016	26,002,688	(4,333,781)	(1,234,380)	20,434,527	9.6
2017	28,502,945	(4,750,490)	(1,267,340)	22,485,114	10.0
2018	31,981,041	(5,330,173)	(1,307,388)	25,343,481	12.7

<sup>(1)</sup> Equals total TOT revenues on an accrual basis.

<sup>(2)</sup> Equals amount required to be paid to the City General Fund and not available for payment of Senior Bonds or Subordinate Bonds. Amounts represent 1/6th of the figures in the (Transient Occupancy Tax) column. This portion of the TOT is assessed in accordance with section 3.28.050 of the City Code.

<sup>(3)</sup> Equals the amount required to be paid to Visit Sacramento, and not available for the payment of Senior Bonds or Subordinate Bonds. As described above, such amount is subject to escalation annually under City law.

<sup>(4)</sup> Equals the amount of TOT Revenues that would have been available annually since fiscal year 2006-07, using the conventions of the Indenture, if the Indenture had been in effect.

<sup>(5)</sup> Year over year change in Pro Forma TOT Revenues.

Source: City of Sacramento

Over the last ten years on average, March has been the highest month for TOT collections at 9.7% of the annual total and December has been the lowest month at 6.3% of the annual total.



## Top TOT Generating Properties

As of October 1, 2018, TOT is collected by approximately 78 traditional hotels in the City with nearly 8,500 hotel rooms. The following table is an alphabetical list of the top ten hotel properties in the City in terms of TOT in fiscal year 2017-18, and the number of rooms in each. The TOT with respect to these properties collectively constituted approximately 51% of all TOT in fiscal year 2017-18. The single highest property generated approximately 10.2% of all TOT collected in such period; the second highest property generated approximately 8.1%, and the remainder of the top-ten properties generated each generated between 2.7% and 5.9% of all TOT collections.

**Table 2**  
**Top Ten TOT Generating Properties Fiscal Year 2017-18**  
**(Alphabetical Order)**

Hotel	Number of Rooms
Citizen Hotel	196
Doubletree	448
Embassy Suites	242
Hilton Garden Inn	154
Hilton Sacramento	332
Holiday Inn	359
Hyatt Regency	505
Kimpton Sawyer Hotel	250
Residence Inn - Capital Park	235
Sheraton Grand	503

Source: The City.

A number of hotel properties have recently opened in the City, and others are in various stages of approval. These include the Kimpton Sawyer Hotel in the downtown area, which opened in October 2017, and the Hampton Inn & Suites on 65<sup>th</sup> Street in the City, which opened in December 2017.

## Short-Term Home and Apartment Rentals

In recent years, owners of private homes or apartments have increasingly rented their homes or apartments on a short-term basis through services such as AirBnB and VRBO. Under the TOT Ordinance, these rentals are subject to payment of the TOT. Owners are responsible for payment of the TOT, although the City believes that a significant number of owners historically may not have collected the TOT with respect to these short-term home/apartment rentals.

On August 1, 2017, the City entered into an agreement with AirBnB under which AirBnB agreed to collect the TOT with respect to properties rented through the AirBnB service commencing September 1, 2017. In fiscal year 2017-18, TOT with respect to short-term home/apartment rentals constituted approximately \$603,000 (or approximately 1.9% of total TOT). Of that amount, approximately \$581,000 (or approximately 1.8% of total TOT collections) was collected by AirBnB from September 1, 2017, when AirBnB collections commenced, accrued through June 30, 2018.

## PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION

The following table sets forth pro forma debt service coverage with respect to the 2018 Bonds using the pro forma TOT Revenues for fiscal year 2017-18, as set forth in Table 3.

**Table 3**  
**Pro Forma Debt Service Coverage**

Fiscal Year 2017-18 Pro Forma TOT Revenues <sup>(1)</sup>	2018 Senior Bonds MADS <sup>(2)</sup>	2018 Senior Bonds Pro Forma Coverage <sup>(3)</sup>	2018 Subordinate Bonds MADS <sup>(4)</sup>	Aggregate MADS <sup>(5)</sup>	Aggregate Pro Forma Coverage <sup>(6)</sup>	Remaining TOT Revenues <sup>(7)</sup>
\$25,343,481	\$14,481,750	1.750x	\$4,494,750	\$18,972,118	1.34x	\$6,371,363

Notes

1. Unaudited. Calculated using the methodology set forth in the Indenture. See Table 1.
2. Equal to Maximum Annual Debt Service (“MADS”) with respect to the 2018 Senior Bonds.
3. Equal to fiscal year 2017-18 Pro Forma TOT Revenues divided by 2018 Senior Bonds MADS.
4. Equal to MADS with respect to the 2018 Subordinate Bonds.
5. Equal to MADS with respect to the Series 2018 Senior Bonds and the 2018 Subordinate Bonds (“**Total MADS**”).
6. Equal to Fiscal Year 2017-18 Pro Forma TOT Revenues divided by Aggregate MADS.
7. As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS - Flow of Funds - Transfers to Trustee with Respect to TOT Revenues Surplus Account; Excess TOT Revenues,” TOT Revenues available on the first Business Day of each month not required for required transfer with respect to the Parity Obligations are required to be transferred to the TOT Revenues Surplus Account until the amount on deposit therein equals the Required TOT Surplus Amount. This figure equals Pro Forma TOT Revenues less Aggregate MADS.

## **REPORT OF THE TOT CONSULTANT**

CBRE Group, Inc., San Francisco, California (the “TOT Consultant”) has prepared its Transient Occupancy Tax Forecast, dated October 5, 2018 (the “Report of the TOT Consultant”), which is included in Appendix B. In preparing its report, the TOT Consultant relied upon its existing general knowledge of the City lodging market; additional interviews with local planning departments, major hotel companies, and local hotel owners and developers; and its own market research. The Report of the TOT Consultant should be read in its entirety for a full understanding of the TOT Consultant’s analysis and the basis for its conclusions. From time to time the TOT Consultant has provided appraisal and other related services to the City.

The Report of the TOT Consultant was prepared for City planning purposes to determine the future potential availability of TOT (in excess of TOT Revenues required for the payment of Senior Parity Obligations, Subordinate Parity Obligations, and Third Lien Parity Obligations) for additional projects eligible for TOT funding. While the Report of the TOT Consultant includes forecasts, the 2018 Bonds have been structured utilizing actual TOT Revenues in Fiscal Year 2017-18. See “PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION” herein. As described herein, there can be no assurances that TOT Revenues will not decline below actual Fiscal Year 2017-18 TOT Revenues in the future.

The Report of the TOT Consultant is addressed solely to the City and may not be relied upon by potential investors when making an investment decision or for any other purpose. The Report of the TOT Consultant does not constitute a recommendation to any person to purchase or sell the 2018 Bonds. The conclusions reached in the Report of the TOT Consultant are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth in the Report of the TOT Consultant. For a more detailed summary of the methodology used by the TOT Consultant, see the “Methodology” section of the Report of the TOT Consultant.

In connection with the preparation of the Report of the TOT Consultant, the City indemnified the TOT Consultant for any actions, losses, claims, damages, judgments, penalties, liabilities, costs and expenses arising out of or in any way relating to the Report of the TOT Consultant, the Official Statement, or the offering of the 2018 Bonds.

THE REPORT OF THE TOT CONSULTANT SHOULD BE READ IN ITS ENTIRETY FOR AN UNDERSTANDING OF THE FINDINGS, UNDERLYING ASSUMPTIONS, HYPOTHETICAL CONDITIONS AND QUALIFICATIONS, AND PROJECTIONS. ANY PROJECTION IS SUBJECT TO UNCERTAINTIES. INEVITABLY, SOME ASSUMPTIONS USED TO DEVELOP PROJECTIONS WILL NOT BE REALIZED, AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY OCCUR. THEREFORE, THERE ARE LIKELY TO BE DIFFERENCES BETWEEN PROJECTIONS AND ACTUAL RESULTS, AND THOSE DIFFERENCES MAY BE MATERIAL AND ADVERSE. SEE APPENDIX B-“REPORT OF THE TOT CONSULTANT.”

### **CERTAIN RISK FACTORS**

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2018 Bonds. There can be no assurance that other risk factors do not currently exist or will not arise at any future time due to changed circumstances or otherwise.

#### **General**

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders’ risks set forth throughout this Official Statement and should specifically consider certain risks associated with the 2018 Bonds. There follows a discussion of some,

but not necessarily all, of the possible risk factors that should be carefully evaluated by prospective purchasers of the 2018 Bonds before purchasing any of the 2018 Bonds.

### **Limited Obligations**

The 2018 Bonds are limited obligations of the City and are secured by a pledge of, and a lien on, TOT Revenues and are payable, as to principal and interest and any redemption premiums, solely as provided in the Indenture, and the City is not obligated to pay the 2018 Bonds except as provided in the Indenture. The General Fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the 2018 Bonds or the interest or premium thereon. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except as provided in the Indenture.

### **Economic and Market Conditions**

The receipt of the TOT Revenues depends on the economic activity that generates the TOT collected under the TOT Ordinance. The TOT Revenues depend on the use of the lodging facilities in the City's taxing jurisdiction and the rent charged for the rooms. A reduction in the number of facilities or rooms rented, or a decrease in the rent charged for rooms, would result in a reduction in the TOT Revenues.

A number of factors, many of which might be beyond the control of the City, could have an adverse impact on occupancy levels in the Sacramento hotel market, including adverse changes in the national economy and levels of corporate travel and tourism, competition from other hotels, energy costs, governmental rules and policies, potential environmental and other liabilities, and interest rates. Corporate travel and tourism are highly dependent upon gasoline and other fuel prices, airline fares, and the national economy. The amount of TOT Revenues will also be affected by economic factors such as the number of travelers to the area; the opening or closing in the area of lodging facilities, car rental agencies, and restaurants; and pricing decisions made by operators of such facilities. There can be no assurances that future changes in the local or national economy or other factors will not result in material adverse reduction in the amount of TOT Revenues.

### **Potential Declines in TOT Revenues**

The collection of TOT Revenues in amounts sufficient to pay debt service for the 2018 Bonds when due is affected by, and subject to, conditions that may change in the future to an extent and with effects that cannot be determined at this time. The receipt of TOT Revenues is subject to economic factors and other conditions that are impossible to predict, and the City has seen substantial variations in TOT Revenues from year to year based on general economic conditions. For example, during the national economic recession that began in 2007, general economic conditions caused a decline in TOT Revenues of approximately 20.2% over the two-year period from Fiscal Year 2008-09 to 2009-10. However, in fiscal year 2014, TOT collections surpassed the previous peak level achieved in fiscal year 2008. The effect of future declines in TOT Revenues on the payment of debt service for the 2018 Bonds will be exacerbated by required payments to Visit Sacramento from the TOT before determination of TOT Revenues; those payments increase each year (even in years in which TOT collections decline).

No assurance can be given that TOT Revenues will equal or exceed any projections or forecasts contained herein or that the historical hotel-tax collections experienced by the City represent an accurate indicator of future amounts of TOT Revenues. A reduction in the amount of TOT Revenues could occur for several reasons, including but not limited to (i) a reduction in the demand for hotel accommodations resulting from a reduction in the frequency or length of tourist or business visits to the City due to a general recession or the decline of the City as a tourist destination, business center, or convention location; (ii) competition from hotels in the general area not located within the area in which the TOT is levied, including hotels that may be built in the future; (iii) reductions in room rates due to such competition, recession, or other economic factors; (iv) temporary closing of hotels for remodeling, maintenance, or repairs; (v) partial or full conversion of hotel

property to other purposes not subject to the TOT (*e.g.*, time shares or condominiums); and (vi) temporary or permanent closings of hotels subject to the TOT due to damage or destruction or other reasons. These factors may affect only one or more hotels in the City from time to time or may affect all of them at the same time. See also “– Change in Use” below.

### **Concentration of Revenues**

The TOT with respect to the top-ten hotel properties collectively constituted approximately 51% of all TOT in fiscal year 2017-18. The single highest property generated approximately 10.2% of all TOT in that period, the second highest property generated approximately 8.1%, and the remainder of the top-ten properties each generated between 2.7% and 5.9% of all TOT. A significant adverse impact upon the continued operation of one or more of these hotels would have a substantial impact on TOT Revenues. No remedy is available to owners of the 2018 Bonds if a shortfall occurs in TOT Revenues due to non-operation in whole or in part of any hotels or hotels.

### **Report of the TOT Consultant**

The Report of the TOT Consultant included as Appendix B to this Official Statement contains certain assumptions and forecasts. The Report of the TOT Consultant should be read in its entirety for the assumptions and rationale underlying the information contained therein, including the forecasts of future growth in the TOT.

As described in “REPORT OF THE TOT CONSULTANT,” the Report of the TOT Consultant was prepared for City planning purposes to determine the future potential availability of TOT (in excess of TOT Revenues required for the payment of Senior Parity Obligations, Subordinate Parity Obligations, and Third Lien Parity Obligations) for additional projects eligible for TOT funding. Although the Report of the TOT Consultant includes forecasts, the 2018 Bonds have been structured utilizing actual TOT Revenues in Fiscal Year 2017-18. See “PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION” herein. As described herein, there can be no assurances that TOT Revenues will not decline below actual Fiscal Year 2018 TOT Revenues in the future.

As noted in the Report of the TOT Consultant, any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in the Report of the TOT Consultant are not necessarily indicative of future growth in the TOT, and the TOT Consultant, the City, and the Underwriter do not assume any responsibility, collectively or individually, for the failure to meet those projections. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the 2018 Bonds are cautioned not to place undue reliance upon the Report of the TOT Consultant or upon any projections of future growth in the TOT. If actual results are less favorable than the results projected, or if the assumptions used in preparing such projections prove to be incorrect, then the amount of TOT Revenues may be materially less than expected. Consequently, the ability of the City to make timely payments of the principal of and interest on the 2018 Bonds may be materially adversely affected.

Neither the City’s independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the TOT growth forecast.

### **Change in Use**

The operators of the hotels in the City are obligated to collect the TOT but are not obligated to continue to use their facilities as hotels. A reduction in TOT Revenues could result from the permanent change

in use of one or more of the hotels in the City such that such former hotel facility is used for a purpose that does not include the occupancy of guest rooms and collection of the TOT, such as time-share ownership. This permanent closing and or reutilization of a facility could result from various economic or individual circumstances, including the determination by an owner of a hotel that another use represents a more profitable use of its facility or land. The City cannot give any assurance that any or all of the hotels currently located in the City will continue to be hotels during the entire period of time that 2018 Bonds are Outstanding.

### **Bankruptcy or Insolvency of Hotel Owner**

The TOT is generally imposed by the TOT Ordinance upon occupants occupying a guest room in a hotel in the taxing jurisdiction of the City, and each occupant is required to pay the TOT to the operator of the hotel along with the rent for occupancy. The obligation of the occupant to pay is not satisfied until the TOT has been paid to the City; however, the occupant satisfies his or her obligation upon obtaining a receipt indicating payment of the rent from the operator of the hotel.

The remittance of the TOT to the City may be limited or delayed by bankruptcy or insolvency of the owners of the hotels in the City. A bankruptcy or other insolvency proceeding of the owner of a hotel within the City could result in the TOT to be remitted by the owner not being remitted on a timely basis or in the full amount.

### **Additional Senior Parity Obligations and Subordinate Parity Obligations**

Subject to satisfaction of the conditions set forth therein, the Indenture permits the issuance of additional Senior Parity Obligations payable from TOT Revenues on a parity with the 2018 Senior Bonds and the issuance of additional Subordinate Parity Obligations payable from TOT Revenues on a parity with the 2018 Subordinate Bonds.

The holders of any additional Parity Obligations would be entitled to share ratably with the holders of the 2018 Senior Bonds or the 2018 Subordinate Bonds, as applicable.

### **Suitability of Investment**

An investment in the 2018 Bonds involves elements of risk, and the 2018 Bonds are not suitable investments for all persons. Prospective purchasers should evaluate the risks and merits of an investment in the 2018 Bonds before considering such a purchase.

### **Earthquake, Flood, and Other Disasters or Calamities**

The occurrence of a flood, earthquake, other natural disaster or other calamity (including terrorism or epidemics) could result in significant reductions in travel and hotel stays in the City, and thereby result in significant reductions in TOT Revenues.

### **Effect of City Bankruptcy**

The City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the 2018 Bonds.

If the City is in bankruptcy, the parties (including the holders of the 2018 Bonds) may be prohibited from taking any action to collect any amount from the City (including the TOT Revenues) or to enforce any obligation of the City unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2018 Bonds from funds in the Trustee's possession

The provisions of the Indenture that provide that the commencement of a bankruptcy case by the City is an Event of Default and that certain other insolvency related events with respect to the City are also Events of Default may be unenforceable. This may limit the ability of the Trustee to require the City to turn over to the Trustee TOT Revenues and may allow the City to continue to spend TOT Revenues for any lawful purpose as provided in the Indenture free and clear of the lien of the Indenture, notwithstanding that the City is in bankruptcy.

If the City files for bankruptcy, the City may not be required to turn over to the Trustee any TOT Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. With respect to TOT Revenues collected after the bankruptcy filing, if the City does not voluntarily turn over such TOT Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the holders of the 2018 Bonds would have to follow to attempt to obtain possession of such TOT Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Under such circumstances, there may be delays or reductions in payments on the 2018 Bonds.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the TOT Revenues), which lien could have priority over the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2018 Bonds will be adequately protected. The City may be able to cause some of the TOT Revenues to be released to it, free and clear of lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2018 Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the holders of the 2018 Bonds, 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 Indenture and the 2018 Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2018 Bonds while the bankruptcy court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the 2018 Bonds or result in losses to the holders of the 2018 Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2018 Bonds.

### **Proposition 218**

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution. Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, including the City. The City has imposed a transient occupancy tax since 1965. The TOT is currently being levied at the rate that was in place at the time of enactment of Proposition 218; any future increases in the rate would require 2/3 voter approval. Article XIII C also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized local taxes, even previously voter-approved taxes like the TOT. In the view of the City, however, any attempt by the voters to use the initiative provisions of Proposition 218 to rescind or reduce the levy and collection of the TOT in a manner which would prevent the payment of debt service on the 2018 Bonds, would violate the Contracts Clause of the United States Constitution and, accordingly, would be precluded. The interpretation and application of Proposition 218 will ultimately be determined by the courts.

## **Further Initiatives**

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the City's ability to levy and collect the TOT, or change the types of transactions subject to the TOT.

## **Limitation on Remedies**

If an Event of Default should occur, the Trustee and the holders of the 2018 Bonds would have no ability to accelerate the maturity of the 2018 Bonds. This means that even after an Event of Default occurs, the 2018 Bonds may be paid according to the regularly-scheduled due dates. This may result in delays or reductions in payments on the 2018 Bonds compared to what would happen if the Trustee could accelerate the maturity of the 2018 Bonds, and it could cause the market value of the 2018 Bonds to decline after the occurrence of an Event of Default.

## **ABSENCE OF LITIGATION**

There is no controversy or litigation of any nature now pending or threatened that seeks a court order restraining or enjoining the issuance of the 2018 Bonds or in any way contesting or affecting the validity of the 2018 Bonds or any proceedings of the City taken with respect to the execution, delivery, or sale thereof.

In addition, there is no litigation pending or threatened against the City that, in the opinion of the City Attorney, would materially adversely affect the sources of payment for the 2018 Bonds.

## **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the 2018 Bonds to provide certain financial information and operating data relating to the City by not later than the end of the ninth month after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2017-18 fiscal year (each, an "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. These Annual Reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, known as EMMA. The specific nature of the information to be contained in an Annual Report or in the notices of enumerated events is described in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." This continuing disclosure covenant has been made to assist the underwriters of the 2018 Bonds in complying with Securities Exchange Commission Rule 15c-12(b)(5).

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. In certain continuing disclosure filings during the past five years, certain filings were made after the required filing date, such as the City's audited financial statements for fiscal year 2013 with respect to some prior issues, the City's annual reports for each of the past five fiscal years with respect to some prior issues, and certain required information supplementing the City's annual reports for certain prior issues (including the City's budget in at least two instances). The City did not file notices of late filings in the past five years. On one occasion in the last five years, the City inadvertently failed to file a notice of an insurer-related rating change.

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



## TAX MATTERS

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2018 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. Interest on the 2018 Taxable Senior Bonds is not intended to be excluded from gross income for federal income tax purposes.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Tax-Exempt Bonds. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2018 Tax-Exempt Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a 2018 Tax-Exempt Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2018 Tax-Exempt Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2018 Tax-Exempt Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2018 Tax-Exempt Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2018 Tax-Exempt Bonds who purchase the Tax-Exempt Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2018 Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Tax-Exempt Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2018 Tax-Exempt Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2018 Tax-Exempt Bond (said term being the shorter of the 2018 Tax-Exempt Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2018 Tax-Exempt Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2018 Tax-Exempt Bond is amortized each year over the term to maturity of the 2018 Tax-Exempt Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium 2018 Tax-Exempt Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2018 Tax-Exempt Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2018 Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or the 2018 Bonds to be subject to state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2018 Tax-Exempt Bonds or the 2018 Taxable Senior Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2018 Bonds, or as to the consequences of owning or receiving interest on the 2018 Bonds, as of any future date. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2018 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2018 Bonds, the ownership, sale or disposition of the 2018 Bonds, or the amount, accrual or receipt of interest on the 2018 Bonds.

#### **APPROVAL OF LEGALITY**

The validity of the 2018 Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, bond counsel to the City (“**Bond Counsel**”). A complete copy of the proposed form of Bond Counsel’s opinion is contained in Appendix F 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 Underwriters by Schiff Hardin LLP, and for the City by the City Attorney and its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

#### **RATINGS**

Moody’s Investors Service has assigned the 2018 Senior Bonds the long-term rating of “A1” and assigned the 2018 Subordinate Bonds the long-term rating of “A2.”

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 the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or either of them, if, in their respective judgments, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2018 Bonds.

#### **UNDERWRITING**

The underwriters listed on the cover page of this Official Statement (the “**Underwriters**”) have agreed, subject to certain conditions, to purchase the 2018 Bonds at an aggregate price of \$314,646,907.19 (consisting of the principal amount of the 2018 Bonds plus original-issue premium of \$32,554,888.80, less an underwriter’s discount of \$1,222,981.61). The Purchase Contract relating to the 2018 Bonds provides that the Underwriters will purchase all of the 2018 Bonds if any are purchased. The 2018 Bonds may be offered and

sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and the public offering price may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. In the various course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell, or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and these investment and trading activities might involve or relate to assets, securities, and instruments of the City (directly, as collateral securing other obligations, or otherwise) and persons and entities with relationships with the City. The underwriters and their respective affiliates might also communicate independent investment recommendations, market color, or trading ideas and might publish or express independent research views in respect of the City's assets, securities, or instruments and might at any time hold, or recommend to clients that they should acquire, long or short positions in the assets, securities, and instruments.

Morgan Stanley & Co. LLC, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this 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 2018 Bonds.

Citigroup Global Markets Inc., an underwriter of the 2018 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

#### **MUNICIPAL ADVISOR**

Montague DeRose and Associates, LLC is employed as Municipal Advisor to the City in connection with the issuance of the 2018 Bonds. The Municipal Advisor's compensation for services rendered with respect to the sale of the 2018 Bonds is not contingent upon the issuance and delivery of the 2018 Bonds. Montague DeRose and Associates, LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the 2018 Bonds or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement: The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

#### **INDEPENDENT AUDITOR**

Audited financial statements of the City (including the Community Center Fund in which the TOT is accounted for) for the fiscal year ended June 30, 2017, are attached hereto as Appendix A. The City's financial statements were audited by the independent accounting firm of Vavrinek, Trine, Day & Co., LLP of

Sacramento, California (the “**Auditors**”). The Auditors have not reviewed or audited this Official Statement, and the City has not sought the consent of the Auditors to the inclusion of the Auditors’ report in this Official Statement. The audited financial statements include information concerning the City’s General Fund and other funds, including the Community Center Fund and the enterprise funds relating to the City’s wastewater system, solid-waste system, and stormwater-drainage system. The 2018 Bonds are special obligations of the City, secured by and payable solely from the amounts set forth in the Indenture. No other funds of the City are available for payment of the 2018 Bonds.

**MISCELLANEOUS**

This Official Statement contains brief summaries of certain documents and reports. These summaries do not purport to be complete or definitive, and reference is made to the documents and reports for full and complete statements of their contents. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not a contract or agreement between the City and the purchasers or owners of any of the 2018 Bonds.

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

**CITY OF SACRAMENTO**

By:           /s/John P. Colville Jr.            
          City Treasurer

**MISCELLANEOUS**

This Official Statement contains brief summaries of certain documents and reports. These summaries do not purport to be complete or definitive, and reference is made to the documents and reports for full and complete statements of their contents. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not a contract or agreement between the City and the purchasers or owners of any of the 2018 Bonds.

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

**CITY OF SACRAMENTO**

By:  \_\_\_\_\_  
City Treasurer

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE  
FISCAL YEAR ENDED JUNE 30, 2017**

The audited financial statements of the City are included for background information only.

The audited financial statements include information concerning the City's General Fund and other funds, including the Community Center Fund in which the TOT is accounted for. The 2018 Bonds are special obligations of the City, secured by and payable solely from the TOT Revenues as described herein. No other funds of the City are available for payment of the 2018 Bonds.



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City of Sacramento  
California

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Prepared by the Department of Finance,  
Accounting Division

Dawn Holm, Interim Director of Finance  
Osvaldo Lopez, Interim Accounting Manager  
Harinder Rangji, Principal Accountant



# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017  
City of Sacramento, California

# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# CITY OF SACRAMENTO, CALIFORNIA

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# Introductory Section

December 22, 2017

Honorable Mayor and City Council  
City of Sacramento, California.

Dear Mayor and Members of the City Council:

We are pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) for the City of Sacramento (City) for the fiscal year ended June 30, 2017. Article IX of the City Charter and 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, 2017. 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 estimated the population on January 1, 2017, at 493,025 for the City and 1,514,770 for the County. Encompassing 99 square miles, the City 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 Public Financing Authority (SPFA)  
Sacramento City Employees' Retirement System (SCERS)  
Successor Agency to the Redevelopment Agency of the City of Sacramento (RASA)

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

**SCFA and SPFA** are entities created to issue debt to finance City projects. Both are reported on a blended basis as part of the primary government because the boards are composed of all 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 the 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.

#### 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'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 economic recovery in 2017. As of June 2017, unemployment for the Sacramento metropolitan area was 4.8% compared to 5.3% one year earlier. According to the latest forecast from the Center for Business and Policy Research at the University of the Pacific, slow and steady growth in employment in California is expected to continue in 2018. While there is an expectation of continued economic growth, economic data indicates that growth in the Sacramento region will continue to generally lag behind national trends and other areas of California.

Construction and investment in the downtown urban core continued to grow with new retailers entering the region. The long-term forecast for the City's secured property taxes continues to be positive with the addition of the Golden 1 Center in the downtown area and other development projects underway throughout the city. The new Golden 1 Center is expected to transform the former Downtown Plaza area, now known as Downtown Commons, into a center of entertainment and activity providing Sacramento with a first-class venue for sports, entertainment and cultural events.

#### **BUDGET INITIATIVES AND LONG-TERM FINANCIAL PLANNING**

The City continues to benefit from the economic recovery with revenues growing at a substantial rate. Measure U, a voter-approved 1/2 cent sales and use tax that expires in March of 2019, continues to provide resources to protect and restore vital City programs and services. Given the temporary nature of the Measure U resources, it remains critical that the City continues to reevaluate not only how services are delivered to meet citizen needs, but also which programs and services the City can afford to deliver. 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 emergency or unforeseen events. Pursuant to a new policy, the City will maintain an EUR at a minimum of 10% of budgeted General Fund revenues and will seek to achieve and maintain a General Fund EUR equal to two months of regular on-going General Fund expenditures, including transfers (i.e. 17% of General Fund expenditures).

The Council policy directs 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, be added to the EUR. Unbudgeted one-time general revenue of \$2.7 million was added to the EUR during year-end close bringing the balance to \$49.64 million, approximately 10.7% of estimated FY2017/18 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, 2016. This marks the 29<sup>th</sup> 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.

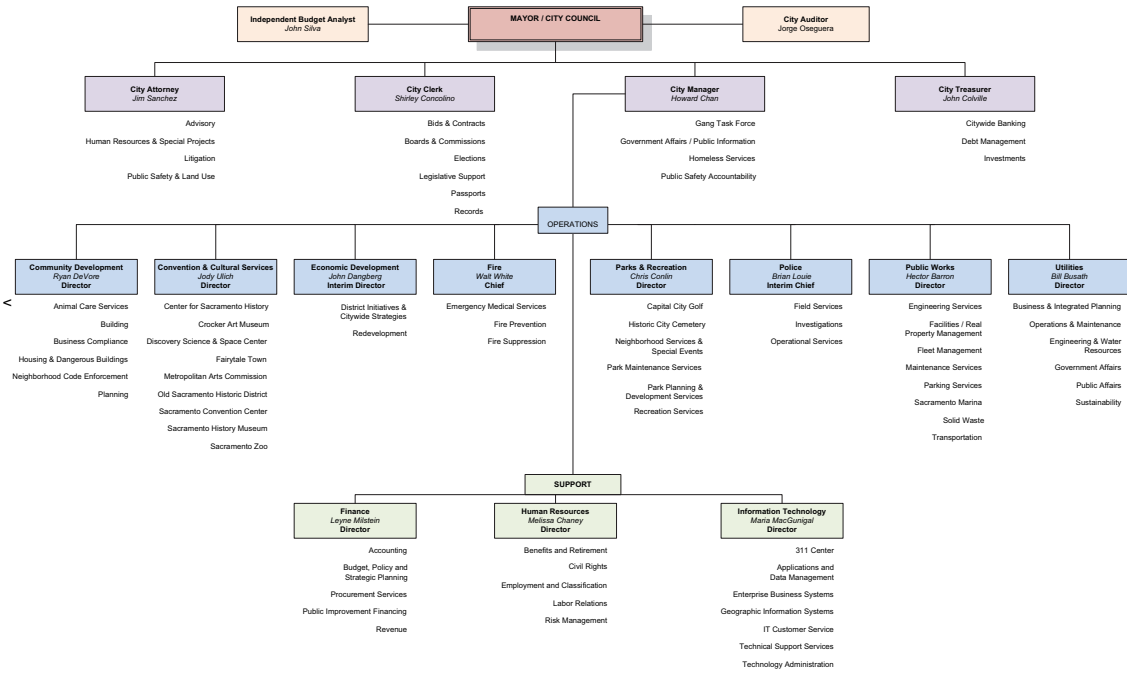
Respectfully submitted,

  
Howard Chan  
City Manager

  
Dawn Holm  
Interim Finance Director

  
Osvaldo Lopez  
Interim Accounting Manager

# City of Sacramento Organization Chart As of June 30, 2017



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**City of Sacramento  
Directory of City Officials  
June 30, 2017**

---

**Darrell Steinberg**  
Mayor

**Angelique Ashby**  
Councilmember, District 1

**Allen Warren**  
Councilmember, District 2

**Jeff Harris**  
Councilmember, District 3

**Steve Hansen**  
Councilmember, District 4

**Jay Schenirer**  
Councilmember, District 5

**Eric Guerra**  
Councilmember, District 6

**Rick Jennings, II**  
Vice Mayor, District 7

**Larry Carr**  
Councilmember, District 8

---

**Howard Chan**  
City Manager

**James Sanchez**  
City Attorney

**Shirley Concolino**  
City Clerk

**John Colville**  
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, 2016**

  
Executive Director/CEO

# Financial Section

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**VAVRINEK, TRINE, DAY & CO., LLP**  
*Certified Public Accountants*

**VALUE THE difference**

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the year ended June 30, 2017, 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, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, 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.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios, the schedules of contributions, and schedule of funding progress for the other post-employment benefits plan, 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 22, 2017, 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.

*Varrick, Fine, Day & Co. LLP*

Sacramento, California  
December 22, 2017

**City of Sacramento  
Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

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, 2017. 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 issued the Series 2017 Water Revenue Bonds in fiscal year 2017. Bond proceeds of \$63 million will be used to finance the acquisition and installation of water meters, replacement of aging pipelines, and rehabilitation of City water treatment plants.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$6 million in fiscal year 2017. This is primarily attributable to tax and service fee revenues in excess of expectations for year.
- The City's total government-wide net position increased by \$15 million in fiscal year 2017, a 0.7 percent increase.

**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 Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions for the City's pension plans along with the Schedule of Funding Progress for the City's other post-employment benefit plan, 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, each of which is presented in a column in the basic financial statements.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**Government-wide Financial Statements**

The government-wide statements report information about the City using accounting methods like those used by private-sector companies. The statement of net position includes all 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.

**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 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.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**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  
Summary of Net Position**  
As of June 30, 2017 and 2016  
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 926	\$ 774	\$ 466	\$ 405	\$ 1,392	\$ 1,179	18.1%
Capital assets	1,772	1,997	1,268	1,252	3,040	3,249	-6.4%
Total assets	2,698	2,771	1,734	1,657	4,432	4,428	0.1%
Deferred outflows of resources	180	75	28	17	208	92	126.1%
Long-term liabilities	1,724	1,615	710	667	2,434	2,282	6.7%
Other liabilities	84	102	49	45	133	147	-9.5%
Total Liabilities	1,808	1,717	759	712	2,567	2,429	5.7%
Deferred inflows of resources	29	56	4	10	33	66	-50.0%
Net position							
Net investment in capital assets	1,296	1,498	807	785	2,103	2,283	-7.9%
Restricted	189	157	42	43	231	200	15.5%
Unrestricted	(444)	(582)	150	124	(294)	(458)	-35.8%
Total net position	\$ 1,041	\$ 1,073	\$ 999	\$ 952	\$ 2,040	\$ 2,025	0.7%

**Analysis of net position**

As noted earlier, total net position of the primary government increased by \$15 million in fiscal year 2017. Total assets increased \$4 million and total liabilities increased \$138 million. Deferred outflows of resources increased \$116 million, and deferred inflows of resources decreased \$33 million.

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

**Governmental activities**

Current and other assets increased \$152 million primarily due to the \$143 million loan receivable from the Sacramento Kings ownership group related to the sale of the Golden 1 Center.

Capital assets of governmental activities decreased \$225 million primarily due to capital asset dispositions including the Golden 1 Center and depreciation of capital assets, offset by current year capital asset additions. More detailed capital asset information is in Note 4 to the financial statements.

The increase in governmental deferred outflows of resources of \$105 million is primarily due to the recognition of pension contributions subsequent to the measurement date as well as new deferred outflows related to the net difference between projected and actual earnings on pension plan investments. Additionally, this year we also have outflows related to differences between expected and actual experiences. More detailed information about pension plans in Note 8 to the financial statements.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

Governmental long-term liabilities increased \$109 million primarily due to the \$126 million increase in the net pension liability which was offset by principal payments on existing obligations. More information is available in Note 7 to the financial statements.

Deferred inflows of resources decreased \$27 million primarily due to the recognition of the current year expenses. During this year, there were no new deferred inflows.

Net investments in capital assets decreased \$202 million mostly as a result of the sale of the Golden 1 Center this year.

Restricted net position, representing amounts that must be used in accordance with external restrictions, increased \$32 million mostly due to increases in restrictions for capital projects.

**Business-type activities**

Current and other assets of business-type activities increased \$61 million primarily due to increase in restricted cash and investments of \$56 million sourced from the 2017 Water Revenue Bonds.

Capital assets of business-type activities increased \$16 million due to capital asset additions including rehabilitation of water treatment plants, water mains and meters, offset by current year depreciation. More detailed capital asset information is in Note 4 to the financial statements.

Deferred outflows of resources increased \$11 million primarily due to the new outflows related to net differences between projected and actual earnings on pension plan investments. More detailed information about pension plans in Note 8 to the financial statements.

Long-term liabilities, excluding the net pension liability, increased \$43 million primarily due to the issuance of new debt in the amount of \$63 million in the Water fund offset by principal payments on existing obligations. More detailed information about long-term liabilities is available in Note 7 to the financial statements.

Net investments in capital assets increased \$22 million due to capital asset additions and retirement of capital-related debt, partially offset by depreciation expense.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**City of Sacramento  
Changes in Net Position  
For the Fiscal Years Ended June 30, 2017 and 2016  
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2017	2016	2017	2016	2017	2016	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 158,817	\$ 145,299	\$ 276,425	\$ 262,985	\$ 437,242	\$ 408,284	7.1%
Operating grants & contributions	36,938	35,442	3,967	3,435	40,905	38,877	5.2%
Capital grants & contributions	86,856	122,528	6,229	7,433	93,085	129,961	-28.4%
General revenues:							
Property taxes	146,697	138,354	-	146,697	138,354	138,354	6.0%
Local sales taxes	45,465	42,529	-	45,465	42,529	42,529	6.9%
Utility users tax	62,997	61,404	-	62,997	61,404	61,404	2.6%
Other taxes	32,143	28,232	23,866	21,800	56,009	50,032	11.9%
Unrestricted:							
Sales taxes shared state revenue	81,296	67,983	-	-	81,296	67,983	19.6%
State of California in-lieu sales tax	9,178	14,387	-	-	14,387	14,387	-100.0%
Investment earnings	14,221	11,328	1,292	4,428	10,470	15,756	-33.5%
Miscellaneous	(79,916)	12,954	20	20	14,241	12,974	9.8%
Gain (loss) disposal of capital assets	-	-	17	-	(78,899)	-	0.0%
<b>Total revenues</b>	<b>594,692</b>	<b>680,440</b>	<b>313,816</b>	<b>300,101</b>	<b>908,508</b>	<b>880,541</b>	<b>-7.3%</b>
<b>Expenses</b>							
General government	59,037	59,037	-	-	59,037	59,037	0.0%
Police	176,965	164,750	-	-	176,965	164,750	7.4%
Fire	146,693	137,659	-	-	146,693	137,659	6.4%
Public works	106,328	121,164	-	-	106,328	121,164	-12.3%
Economic development	13,397	13,049	-	-	13,397	13,049	2.7%
Convention and cultural services	20,380	24,139	-	-	20,380	24,139	-15.6%
Parks & recreation	50,156	53,911	-	-	50,156	53,911	-7.0%
Community development	41,726	36,251	-	-	41,726	36,251	15.1%
Library	16,122	16,294	-	-	16,122	16,294	-1.1%
Water	27,626	30,404	-	-	27,626	30,404	-9.1%
Interest on long-term debt	-	-	80,176	73,150	80,176	73,150	9.6%
Wastewater	-	-	28,075	25,348	28,075	25,348	14.7%
Storm drainage	-	-	40,479	40,971	40,479	40,971	-1.2%
Solid waste	-	-	51,683	47,703	51,683	47,703	8.4%
Community center	-	-	16,607	17,277	16,607	17,277	-3.9%
Parking	-	-	11,965	14,451	11,965	14,451	-17.3%
Child development	-	-	5,743	5,519	5,743	5,519	4.1%
<b>Total expenses</b>	<b>658,416</b>	<b>656,878</b>	<b>235,728</b>	<b>224,419</b>	<b>894,144</b>	<b>881,297</b>	<b>1.5%</b>
Revenue over (under) expenses	(63,724)	23,562	78,088	75,682	14,364	99,244	-85.5%
Special items	31,443	(8,830)	-	-	-	(8,830)	-
Transfers	(32,281)	29,505	(31,443)	(14,773)	-	-	-
Change in net position	1,073,117	1,043,612	952,170	893,261	2,026,287	1,934,873	4.7%
Net position, beginning of year	\$ 1,040,636	\$ 1,073,117	\$ 996,815	\$ 925,170	\$ 2,039,651	\$ 2,025,293	0.7%
Net position, end of year							

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**Analysis of the changes in net position**

Total government-wide revenues of the primary government decreased \$72 million, a 7.3 percent decrease compared to the prior fiscal year, and total expenses increased \$13 million, a 1.5 percent increase compared to the prior fiscal year. These changes are discussed in more detail below.

**Governmental activities**

Total revenues for governmental activities decreased \$86 million, a 12.6 percent decrease compared to the prior fiscal year. Total expenses increased \$2 million, a 0.2 percent increase, and net transfers from business-type activities increased \$17 million, a 112.8 percent increase compared to the prior fiscal 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 fiscal year 2017 primarily because less capital assets were transferred out of governmental activities.

**Revenue**

Capital grants and contributions revenue decreased \$36 million primarily due to decrease in revenue in the capital grants fund by (\$32 million). Refer to capital grant fund as discussed in the fund statements below. Investment earnings decreased by \$1 million primarily due to current year unrealized losses compared to unrealized investment gains in the prior fiscal year, a decrease of (\$1.4 million). Governmental charges for services increased \$14 million due to increases in development activity (\$1 million), medical marijuana permit fees (\$1 million), parking revenue mainly from activity at the Golden 1 Center (\$4 million), and police security services (\$2 million) and community services and facility use fees (\$3 million).

Property tax revenue increased \$8 million due to sustained increases in Sacramento area commercial and residential real estate property assessed valuations. Other tax revenues, including sales and utility users tax increased \$7 million mostly due to the sustained economic recovery.

**Expenses**

Total governmental expenses increased \$2 million primarily due to increases in the police (\$12 million) and fire (\$9 million) departments, offset by decreases in public works (\$15 million).

**Business-type activities**

Total revenues for business-type activities increased \$14 million, a 4.6 percent increase compared to the prior fiscal year. Total expenses for business-type activities increased \$11 million, a 5.0 percent increase compared to the prior fiscal year. Net transfers from business-type activities to governmental activities increased \$17 million primarily because business-type capital asset transfers in from governmental funds decreased in the current fiscal year by about \$18.5 million.

**Revenue**

Charges for services increased \$15 million as a result of water and wastewater rate increases in fiscal year 2017, a 10 and 9 percent increase respectively.

Other tax revenue increased \$2 million due to increase in transient occupancy tax revenue generated from higher hotel occupancy and room rates resulting from sustained improvements in the Sacramento area economy.

Investment earnings decreased by \$3 million primarily due to current year unrealized investment losses compared to unrealized investment gains in the prior fiscal year, a decrease of (\$2.4 million).

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**Expenses**

Water department expenses increased \$7 million primarily due to various projects not capitalized during the fiscal year 2017.

Wastewater department expenses increased \$4 million due to infrastructure improvements and replacements, and costs associated with the utility billing system upgrade.

Solid Waste expenses increased \$4 million due to more contributions to the Fleet fund, a result of more vehicles being purchased during fiscal year 2017, which accounted for an increase of about (\$6 million), offset by a decrease in labor cost of (\$2 million).

Parking expenses decreased \$3 million primarily due to interest expenses associated with the 2015 Lease Revenue Bond refunding of about (\$1.4 million) in the prior fiscal year and the termination of the contract with Management Company ABM, to manage Downtown Plaza garages, of about (\$1 million).

**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 \$46.5 million compared to the prior fiscal year. Total revenues for governmental funds decreased \$15.5 million, total expenditures decreased \$243.7 million, and net other financing sources decreased \$281.9 million compared to the prior fiscal year. These changes are discussed in more detail below.

**General Fund**

Total General Fund revenue increased \$18.9 million mostly due to increases in tax revenues of (\$10.4 million) and charges for services revenue of (\$12.1 million), offset by declines of (\$3.6 million) in revenue from fines, forfeits and penalties and intergovernmental revenues. Tax revenue increases are a combination of a decline of (\$6 million) in property tax revenue due to the end of the "triple flip" which previously paid the City property tax in lieu of sales tax, and an increase in sales and use and other taxes of (\$17.2 million). The increase in charges for services was primarily attributable to increases in development activity, medical marijuana permit fees, parking revenue mainly from activity at the Golden1 Center, and facility use fees. Revenue declines in fines, forfeits and penalties and intergovernmental revenue resulted mainly from decreases in parking fines and decreases in state reimbursements.

Total General Fund expenditures increased \$34.9 million. Fire and police department expenditures increased \$9.7 million primarily due to rising labor costs. General government expenditures increased \$7.7 million mainly due to labor cost increases and additional staffing in various departments. Parks expenditures increase \$4.8 million primarily due to labor costs and reduced cost reimbursements from other funds. Capital expenditures increased \$6.7 million due to funding the renovation of the Convention Center and the Community Center Theater.

**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.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

After taking into account these budget adjustments, General Fund revenues were \$12.1 million higher than final budgeted amounts. Collection of various taxes exceeded the budgeted amount by \$5.8 million. Charges for services and intergovernmental revenue exceeded budgeted amounts by \$5.9 million and \$2.1 million, respectively. Interest revenue exceeded budget by nearly \$0.6 million. Fines, forfeitures and penalties were under budget by \$2.6 million.

General Fund budgetary expenditures were \$55.3 million lower than final budget amounts. All General Fund departments reported favorable operating expenditure budget variances primarily due to salary savings from vacant positions. Capital outlay expenditures were less than budgeted amounts by \$33.9 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.

**Measure U Fund**

Measure U Fund revenue and expenditures increased by \$2.6 million and \$6.2 million, respectively. Expenditures were higher primarily due to funding of additional police officer positions and capital improvements to fire stations and community centers. Measure U resources are used to restore police, fire, gang prevention and intervention, library, animal care and parks and recreation services.

**Capital Grants Fund**

Capital Grant Fund revenue and expenditures decreased by \$31.9 million and \$29.5 million, respectively.

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

- Township 9 Project - (\$1 million) increase,
- Intermodal Phase II Construction Project - (\$3.5 million) decrease,
- Sacramento City College Light Rail Bike and Pedestrian Access Project - (\$5.3 million) decrease,
- Roseville Road Bridge Project - (\$4.0 million) decrease,
- R Street Market Plaza - (\$2.4 million) decrease,
- Riverfront Reconnection Phase 1 Project - (\$4.8 million) decrease,
- Downtown ESC Project - (\$3 million) decrease,
- Consumes River Boulevard Extension and Interstate 5 Interchange - (\$8.9 million) decrease, and
- Net change in other capital grant projects - (\$1 million) decrease.

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

- Power Inn Road Complete Street Rehab - (\$1.7 million) increase,
- Intermodal Phase II Construction Project - (\$4.0 million) decrease,
- Sacramento City College Light Rail Bike and Pedestrian Access Project - (\$3.7 million) decrease,
- Riverfront Reconnection Phase 1 Project - (\$7.5 million) decrease,
- Roseville Road Bridge Project - (\$2.7 million) decrease,
- Consumes River Boulevard Extension and Interstate 5 Interchange - (\$10 million) decrease,
- Downtown ESC Project - (\$1.1 million) decrease, and
- Net change in other capital grant projects - (\$2.2 million) decrease.

**1997 Lease Revenue Bond Fund**

The contributions and donations revenue in this fund increased \$22 million mainly due to a 2017 payment required for the fiscal year 2018 remarketing of the 1997 Kings revenue bonds.



**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**Other Governmental Funds**

Other governmental fund revenues decreased \$27.5 million due largely to the following fluctuations:

- (\$28.3 million) decrease in debt service revenue due to the debt refunding that took place in fiscal year 2016.
- \$7.2 million net decrease in capital project revenue as a result of increases in development revenue (about \$14.7 million), decreases in contributions to economic development activities (about \$11.1 million), decreases in assessment levies (about \$7.4 million) and decreases in billings for transportation projects (about \$3.5 million), and
- \$8 million net increase in revenue to the Special Revenue funds. The increases were largely due to additional investments in economic development activities (\$5.5 million), additional grant funding of Parks and Recreation and Public Works activities (\$2.5 million), and increased assessment revenue for special districts (\$3 million). Those increases were partially offset by a reduction in activity-based fees in Parks and Recreation and a reduction in revenue for the START program (\$3 million).

Other governmental fund expenditures decreased \$32.0 million due largely to the following:

- As a result of the bond refunding that took place in fiscal year 2016, fiscal year 2017 saw a decrease in expenditures in the debt service funds of \$26 million. The net decrease is made up of a reduction for bond escrow payments of (\$38 million), a reduction in bond interest costs of (\$5 million), offset by increased principal and interest payments of (\$14 million), and
- Expenditures for the McKinley Village project decreased (\$5.5 million) while expenditures for Special Revenue funds increased (\$2.5 million).

Other governmental fund financing sources (uses) decreased \$55.9 million due largely to the debt refunding in fiscal year 2016 which resulted in debt proceeds and payments to the refunded bond escrow agent in that year which did not occur during fiscal year 2017.

**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 \$15.4 million, and operating expenses increased \$17.1 million compared to the prior fiscal year. Net non-operating revenues increased \$5.3 million and capital contributions decreased \$19.6 million compared to the prior fiscal year. These changes are discussed in more detail below.

**Water Fund**

Water Fund operating revenue increased \$10.0 million mainly due to rate increases in fiscal year 2017. Operating expenses increased \$9.5 million mainly due to re-allocating expenses for project management, information technology and certain utility administration from the Storm Drainage Fund to the Water Fund. Capital contributions decreased by \$13.6 million primarily due to the capital contribution received related to the Cosumnes Boulevard extension in fiscal year 2016.

**Wastewater Fund**

Wastewater Fund operating revenue, and net non-operating revenue and capital contributions in the current year remained relatively flat. Operating expenses were \$3.7 million higher largely due to cost of living and step increases and planning and design costs for several new wastewater projects scheduled to begin in fiscal year 2017 up until fiscal year 2020.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**Storm Drainage Fund**

Storm Drainage Fund operating revenue, non-operating revenue operating expenses and non-operating expenses in the current year remained relatively flat compared to the previous year. Capital contributions decreased \$4.8 million mainly due to the nonrecurring contribution of capital assets related to McKinley Village in the amount of (\$2.5 million) and Cosumnes Boulevard extension for (\$2.6 million) in the prior fiscal year.

**Solid Waste Fund**

Solid Waste Fund operating revenue increased \$1.3 million mainly due to increased utility fee charges. Total operating expenses increased \$3.6 million as a result of an increase of (\$6.7 million) due to the costs of replacing refuse, sweeper and water trucks and a decrease of (\$2.1 million) as a result of reduced pension liability. Net non-operating revenue in the current year increased by a \$1 million due to a reduction in interest expense as a result of debt refunding in fiscal year 2016.

**Parking Fund**

Parking fund operating revenue increased by \$0.7 million mainly due to an increase in managed lots and additional parking revenue generated by the events on the Golden 1 Center. Total operating expenses decreased by \$1.2 million primarily due to termination of the contract with Management Company ABM, used to manage Downtown Plaza garages, which accounted for decrease of (\$1 million). Net non-operating expenses in the current year decreased by \$1 million primarily due to (\$1.4 million) in prior year interest expenses associated with the 2015 Lease Revenue Bond refunding.

**Community Center Fund**

Community Center Fund transient occupancy tax non-operating revenue increased again in fiscal year 2017 by \$2.0 million due to the increase in Sacramento area hotel room occupancy and room rates.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2017, the City had invested \$3 billion in a broad range of capital assets, including land, buildings, vehicles, parks and park improvements, roads, bridges, and water, wastewater and storm drainage transmission and distribution systems. The current year capital asset additions of \$282 million were offset by current year depreciation expense of \$123 million and retirements of \$366 million for a net decrease in capital assets of \$207 million.

	City of Sacramento					
	Capital Assets					
	As of June 30, 2017 and 2016 (net of depreciation, in millions)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Capital assets not being depreciated						
Land	\$ 204	\$ 202	\$ 50	\$ 50	\$ 254	\$ 252
Easements	1	1	-	-	1	1
Construction in progress	108	350	261	266	369	616
Depreciable capital assets:						
Buildings and improvements	440	407	134	138	574	545
Equipment	20	23	18	22	38	45
Software	4	3	1	1	5	4
Vehicles	55	52	-	-	55	52
Transmission and distribution systems	4	3	804	775	808	778
Road network	647	666	-	-	647	666
Street light network	152	150	-	-	152	150
Park and park improvements	137	140	-	-	137	140
Total capital assets	\$ 1,772	\$ 1,997	\$ 1,268	\$ 1,252	\$ 3,040	\$ 3,249

This year's major capital asset additions include:

- Addition of \$45.8 million for the Intermodal Phase 2 Construction Project,
- Addition of \$16.7 million for the 5<sup>th</sup> Street & Rail yards Blvd Project,
- Addition of \$15.6 million for the E. Sac Water Main Replacement Phase 2 Project,
- Other capital project additions in progress including the Shasta Park Water Facility, Treatment Plants Rehabilitation Design and RWM Project Management. Many other capital projects were completed during the year and transferred from construction in progress to the appropriate capital asset categories.

This year's major capital asset deletion include sale of the Golden 1 Center in the amount of \$223 million.

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

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2017

**Long-term Debt**

The following table summarizes the City's outstanding debt at June 30, 2017 and 2016:

	City of Sacramento					
	Outstanding Debt					
	As of June 30, 2017 and 2016 (in millions)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenue and other bonds, net	\$ 606	\$ 628	\$ 533	\$ 493	\$ 1,139	\$ 1,121
Notes payable	15	15	23	26	38	41
Capital lease obligations	4	7	6	9	10	16
Total outstanding debt	\$ 625	\$ 650	\$ 562	\$ 528	\$ 1,187	\$ 1,178

Total outstanding debt for governmental activities decreased \$25 million due to principal payments on existing obligations and the net amortization of bond discounts and premiums.

Total outstanding debt for business-type activities increased \$34 million due to the issuance of (\$63 million) of Water Revenue Bonds, offset by (\$26 million) in principal payments on existing obligations, and the net amortization of bond discounts and premiums.

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, 2017, as determined by Standard & Poor's (S & P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch):

Bond issues:	S & P	Moody's
• 1993 Refunded Lease Revenue Bonds, Series A	A+	A2
• 1993 Refunded Lease Revenue Bonds, Series B	A+	A1
• 1997 Lease Revenue Bonds	AA-	A2
• 2006 Capital Improvement Revenue Bonds, Series B	A+	A1
• 2006 Capital Improvement Revenue Bonds, Series E	A+	A1
• 2015 Refunding Revenue Bonds	A+/AA	A1
• Water Revenue Bonds, Series 2013	AA	AA-
• Wastewater Revenue Bonds, Series 2013	AA-	AA
• 2015 Lease Revenue Bonds (Golden 1 Center)	A+	A
• Water Revenue Bonds, Series 2017	AA	AA-

The City's issuer credit rating as of June 30, 2017, is AA- with a stable outlook from Standard & Poor's, Aa2 with a stable outlook from Moody's, and AA- with a stable outlook from Fitch Ratings.

**City of Sacramento  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information - Unaudited)**

For the Fiscal Year Ended June 30, 2017

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**Economic Factors**

Sacramento's economy continues to improve. Unemployment in the Sacramento metropolitan area has fallen from 5.3 percent at the end of fiscal year 2016 to 4.8 percent at the end of fiscal year 2017. The housing market has continued to improve during the fiscal year 2017. Although the trend reflects an increase in revenues, 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 2018 are \$459.2 million, an increase of 4.6 percent compared to the fiscal year 2017 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget appropriates \$1.3 million for a contribution to the City's OPEB trust fund.

**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>.

# Government-wide Financial Statements

## City of Sacramento Statement of Net Position June 30, 2017 (in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 535,744	\$ 288,535	\$ 824,279
Receivables, net	288,164	59,166	347,330
Internal balances	12,933	(12,933)	-
Inventories	-	1,751	1,751
Prepaid items	3,679	444	4,123
Restricted cash and investments	84,863	128,878	213,741
Intangible assets	313,424	311,869	625,293
Other capital assets, net of depreciation	1,459,062	959,556	2,418,618
Total assets	2,697,869	1,734,417	4,432,286
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated decrease in fair value of hedging derivatives	571	-	571
Loss on refunding of debt	3,516	5,243	8,759
Deferred outflows related to pensions	175,868	22,689	198,557
Total deferred outflows of resources	179,955	27,932	207,887
<b>LIABILITIES</b>			
Payables	76,439	42,018	118,457
Unearned revenue	7,017	7,499	14,516
Long-term liabilities:			
Due within one year	52,809	30,456	83,265
Due in more than one year	1,671,365	679,112	2,350,477
Total liabilities	1,807,630	759,085	2,566,715
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Services concession arrangement	4,786	-	4,786
Gain on debt refunding	1,367	1,367	2,734
Deferred inflows related to pensions	24,572	3,082	27,654
Total deferred inflows of resources	29,358	4,449	33,807
<b>NET POSITION</b>			
Net investment in capital assets	1,296,493	807,004	2,103,497
Residual equity	119,131	39,155	158,286
Capital projects	872	-	872
Debt service	-	-	-
Public works programs	18,866	-	18,866
Economic development programs	16,251	-	16,251
Ambulance services	-	-	-
Other programs	23,645	2,607	26,252
Trust and endowments:			
Expendable	8,545	-	8,545
Non-expendable	878	-	878
Unrestricted	(443,845)	150,049	(293,796)
Total net position	\$ 1,040,836	\$ 998,815	\$ 2,039,651

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, 2017  
 (in thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
Police	\$ 60,684	\$ (10,651)	\$ 6,573	\$ 9,517	\$ (48,519)
Fire	146,693	-	13,098	7,600	(155,984)
Public works	106,328	-	30,897	1,479	(114,317)
Economic development	13,397	-	42,897	11,343	50,972
Convention and cultural services	20,390	-	9,140	235	5,043
Parks and recreation	34,156	-	10,860	82	(8,689)
Community development	21,756	-	4,720	4,720	(13,062)
Library	16,122	-	32,256	161,762	(8,165)
Interest on long-term debt	27,626	-	-	-	(27,626)
<b>Total governmental activities</b>	<b>659,067</b>	<b>(10,651)</b>	<b>158,817</b>	<b>36,939</b>	<b>(375,895)</b>
Business-type activities:					
Water	76,986	3,190	108,867	2,935	4,966
Wastewater	29,217	858	34,311	35	6,421
Storm drainage	38,489	1,990	40,124	1,150	(235)
Solid waste	49,206	2,487	61,548	7	10,223
Community center	15,383	1,224	9,488	-	(7,119)
Child development	5,743	562	5,713	-	6,639
<b>Total business-type activities</b>	<b>225,077</b>	<b>10,651</b>	<b>278,425</b>	<b>3,967</b>	<b>52,893</b>
<b>Total primary government</b>	<b>\$ 884,144</b>	<b>\$ -</b>	<b>\$ 437,242</b>	<b>\$ 40,905</b>	<b>\$ (322,912)</b>

**City of Sacramento**  
**Statement of Activities**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in net position:			
Net (expense) revenue	\$ (375,895)	\$ 52,893	\$ (322,912)
General revenues:			
Taxes:			
Property taxes	146,697	-	146,697
Utility user taxes	62,997	-	62,997
Local sales tax	45,465	-	45,465
Property transfer tax	2,376	-	2,376
Excise taxes	12,711	-	12,711
Transient occupancy tax	4,774	23,866	28,640
Other taxes	2,182	-	2,182
Unrestricted sales taxes shared state revenue	81,296	-	81,296
Unrestricted investment earnings	9,178	1,292	10,470
Unrestricted miscellaneous	14,221	20	14,241
(Loss) on sale of capital assets	(31,443)	-	(31,443)
Transfers	343,524	(6,248)	337,276
Total general revenues and transfers	(32,281)	46,645	14,364
Change in net position	1,073,117	952,170	2,025,287
Net position, beginning of year	\$ 1,040,836	\$ 998,815	\$ 2,039,651
Net position, end of year			

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

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

# Fund Financial Statements

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**City of Sacramento  
Governmental Funds  
Balance Sheet  
June 30, 2017  
(in thousands)**

	General Fund	Measure U Fund	Capital Grants Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ 140,896	\$ 38,098	\$ -
Cash and investments held by fiscal agent	-	-	-
Receivables, net:			
Taxes	28,608	8,113	-
Accounts	21,391	-	123
Intergovernmental	2,750	-	8,275
Interest	586	148	-
Due from other funds	3,800	-	-
Prepaid items	12	-	-
Restricted assets:			
Cash and investments held by City	-	-	30
Cash and investments held by fiscal agent	-	-	-
Total assets	\$ 198,043	\$ 46,329	\$ 8,428
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16,137	\$ 586	\$ 4,409
Accrued payroll	19,770	-	-
Accrued claims and judgments	400	-	-
Due to other funds	-	-	-
Due to other funds	-	-	866
Deposits	141	-	-
Unearned revenue	739	-	1,242
Advances from other funds	534	-	-
Total liabilities	37,721	586	6,507
<b>Deferred inflows of resources:</b>			
Unavailable revenue	4,768	1,000	5,812
<b>Fund balances:</b>			
Nonspendable:			
Prepaid items	12	-	-
Due from other funds	3,800	-	-
Nonspendable	-	-	-
Permanent fund principal	-	-	-
Restricted:			
Capital projects	-	-	1,921
Debt service	-	-	-
Public works programs	-	-	-
Economic development programs	-	-	-
Other programs	17	-	-
Committed:			
Economic uncertainty	49,644	-	-
Capital projects	49,265	7,778	-
Debt service	-	-	-
Fire programs	1,386	-	-
Water	2,187	-	-
Gas tax	19,280	36,965	-
Assigned:			
Debt service	-	-	-
Unassigned	24,739	-	(5,812)
Total fund balances (deficit)	155,854	44,743	(3,891)
Total liabilities, deferred inflows of resources and fund balances	\$ 198,043	\$ 46,329	\$ 8,428

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

**City of Sacramento  
Governmental Funds  
Balance Sheet**  
June 30, 2017  
(in thousands)

	1987 Lease Revenue Bond Fund	2015 Golden Gate Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and investments held by City	\$ 31	\$ 16,123	\$ 231,669	\$ 428,787
Cash and investments held by fiscal agent	-	440	14	454
Receivables, net:				
Taxes	-	-	4,274	40,985
Accounts receivable	-	-	2,850	1,016
Intergovernmental	32,733	142,771	27,277	178,100
Interest	-	55	186	38,302
Due from other funds	-	-	3,800	975
Prepaid items	-	-	-	7,600
Restrictor assets:				12
Cash and investments held by City	57	-	20,917	21,004
Cash and investments held by fiscal agent	22,683	26,118	15,058	63,859
Total assets	\$ 55,504	\$ 185,507	\$ 308,748	\$ 802,559

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**

<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 16,592	\$ 37,724
Accrued payroll	-	-	169	19,939
Accrued claims and judgments	-	31	4,311	4,311
Due to other funds	-	-	2,047	2,047
Due to other funds	-	-	856	856
Deposits	-	-	2,161	2,302
Unearned revenue	-	-	4,688	6,669
Advances from other funds	-	-	6,930	7,464
Total liabilities	-	-	33,218	78,032

**Deferred inflows of resources:**

Unavailable revenue	32,733	142,892	19,148	206,263
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**Fund balances:**

Nonspendable:				
Prepaid items	-	-	-	12
Due from other funds	-	-	193	3,090
Permanent fund principal	-	-	878	193
Restricted:				
Capital projects	-	-	147,743	148,664
Debt service	22,740	26,118	10,046	58,904
Public works programs	-	-	13,152	13,152
Other economic development programs	-	-	2,325	2,325
Other programs	31	-	26,707	26,835
Committed:				
Economic uncertainty	-	-	-	48,644
Capital projects	-	-	1,581	58,624
Debt service	-	16,047	3,063	19,110
Fire programs	-	-	-	5,386
Gas tax	-	-	-	2,087
Other programs	-	-	19,750	75,995
Assigned:				
Debt service	-	540	1,866	2,406
Unassigned	-	-	(12,225)	6,702
Total fund balances (deficit)	22,771	42,705	256,382	618,254
Total liabilities, deferred inflows of resources and fund balances	\$ 55,504	\$ 185,507	\$ 308,748	\$ 802,559

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, 2017  
(in thousands)

Fund balances - total governmental funds	\$ 518,264
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Amounts reported for governmental activities in the statement of net position are different because:

Revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds	206,263
Prepaid bond insurance represents costs associated with the issuance of long-term debt which are deferred and amortized over the period the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.	274

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:

Governmental capital assets	3,157,128
Less: accumulated depreciation	(1,942,202)
	1,714,926

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	(6,186)
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Deferred outflows of resources are not recognized in the current period and therefore are not reported in the governmental funds.

Deferred outflows related to pension	173,377
Deferred inflows related to pensions	(42,240)
Loss on refinancing of debt	3,516
	152,653

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	(35,357)
Accrued claims and judgments	(2,618)
Financing plan fee credits	(41,118)
Net pension liability	(746,901)
Pollution remediation obligations	(1,794)
Revenue and other bonds payable, net	(604,486)
Capital lease obligations payable	(4,362)
Notes payable	(1,017)
OPRB liability	(172,546)
	(1,623,318)

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.

**Net position of governmental activities**

	77,910
	\$ 1,040,836

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, 2017  
 (in thousands)

	General Fund	Measure U Fund	Capital Grants Fund
<b>Revenues:</b>			
Taxes	\$ 317,009	\$ 45,165	\$ -
Intergovernmental	14,009	-	15,262
Charges for services	85,780	-	-
Fines, forfeits, and penalties	10,800	-	-
Interest, rents, and concessions	2,679	228	38
Community service fees	-	-	-
Assessment levies	266	-	-
Contributions and donations	14	-	-
Miscellaneous	239	-	-
<b>Total revenues</b>	<b>430,922</b>	<b>45,393</b>	<b>19,303</b>
<b>Expenditures:</b>			
Current:			
General government	36,584	488	226
Police	132,106	20,050	-
Fire	12,866	13,137	-
Public works	13,233	-	104
Convention and cultural services	4,972	-	-
Economic development	2,337	-	-
Parks and recreation	19,979	7,670	21
Community development	28,554	170	-
Library	7,150	506	-
Utilities	1,205	-	-
Citywide and community support	48,435	-	-
Capital outlay	19,276	4,161	18,149
Debt service:			
Principal	2,795	-	-
Interest and fiscal charges	132	-	-
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>429,518</b>	<b>46,182</b>	<b>18,300</b>
Excess (deficiency) of revenues over (under) expenditures	1,404	(789)	1,403
Other financing sources (uses):			
Transfers in	33,113	-	-
Transfers out	(28,959)	-	(38)
Issuance of long-term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>4,154</b>	<b>-</b>	<b>(38)</b>
Net change in fund balances	5,556	(789)	1,365
Fund balances (deficit), beginning of year	149,996	45,532	(5,256)
Fund balances (deficit), end of year	\$ 155,554	\$ 44,743	\$ (3,891)

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The notes to the financial statements are an integral part of this statement.  
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**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, 2017  
(in thousands)

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 46,529</b>
Amounts reported for governmental activities in the statement of activities are different because:	
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.	67,244
Capital outlay	<u>(74,103)</u>
Depreciation expense	(6,859)
Losses on retirement of capital assets in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(79,916)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:	6,109
Infrastructure dedications	
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.	
Issuance of long-term debt, including premium	(1,976)
Principal repayments on long-term debt	<u>28,677</u>
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.	(26,776)

**City of Sacramento  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	1997 Lease Revenue Bond Fund	2015 Golden 1 Center Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 19,981	\$ 382,155
Intergovernmental	-	-	43,811	73,082
Charges for services	-	-	19,666	105,446
Fines, forfeits, and penalties	-	-	523	11,429
Interest, rents, and concessions	3,923	796	6,556	14,220
Community service fees	-	-	29,740	29,740
Assessment levies	-	-	44,073	44,339
Contributions and donations	24,583	-	4,437	33,637
Miscellaneous	-	-	124	385
<b>Total revenues</b>	<b>28,506</b>	<b>796</b>	<b>163,911</b>	<b>684,431</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	4,115	41,413
Police	-	-	7,414	199,572
Fire	-	-	1,965	127,970
Public works	-	-	32,120	45,457
Convention and cultural services	-	-	7,666	12,636
Economic development	-	-	1,053	13,270
Parks and recreation	-	-	11,037	36,707
Community development	-	-	11,775	40,499
Library	-	-	7,267	14,963
Utilities	-	-	378	1,363
Citywide and community support	-	-	46,435	46,435
Capital outlay	-	-	40,879	82,465
Debt service:				
Principal	2,665	-	23,307	28,677
Interest and fiscal charges	3,093	10,509	14,921	28,595
Bond issuance costs	37	11	1	49
<b>Total expenditures</b>	<b>5,795</b>	<b>10,520</b>	<b>173,878</b>	<b>684,393</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>22,711</b>	<b>(9,724)</b>	<b>(4,967)</b>	<b>10,038</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	5,500	27,773	66,386
Transfers out	-	-	(2,674)	(31,871)
Issuance of long-term debt	-	-	1,976	1,976
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>5,500</b>	<b>26,875</b>	<b>36,491</b>
<b>Net change in fund balances</b>	<b>22,711</b>	<b>(4,224)</b>	<b>21,908</b>	<b>46,529</b>
<b>Fund balances (deficit), beginning of year</b>	<b>60</b>	<b>46,929</b>	<b>234,474</b>	<b>471,735</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 22,771</b>	<b>\$ 42,705</b>	<b>\$ 256,382</b>	<b>\$ 518,264</b>

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

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, 2017  
 (in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
<b>Revenues:</b>						
Taxes:	\$ 302,953	\$ 311,156	\$ 317,009	\$ 5,853	\$ -	\$ 317,009
Intergovernmental	9,360	11,952	14,009	2,057	-	14,009
Charges for services	77,042	79,799	85,760	5,961	-	85,760
Fees, forfeits and penalties	13,557	10,065	10,065	(2,891)	-	10,065
Grants	1,897	2,098	2,098	201	-	2,098
Assessment fees	74	74	268	192	-	268
Contributions and donations	-	3	14	11	-	14
Miscellaneous	124	124	259	135	-	259
<b>Total revenues</b>	<b>403,924</b>	<b>418,760</b>	<b>430,922</b>	<b>12,162</b>	<b>-</b>	<b>430,922</b>

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
<b>Expenditures:</b>						
<b>Current:</b>						
Mayor/Council	4,089	6,230	5,595	635	(401)	5,194
City Manager	2,851	7,991	5,973	2,008	(839)	5,134
City Attorney	5,681	6,491	5,606	885	(21)	5,585
City Clerk	1,288	1,334	1,526	8	-	1,526
City Treasurer	2,097	2,098	1,935	163	(2)	1,933
Finance	5,677	7,098	4,477	2,621	(9)	4,468
Information technology	10,112	9,892	9,167	830	(14)	9,153
Human resources	3,079	3,311	3,285	26	(29)	3,256
Subtotal - General government	35,124	44,865	37,814	6,851	(1,330)	36,484
Police	131,389	137,717	132,942	5,575	(234)	132,708
Fire	109,728	113,495	112,874	621	(6)	112,868
Public works	10,694	12,745	12,265	480	968	13,233
Convention and cultural services	4,737	6,037	5,287	750	(315)	4,972
Economic development	2,638	2,607	2,374	233	(37)	2,337
Parks and recreation	20,228	21,297	20,026	1,271	(47)	19,979
Community development	30,786	31,796	29,353	2,383	(799)	28,554
Library	7,130	7,130	7,130	-	-	7,130
Utilities	848	3,241	1,214	2,027	(8)	1,206
Citywide and community support	43,267	46,770	47,438	1,332	987	48,425
Capital outlay	44,913	64,517	30,626	33,889	(11,352)	19,276
<b>Debt service:</b>						
Principal	2,704	2,704	2,705	(1)	-	2,705
Interest and fiscal charges	132	132	132	-	-	132
<b>Total expenditures</b>	<b>444,316</b>	<b>496,993</b>	<b>441,682</b>	<b>55,311</b>	<b>(12,164)</b>	<b>429,518</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(40,392)</b>	<b>(78,233)</b>	<b>(10,760)</b>	<b>67,473</b>	<b>12,164</b>	<b>1,404</b>

Other financing sources (uses):						
Transfers in	32,237	33,043	33,111	68	2	33,113
Transfers out	(29,078)	(34,085)	(32,759)	1,326	3,800	(28,959)
<b>Total other financing sources (uses)</b>	<b>3,159</b>	<b>(1,042)</b>	<b>352</b>	<b>1,394</b>	<b>3,802</b>	<b>4,154</b>
<b>Net change in fund balance</b>	<b>(37,233)</b>	<b>(79,275)</b>	<b>(10,408)</b>	<b>68,867</b>	<b>15,966</b>	<b>5,558</b>

**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, 2017  
 (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	(1,607)	
Accrued claims and judgements	(892)	
Pension expense	8,449	
Other post-employment benefits	(4,715)	
Pollution remediation	(130)	
Accrued interest	396	
Amortization of prepaid bond insurance	(17)	
Amortization of bond discount	(17)	
Amortization of bond premium	1,147	
Amortization of gain/loss on refunding	(220)	
		<b>3,109</b>

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.

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.

<b>Change in net position of governmental activities</b>	<b>1,930</b>
	<b>\$ (32,281)</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
 (in thousands)

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Current assets:				
Cash and investments held by City	\$ 112,192	\$ 40,099	\$ 34,461	\$ 42,406
Cash and investments held by fiscal agent	-	-	-	-
Receivables, net:				
Taxes	17,701	10,886	5,283	8,687
Loans	1,206	133	440	-
Intergovernmental	3,490	952	900	-
Interest	834	177	170	169
Due from other funds	-	-	-	-
Inventories	1,333	28	390	-
Prepaid items	389	5	10	4
Intangible asset, current portion	-	-	-	-
Total current assets	137,125	52,180	41,724	51,266
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	95,199	5,394	4,405	1,058
Cash and investments held by fiscal agent	7,235	963	759	-
Loans receivable	1,091	418	2,398	-
Intangible assets	-	-	-	-
Capital assets:				
Land	1,754	1,138	18,724	1,133
Buildings and improvements	40,365	26,951	8,795	31,190
Machinery and equipment	16,725	5,147	17,613	12,437
Transmission and distribution system	687,418	188,565	389,887	-
Construction in progress	226,810	15,131	2,119	1,327
Software	643	364	907	245
Easements	134	-	157	-
Less: accumulated depreciation/amortization	(253,360)	(76,339)	(183,316)	(29,174)
Total noncurrent assets	824,874	147,353	272,428	18,176
Total assets	962,099	199,533	314,152	69,442
Deferred outflows of debt related to pensions	5,243	-	-	-
Total deferred outflows of resources	15,147	2,273	2,732	3,890

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, 2017  
 (in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
Revenues:						
Taxes	\$ 43,732	\$ 43,732	\$ 45,165	\$ 1,433	\$ -	\$ 45,165
Interest, rents, and concessions	-	-	228	228	-	228
Total revenues	43,732	43,732	45,393	1,661	-	45,393
Expenditures:						
Current:						
General government	-	124	488	(364)	-	488
Police	20,954	21,783	20,239	1,544	(169)	20,070
Fire	13,137	13,137	13,137	-	(495)	12,642
Parks and recreation	9,185	8,115	8,115	1,070	-	7,045
Community development	506	506	506	(5)	-	501
Library	-	-	506	-	-	506
Capital outlay	10,286	11,153	4,791	6,362	(630)	4,161
Total expenditures	54,897	56,707	47,496	9,211	(1,314)	46,182
Excess (deficiency) of revenues over (under) expenditures	(11,165)	(12,975)	(2,103)	10,872	1,314	(789)
Net change in fund balance	\$ (11,165)	\$ (12,975)	\$ (2,103)	\$ 10,872	\$ 1,314	\$ (789)

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

**City of Sacramento  
Proprietary Funds  
Statement of Net Position**  
(June 30, 2017)  
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 32,689	\$ 26,688	\$ 288,535	\$ 108,309
Cash and investments held by fiscal agent	-	-	-	194
Receivables, net:				
Taxes	2,922	-	9,922	-
Accounts receivable	238	796	43,522	233
Loans	-	-	1,801	-
Intergovernmental	22	-	5,332	-
Interest	-	133	1,588	302
Due from other funds	-	-	-	1,106
Inventories	-	-	1,751	-
Prepaid items	21	35	444	3,393
Intangible asset, current portion	-	6	8	-
Total current assets	36,025	27,632	345,952	113,537
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	1,446	1,762	110,244	-
Cash and investments held by fiscal agent	7,661	1,716	18,234	-
Accounts receivable	4,831	534	534	12,547
Loans receivable	44	1	3,952	-
Intangible assets	-	143	143	-
Capital assets:				
Land	21,740	5,825	50,314	-
Buildings and improvements	113,040	61,890	281,831	7,159
Venue and equipment	-	3,591	60,344	13
Construction in progress	-	-	1,255,850	145,625
Transmission and distribution system	-	6,647	261,264	202
Construction in progress	9,230	-	2,237	256
Software	46	32	291	-
Essements	-	-	281	-
Less: accumulated depreciation/amortization	(64,033)	(37,485)	(643,706)	(96,225)
Total noncurrent assets	94,225	44,776	1,401,932	70,107
Total assets	130,250	72,408	1,747,884	183,644
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	-	5,243	-
Deferred outflows related to pensions	1,763	2,127	22,869	2,491
Total deferred outflows of resources	1,763	2,127	27,932	2,491

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, 2017)  
(In thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	10,339	13,571	889	2,311
Accrued payroll	1,562	414	616	636
Accrued compensated absences	124	21	56	104
Accounts receivable	-	-	-	-
Interest payable	3,972	488	164	59
Liability for landfill closure	-	-	-	85
Deposits	14	-	15	-
Unearned revenue	3,534	1,299	1	-
Accrued claims and judgements	194	71	125	241
Capital leases payable	12,702	662	663	565
Revenue and other bonds payable, net	-	789	2,447	1,045
Notes payable	-	-	-	-
Total current liabilities	32,478	17,315	4,986	5,046
Noncurrent liabilities:				
Accrued compensated absences	2,666	727	1,256	1,091
Advances from other funds	-	-	-	-
Water bonds	214	-	-	-
Wastewater bonds	9,595	3,529	4,469	11,545
OPFB liability	-	-	-	-
Accrued claims and judgements	-	-	-	-
Liability for landfill closure	-	-	-	1,092
Capital leases payable	-	-	-	-
Revenue and other bonds payable, net	418,727	30,504	2,223	16,215
Notes payable	7,725	2,265	9,065	-
Net pension liability	33,626	11,086	23,674	19,454
Total noncurrent liabilities	472,763	48,713	42,897	49,397
Total liabilities	595,241	66,028	47,883	54,443
Deferred inflows of resources:				
Gain on debt refunding	762	-	-	314
Deferred inflows related to pensions	1,132	300	488	449
Total deferred inflows of resources	1,894	300	488	763
<b>NET POSITION</b>				
Net investment in capital assets	358,459	108,379	251,329	-
Restricted for:				
Capital projects	33,497	3,942	-	270
Other programs	78,196	-	1,599	1,008
Unrestricted	-	23,157	15,985	16,846
Total net position	\$ 470,111	\$ 135,478	\$ 268,913	\$ 18,126

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, 2017  
 (in thousands)

	Business-type Activities - Enterprise Funds		Total	Governmental Activities - Internal Service Funds	
	Community Center Fund	Other Enterprise Funds		Internal Service Fund	Service Fund
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	3,425	2,446	32,991		7,526
Accrued payroll	283	417	3,928		496
Accrued compensated absences	34	42	381		83
Notes payable	7,850	-	5,070		-
Interest payable	256	131	85		6
Liability for landfill closure	-	-	29		-
Deposits	-	-	7,499		348
Unearned revenue	1,975	690	1,889		20,234
Accrued claims and judgments	15	47	1,889		28
Capital leases payable	1,324	2,550	2,550		403
Revenue and other bonds payable, net	6,543	2,550	3,672		-
Notes payable	-	-	-		-
Total current liabilities	20,381	7,617	87,823		29,124
Noncurrent liabilities:					
Accrued compensated absences	498	501	6,739		844
Revenues from other funds	5,617	-	214		-
Workers' compensation	-	-	3,275		-
WPEB liability	1,058	1,749	4,279		60,566
Accrued claims and judgments	-	-	1,092		-
Liability for landfill closure	-	3,685	3,685		44
Capital leases payable	21,856	20,491	510,016		1,207
Revenue and other bonds payable, net	6,832	8,672	18,075		11,829
Notes payable	36,861	35,098	684,729		79,769
Net pension liability	56,242	42,715	772,552		107,893
Total noncurrent liabilities	103,447	107,629	1,038,118		199,845
Total liabilities	123,828	115,246	1,925,941		249,969
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Gain on debt refunding	-	291	1,367		-
Deferred inflows related to pensions	210	503	3,082		332
Total deferred inflows of resources	210	794	4,449		332
<b>NET POSITION</b>					
Net investment in capital assets	67,298	21,540	807,004		55,878
Restricted for:					
Capital projects	1,446	-	39,155		-
Other programs	6,817	9,486	150,049		22,032
Unrestricted	-	-	-		-
Total net position	75,561	31,026	988,815		77,910

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, 2017  
 (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	108,810	33,305	37,770	61,236
Rents and concessions	-	-	-	151
Charge to other agencies for contract services	57	1,006	2,354	-
Miscellaneous	-	-	-	161
Total operating revenues	108,867	34,311	40,124	61,548
Operating expenses:				
Employee services	33,671	9,893	13,406	13,068
Services and supplies	22,415	15,026	15,688	36,376
Depreciation/amortization	19,226	3,996	10,794	1,398
Insurance/premiums	-	-	-	-
Claims and judgments	137	68	113	307
Total operating expenses	75,449	28,983	40,001	51,149
Operating income (loss)	33,418	5,328	123	10,399
Nonoperating revenues (expenses):				
Interest and investment revenue	562	183	247	194
Transfers in	-	-	-	-
Revenue from other agencies	2,935	-	7	368
Insurance and other claim recoveries	(4,704)	(82)	(478)	(544)
Interest (expense)	(23)	-	-	-
Amortization of bond prepaid insurance	-	-	-	-
Gain or (loss) on disposition of capital assets	(1,230)	91	(224)	18
Total nonoperating revenues (expenses)	32,188	6,419	(101)	10,417
Income (loss) before contributions and transfers	5,501	1,671	2,200	11
Capital contributions	22	135	78	-
Transfers in	(12,186)	(3,703)	(4,280)	(6,892)
Change in net position	2,523	3,522	(2,053)	3,626
Total net position, beginning of year	444,588	131,956	270,566	14,500
Total net position, end of year	470,111	135,478	268,513	18,126

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, 2017  
(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	\$ 3,233	\$ 23,607	\$ 267,961
Rents and concessions	6,200	476	6,827
Charge to other agencies for contract services	55	24	297
Miscellaneous	9,488	24,107	278,445
Total operating revenues			78,185
Operating expenses:			
Employee services	6,168	8,620	84,826
Services and supplies	7,013	6,289	102,807
Depreciation/amortization	1,965	1,778	39,157
Insurance premiums	5	4	634
Claims and judgments	15,151	16,691	227,424
Total operating expenses	(5,653)	(7,416)	(51,021)
Operating income (loss)			21
Nonoperating revenues (expenses):			
Interest and investment revenue	106	1,292	1,182
Transfers in	23,866	23,866	460
Revenue from other agencies	622	3,932	297
Insurance and other claim recoveries	(1,456)	(1,007)	(8,281)
Interest (expense)	-	(23)	(17)
Amortization of bond prepaid insurance	-	17	20,803
Gain or (loss) on disposition of capital assets	22,410	(282)	71,824
Total nonoperating revenues (expenses)	16,747	7,154	1,884
Income (loss) before contributions and transfers			
Capital contributions	-	2	9,372
Transfers in	(3,864)	(3,992)	248
Transfers out	12,863	3,164	(34,798)
Change in net position	62,698	27,862	46,645
Total net position, beginning of year	75,561	31,026	952,170
Total net position, end of year			75,980

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, 2017  
(In thousands)

	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 108,738	\$ 34,475	\$ 42,425	\$ 62,320
Receipts from interfund services provided	(21,357)	(13,429)	(17,108)	(36,325)
Payments to suppliers	(34,480)	(10,428)	(15,174)	(15,194)
Payments to employees	(81)	(47)	(77)	(257)
Claims and judgments paid	52,840	10,571	10,066	10,564
Net cash provided by (used for) operating activities				
Cash flows from noncapital financing activities:				
Transient occupancy taxes	(200)	-	-	-
Loans made to other agencies	2	115	78	11
Transfers in from other funds	(11,660)	(3,639)	(4,230)	(6,600)
Transfers out to other agencies	-	-	-	-
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	-	-	-	-
Loans received from other funds	1,019	-	-	368
Intergovernmental revenue received	-	-	-	-
Claim and judgment recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(10,819)	(3,504)	(4,152)	(6,281)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(28,122)	(3,554)	(586)	(1,166)
Proceeds from sale of capital assets	62,802	-	-	-
Principal payments on capital debt	(9,601)	(1,501)	(3,030)	(2,477)
Interest payments on capital debt	(16,801)	(1,467)	(524)	(766)
Intergovernmental revenue received	-	-	7	-
Transfers in from other funds	(528)	(64)	-	(152)
Transfers out to other funds	7,645	934	-	-
Capital contributions received	2,473	131	431	-
Loan repayments received	17,868	(5,521)	(3,702)	(4,561)
Net cash used for capital and related financing activities				
Cash flows from investing activities:				
Collection of interest and investment revenue	432	174	238	190
Loan repayments received	-	-	-	-
Net cash provided by investing activities	432	174	238	190
Net increase (decrease) in cash and cash equivalents	60,321	1,720	2,450	(88)
Cash and cash equivalents, beginning of year	1,552,265	44,756	37,175	43,552
Cash and cash equivalents, end of year	\$ 2,153,586	\$ 46,476	\$ 39,625	\$ 43,464

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, 2017  
(Unaudited)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,426	\$ 24,204	\$ 281,588	\$ -
Receipts from interfund services provided	(6,758)	(5,462)	(100,439)	141,797
Payments to suppliers	(6,554)	(9,058)	(90,888)	(10,288)
Payments to employees	(1)	(2)	(445)	(13,289)
Claims and judgments paid	(3,887)	9,682	89,836	19,556
Net cash provided by (used for) operating activities	23,296	(200)	23,296	-
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	2	2	60
Loan made to other agencies	(3,884)	(2,040)	(32,113)	(3,884)
Transfers in from other funds	-	(534)	(534)	(856)
Loans made to other funds	(250)	-	7,600	-
Interfund loan repayments	-	625	2,012	460
Loans received from other funds	-	-	-	159
Intergovernmental revenue received	26,762	(1,947)	59	2,737
Claim and judgment recoveries	(2,558)	(4,056)	(40,042)	(12,290)
Net cash provided by (used for) noncapital financing activities	(48)	85	107	422
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(6,235)	(3,580)	(26,424)	(370)
Proceeds from sale of capital assets	(1,743)	(1,192)	(22,493)	(85)
Principal payments on capital debt	-	-	7	-
Interest payments on capital debt	-	(1,952)	(2,696)	360
Intergovernmental revenue received	-	-	-	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	-	-	-	-
Capital contributions received	(10,536)	(10,763)	(17,215)	(11,963)
Loan repayments received	(48)	116	1,102	1,176
Net cash used for capital and related financing activities	(26)	201	1,209	1,176
Cash flows from investing activities:				
Collection of interest and investment revenue	12,313	(2,827)	73,889	11,506
Loan repayments received	29,703	33,073	343,524	98,897
Net cash provided by investing activities	42,016	30,246	417,413	108,503
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents, beginning of year				
Cash and cash equivalents, end of year				

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, 2017  
(Unaudited)

	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	\$ 112,192	\$ 40,099	\$ 34,481	\$ 42,406
Cash and investments held by fiscal agent	96,159	5,384	4,405	1,058
Restricted cash and investments held by City	7,235	863	789	-
Restricted cash and investments held by fiscal agent	215,596	46,476	39,625	43,464
Total cash and cash equivalents, end of year	\$ 33,418	\$ 5,328	\$ 123	\$ 10,399
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	19,172	3,987	10,736	1,379
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	54	29	88	19
Amortization of intangible assets	(2,370)	(765)	(1,076)	(2,879)
Changes in assets and liabilities:				
Accounts receivable, net	(501)	164	440	772
Intergovernmental receivables	604	50	1,982	-
Inventories	-	(5)	-	(4)
Prepaid items	454	1,552	(1,586)	55
Accounts payable	362	125	(275)	65
Accrued payroll	386	(27)	(127)	65
Accrued interest	694	157	154	606
Other liabilities	56	21	36	70
Accrued claims and judgments	5	-	-	-
Deposits	367	-	(121)	-
Unearned revenue	52,840	10,571	10,066	10,564
Net cash provided by (used for) operating activities	\$ 40	\$ 3	\$ 113	\$ -
Noncash investing, capital and financing activities:				
Contributions of capital assets	535	486	2,087	-
Transfer of capital assets from governmental funds, net of depreciation	9,783	1,305	23	20
Capitalized interest	2,388	57	(10)	160
Amortization of bond premium and discount	(126)	-	-	-
Amortization of bond loss on refunding	(23)	-	-	-
Amortization of bond prepaid insurance	(23)	-	-	26
Capital asset acquisitions on accounts payable	7,566	839	32	-
Water fee credit usage	762	-	-	-
Purchase of capital assets on accounts payable	-	-	-	-

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, 2017  
 (in thousands)

	Pension Fund	Investment Funds	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>				
Cash and cash equivalents held by City	\$ 8,601	\$ 151,976	\$ 10,129	\$ 16,537
Cash and investments held by fiscal agent	-	-	21,123	16,507
Prepays	-	-	1,436	-
Taxes	-	-	-	216
Accounts	-	-	-	13
Interest	1,600	469	-	31
Receivables, net:				
Investments	-	-	-	-
U.S. government obligations	1,182	-	-	-
Corporate bonds	37,148	-	-	-
Equity securities	124,268	-	-	-
Exchange traded funds	61,981	-	-	-
Municipal bonds	52,393	-	-	-
Loans receivable	17,911	-	-	-
Capital assets:			6,230	-
Buildings and improvements	-	-	12,020	-
Land	-	-	3,721	-
Less: accumulated depreciation/amortization	-	-	(1,001)	-
Total assets	289,414	152,445	52,658	32,304
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	-	2,566	-
<b>LIABILITIES</b>				
Accounts payable	19	-	625	-
Interest payable	865	-	-	-
Due to bondholders	-	-	480	32,304
Contracts payable	-	-	11,780	-
Pollution remediation obligations	-	-	219	-
Bonds payable	-	-	99,335	-
Notes payable	-	-	172,952	-
Total liabilities	904	-	285,411	32,304
<b>NET POSITION</b>				
Held in trust for:				
Net position restricted for pensions	288,510	-	-	-
External pool participants	-	152,445	-	-
Redevelopment dissolution	-	-	(230,167)	-
Total net position (deficit)	\$ 288,510	\$ 152,445	\$ (230,167)	\$ -

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, 2017  
 (in thousands)

	Business-type Activities - Community Center Fund	Other Enterprise Funds	Governmental Activities - Internal Service Funds
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 32,689	\$ 26,688	\$ 108,309
Cash and investments held by fiscal agent	-	-	194
Restricted cash and investments held by City	1,446	1,782	-
Restricted cash and investments held by fiscal agent	788	1,776	-
Total cash and cash equivalents, end of year	\$ 42,016	\$ 30,246	\$ 108,503
Operating income (loss)	\$ (5,663)	\$ 7,416	\$ 51,021
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	1,962	1,767	38,983
Amortization of intangible assets	3	11	174
Change in prepaids and liabilities	(317)	(473)	(7,502)
Accounts receivable, net	44	108	1,027
Intergovernmental receivables	-	-	823
Inventories	(21)	2	(21)
Prepaid items	(21)	2	(21)
Accounts payable	276	825	1,966
Accrued payroll	(1)	40	375
Accrued vacation and sick leave	(109)	30	(82)
OPEB liabilities	(29)	(84)	1,576
Accrued claims and judgments	4	2	189
Deposits	-	-	5
Unearned revenue	(106)	(11)	129
Net cash provided by (used for) operating activities	\$ (3,697)	\$ 9,662	\$ 89,836
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ -	\$ 156
Transfer of capital assets from governmental funds, net of depreciation	-	-	3,108
Capitalized interest	269	13	11,413
Amortization of bond premium and discount	(25)	127	2,697
Amortization of bond loss on refunding	-	(24)	(342)
Amortization of bond loss on refunding	-	-	(32)
Amortization of bond prepaid insurance	-	-	(23)
Capital asset acquisitions on accounts payable	-	-	8,437
Water fee credit usage	-	-	762
Purchase of capital assets on accounts payable	-	275	275

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, 2017  
(In thousands)

	Pension Fund	Investment Funds	Private Purpose Fund
Additions:			
Property taxes	\$ -	\$ -	\$ 30,659
Contributions:			
Employer	8,645	-	-
Employees	63	-	-
Total contributions	8,708	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	17,997	(881)	-
Interest	4,639	1,938	365
Dividends	5,350	-	-
Other income	-	-	22
Total investment income	27,986	1,047	387
Investment expenses:			
Banking, interest, and fiscal agent expenses	102	142	-
Professional services	1,081	-	-
Total investment expenses	1,183	142	-
Net income from investment activities	26,803	905	387
Deposits	-	73,106	-
Total additions	35,511	74,011	31,046
Deductions:			
Benefits	32,171	70,843	-
Withdrawals	-	-	12,221
Interest expense	-	-	8,800
Other receivable obligation payments	-	-	23
Loan forgiveness	-	-	8,320
Loss on disposal of capital asset	-	-	93
Depreciation expense	-	-	-
Total deductions	32,171	70,843	29,467
Change in net position	3,340	3,168	1,579
Net position (deficit), beginning of year	285,170	149,277	(231,746)
Net position (deficit), end of year	\$ 288,510	\$ 152,445	\$ (230,167)

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

# Notes to the Basic Financial Statements

## City of Sacramento Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(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.

The Sacramento Public Financing Authority (SPFA) is a joint exercise of powers entity created by the City and the Sacramento City Housing Authority to facilitate the financing and refinancing of public capital facilities. Most of the debt of the SPFA is backed by the City. The SPFA 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, 4<sup>th</sup> 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).

#### 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.

## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### New Pronouncements

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 that address employers and governmental nonprofit contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. The applicable provisions were implemented July 1, 2016 and did not have a material impact to the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, Statement 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The City has determined that the requirements of this statement do not have a material impact to the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The provisions in Statement 77 are effective for fiscal years beginning after December 15, 2015. The applicable provisions were implemented July 1, 2016 and did not have a material impact to the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The provisions in Statement 78 are effective for fiscal years beginning after December 15, 2015. The applicable provisions were implemented July 1, 2016 and did not have a material impact to the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions in Statement 80 are effective for fiscal years beginning after June 15, 2016. The applicable provisions were implemented July 1, 2016 and did not have a material impact to the financial statements.

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:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonprofit governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined its effect on the financial statements.

## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### New Pronouncements (Continued)

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions in Statement 81 are effective for fiscal years beginning after December 15, 2016. The City has not determined the effect of implementing this statement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The provisions in Statement 83 are effective for fiscal years beginning after June 15, 2016. The City has not determined the effect of implementing this statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The provisions in Statement 84 are effective for fiscal years beginning after December 15, 2018. The City has not determined the effect of implementing this statement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Ornibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions in Statement 85 are effective for fiscal years beginning after June 15, 2017. The City has not determined the effect of implementing this statement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions in Statement 86 are effective for fiscal years beginning after June 15, 2017. The City has not determined the effect of implementing this statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions in Statement 87 are effective for fiscal years beginning after December 15, 2019. The City has not determined the effect of implementing this statement.

## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 non-fiduciary 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.

##### 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.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1987 Lease Revenue Bond Debt Service 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 2015 Golden 1 Center Lease Revenue Bond Fund accounts for debt service activities related to financing a portion of the costs of construction of a multi-purpose entertainment and sports complex located in the downtown area of the Sacramento.

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.

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 net position 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 X 1 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.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 J Fund, the City/County Office of Metropolitan Water Planning (COMWP) 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.

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. The City Manager is authorized to administratively amend the budget during the year for transactions up to \$100 without City Council approval. All other appropriation adjustments during the year require City Council approval. Significant appropriation adjustments were not required during the year ended June 30, 2017. 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

**Fair Value Measurement** – The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial Statement Elements (Continued)

**Property Taxes** - Article XII 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 as described above.

Long-term loans receivable reported in the governmental fund statements are recorded with offsetting unavailable 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 unavailable revenue. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

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 cost 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.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial Statement Elements (Continued)

**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 acquisition 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. All capital assets in excess of \$5 financed by a federal funding source are capitalized. 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. 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 in business-type activities 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 \$47,320. Of this amount, \$11,413 of interest cost, net of interest earned, was included as part of the cost of capital assets under construction.

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 three items, loss on refunding of debt, accumulated decrease in fair-value of hedging derivative instrument, and deferred outflows related to pensions, 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 three items recognized in the statement of net position, gain on refunding, deferred service concession arrangement revenue and deferred inflows related to pensions. In addition, there is one item recognized in the governmental funds, unavailable revenue, which qualifies for reporting in this category.

## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial Statement Elements (Continued)

**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 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 days 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.

**Unearned Revenue** - 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).

**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 and net of gains and losses on debt refunding. 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2017  
 (Dollar amounts expressed in thousands)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Elements (Continued)**

**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, which is the highest form of decision authority, 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 and residual fund balance in General Fund, after determining the fund balance classifications described above, is reported as unassigned fund balance. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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 2017-0246 adopted with the fiscal year 2017/18 annual budget. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund revenue and equal to two months of regular on-going General Fund expenditures, including transfers. 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.

**Pensions** - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) and Sacramento Employee's Retirement System (SCERS) Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS and SCERS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2017  
 (Dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2017:

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 824,279	\$ 503,086	\$ 1,327,365
Restricted cash and investments	213,741	-	213,741
<b>Total</b>	<b>\$ 1,038,020</b>	<b>\$ 503,086</b>	<b>\$ 1,541,106</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2016-0291, 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 16, 2016. 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 16, 2016. 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 2017, the asset allocations consisted of the following: 40% Fixed Income securities, 35% Large Cap Growth stocks, 20% Equity income stocks and 5% international stocks. The Investment Policy allows for up to 5% variance from these approved allocation levels 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, 2017  
 (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
Commercial 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	A-A
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, 2017  
 (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, 2017 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Total
		Under 1	1-5	Over 5	
Certificates of deposit	\$ -	\$ 19,493	\$ 24,067	\$ -	\$ 43,560
Commercial paper	-	164,000	-	-	164,000
Corporate bonds/notes	-	157,131	189,096	18,020	364,247
Deposits	2,056	-	-	-	2,056
Equities	73,855	-	-	-	73,855
Exchange traded funds	119,632	-	-	-	119,632
Investment Trust of California (CalTRUST)	-	142,989	70,832	-	213,821
Local Agency Investment Fund (LAIF)	-	40,000	-	-	40,000
Mortgage loans	-	-	-	1,732	1,732
Municipal bonds/notes	-	35,552	104,541	50,407	190,500
Mutual funds	-	67,106	-	-	67,106
U.S. agency securities	-	74,239	149,690	1,171	225,100
U.S. Treasury bills	-	20,536	-	-	20,536
U.S. Treasury notes	-	-	14,961	-	14,961
<b>Total Cash and Investments</b>	<b>\$ 195,543</b>	<b>\$ 721,046</b>	<b>\$ 553,187</b>	<b>\$ 71,330</b>	<b>\$ 1,541,106</b>

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, 2017 by investment type are as follows:

Investment Type	Total
Certificates of deposit	\$ 5,000
Corporate bonds/notes	68,988
Municipal bonds	36,217
U.S. agencies	78,185

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(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 the purchase of investments with public funds, as described in detail above. The City's cash and investments by credit ratings as of June 30, 2017 are as follows:

Cash and Investment Type	S & P	Moody's	Total
Certificates of deposit	A	P1	15,000
	not rated	not rated	28,560
Commercial paper	A	P1	164,000
Corporate bonds/notes	A	A	108,484
	A	Aa	18,630
	A	not rated	19,744
	AA	A	35,750
	AA	Aa	86,510
	AA	Aaa	5,001
	AAA	Aaa	14,094
	BBB	A	15,050
	BBB	Baa	52,063
	BBB	not rated	2,764
	not rated	Aaa	5,961
	not rated	withdrawn	156
	not rated	not rated	2,056
Equities (exempt from disclosure)	N/A	N/A	73,855
Exchange traded funds (exempt from disclosure)	N/A	N/A	119,632
Investment Trust of California (CalTRUST)	not rated	not rated	213,821
Local Agency Investment Fund (LAIF)	not rated	not rated	40,000
Mortgage loans	not rated	not rated	1,732
Municipal bonds/notes	A	A	6,382
	A	Baa	3,373
	A	not rated	5,646
	AA	A	11,325
	AA	Aa	108,277
	AA	Aaa	2,847
	AA	not rated	14,211
	AAA	Aaa	8,029
	AAA	not rated	5,266
	not rated	A	12,549
	not rated	Aa	6,509
	not rated	Aaa	2,986
	not rated	MIG1	3,000
	not rated	not rated	100

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**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Credit Risk (Continued)**

Cash and Investment Type	S & P	Moody's	Total
Mutual funds	AAA	Aaa	62,102
	AAA	not rated	5,004
	AA	Aaa	182,001
U.S. agency securities	AA	not rated	15,978
	not rated	not rated	25,939
	N/A	N/A	1,182
U.S. Treasury bills (exempt from disclosure)	N/A	N/A	20,536
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	14,961
Total Cash and Investments			\$ 1,541,106

**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, 2017:

JP Morgan \$ 80,659

**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 Depositary Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits.

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.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 2 – CASH AND INVESTMENTS (Continued)

##### Fair Value and Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Money Market Mutual funds held by the City pool and outside the City pool are at \$1 net asset value (NAV) per share. The total fair value of these at June 30, 2017 was \$35,126 and \$31,980 respectively, with \$0 unfunded commitments. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short-term U.S. Treasury and government agency securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

Deposits and withdrawals in governmental investment pools, such as LAIF and CALTRUST Investment Pools are made on the basis of \$1 and not fair value. Accordingly, the City's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

The City's treasury pools' asset market prices are derived from closing bid prices as of the end of business day as supplied by Interactive Data Corporation. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 2 – CASH AND INVESTMENTS (Continued)

##### Fair Value Measurement and Application (Continued)

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments:

- When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.
- For investments classified within Level 2 of the fair value hierarchy, the City's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.
- The City held two types of investments that are measured using Level 3 inputs, Commercial Paper and Mortgage Loans. Commercial Paper is reported using the cost approach. There is no observable input and no active market. The Mortgage Loan is reported using the income approach. The value of the Mortgage Loan on the books is materially close to the Discounted Cash Flow, therefore the book value is reported.

There have been no changes in the methods and assumptions used at June 30, 2017. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement and Application (Continued)**

The City has the following recurring fair value measurements as of June 30, 2017:

Investments by Fair Value Level	Balance at June 30, 2017	Fair Value Measurements on a Recurring Basis Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 41,560	\$ -	\$ 41,560	\$ -
Commercial paper	164,000	-	350,134	164,000
Corporate bonds/notes	350,134	-	-	-
Equities	73,855	73,855	-	-
Exchange traded funds	119,652	119,652	-	-
Mortgage loans	1,732	-	-	1,732
Municipal bonds/notes	190,500	-	190,500	-
U.S. agency securities	171,411	-	171,411	-
U.S. Treasury notes	14,961	14,961	-	-
Total Investments by Fair Value Level	<u>1,127,765</u>	<u>\$ 208,468</u>	<u>\$ 753,605</u>	<u>\$ 165,732</u>

**Investments Not Measured at Fair Value**

Certificates of deposit (Non Negotiable)	2,000
Deposits	1,601
Total Investments Not Measured at Fair Value	<u>3,601</u>
Investments Measured at Net Asset Value	
Mutual funds	35,126
Total Investments Measured at Net Asset Value	<u>35,126</u>

**Investments Uncategorized**

Investment Trust of California (CalTRUST)	213,821
Local Agency Investment Fund (LAIF)	40,000
Total Investments Uncategorized	<u>253,821</u>
Total City's Pooled Investments	<u>1,420,333</u>

**Investments Held Outside City Pool by Fair Value Level**

Corporate bonds/notes	14,113	\$ -	\$ 14,113	\$ -
U.S. agency securities	53,689	-	53,689	-
U.S. Treasury bills	20,536	20,536	-	-
Total Investments Held Outside City Pool by Fair Value Level	<u>88,338</u>	<u>\$ 20,536</u>	<u>\$ 67,802</u>	<u>\$ -</u>

**Investments Held Outside City Pool Not Measured at Fair Value**

Deposits	455
Total Investments Held Outside City Pool Not Measured at Fair Value	<u>455</u>

**Investments Held Outside City Pool Measured at Net Asset Value**

Mutual funds	31,980
Total Investments Held Outside City Pool Measured at Net Asset Value	<u>31,980</u>
Total Investments Held Outside City Pool	<u>120,773</u>
Total Investments	<u>\$ 1,541,106</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**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.

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 6.45% 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, 2017:

<b>Statement of Net Position:</b>	
Investments at fair value	\$ 1,047,958
Interest receivables	2,963
Net Position	<u>\$ 1,050,921</u>
Equity of internal pool participants	\$ 983,196
Equity of external pool participants	67,725
Total equity	<u>\$ 1,050,921</u>

**Statement of Changes in Net Position:**

Net position at July 1, 2016	\$ 927,201
Net change in investments by pool participants	123,720
Net position at June 30, 2017	<u>\$ 1,050,921</u>

A summary of the investment classifications as of June 30, 2017 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Certificates of deposit	\$ 43,063	\$ 42,868	0.80-2.40%	11/17-04/22
Commercial paper	164,000	163,299	0.94-1.50%	07/17-03/18
Corporate bonds/notes	290,008	291,237	0.62-7.62%	07/17-06/22
Deposits	192	192	N/A	N/A
Investment Trust of California (CalTRUST)	185,028	185,028	1.41-1.28%	N/A
Municipal bonds/notes	122,741	122,741	0.96-5.95%	08/17-05/22
Mutual funds	29,567	29,567	0.50-0.95%	N/A
Local Agency Investment Fund (LAIF)	40,000	40,000	0.89%	N/A
U.S. agency securities	158,755	159,416	0.65-6.25%	07/17-06/22
U.S. Treasury notes	14,961	14,905	1.75%	11/21
Total cash and investments in City sponsored investment pool	<u>\$ 1,047,958</u>	<u>\$ 1,049,253</u>		

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2017  
 (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, 2017, the City's investment in LAIF is \$40,000. The total amount invested by all public agencies in LAIF at that date is \$22,812,818. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017 had a balance of \$7,539,216. Of that amount, 97.11% is invested in non-derivative financial products, and 2.89% 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, 2017, the City's investment in CalTRUST is \$213,821, of which \$142,989 was invested in the Short-term pool and \$70,832 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, 2017  
 (Dollar amounts expressed in thousands)

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2017, were as follows:

	Taxes	Accounts	Loans	Inter-govern-mental	Interest	Total
Governmental activities						
General U Fund	\$ 28,608	\$ 21,391	\$ -	\$ 2,750	\$ 586	\$ 53,335
Capital Grants Fund	8,113	-	-	-	148	8,261
1997 Lease Revenue Bond Fund	-	123	32,733	8,275	-	8,396
2015 Golden 1 Center	-	-	-	-	-	32,733
Lease Revenue Bond Fund	-	-	142,771	-	55	142,826
Other governmental funds	4,274	2,951	7,388	27,277	186	42,076
Internal service funds	-	233	-	-	302	535
	<u>\$ 40,995</u>	<u>\$ 24,698</u>	<u>\$ 182,892</u>	<u>\$ 38,302</u>	<u>\$ 1,277</u>	<u>\$ 288,164</u>

Amounts not scheduled for collection during the subsequent year

	\$ -	\$ -	\$ 171,488	\$ 13,466	\$ -	\$ 184,974
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Business-Type activities

Water Fund	\$ -	\$ 17,701	\$ 2,297	\$ 3,490	\$ 834	\$ 24,322
Wastewater Fund	-	10,886	551	852	177	12,466
Storm Drainage Fund	-	5,263	2,838	990	170	9,261
Solid Waste Fund	-	8,687	-	-	169	8,856
Community Center Fund	2,922	238	66	-	133	3,359
Other enterprise funds	-	796	1	-	105	902
	<u>\$ 2,922</u>	<u>\$ 43,571</u>	<u>\$ 5,753</u>	<u>\$ 5,332</u>	<u>\$ 1,568</u>	<u>\$ 59,166</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$14,645 in governmental activities and \$1,056 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 \$4,786, reported with the associated deferred inflow in the government-wide statement of net position.

The Golden 1 Center was sold to the Sacramento Kings under the terms of the Arena Management, Operations and Lease Agreement during the current fiscal year. Minimum lease payments to be received from the Kings is \$407,899 over 36 years. The present value of the minimum lease payments discounted at 5.674% is \$143,412. Accordingly, a loan receivable balance of \$142,771 is reported in the financial statements as of June 30, 2017. Payments from the Sacramento Kings will be used to reduce interest expense related to the Golden 1 Center 2015 lease revenue bonds.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2017:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated/amortized			
Land	\$ 204,014	\$ 50,314	\$ 254,328
Easements	913	281	1,204
Construction in progress	108,497	261,264	369,761
Total capital assets not being depreciated/amortized	313,424	311,859	625,283
Depreciable/amortizable capital assets			
Buildings and improvements	676,206	281,831	958,037
Equipment	73,726	60,344	134,070
Software	6,138	8,375	14,513
Vehicles	145,626	-	145,626
Transmission and distribution system	4,777	1,255,850	1,260,627
Roadway network	1,660,276	-	1,660,276
Streetlight network	236,223	-	236,223
Park improvements	193,517	-	193,517
Total depreciable/amortizable capital assets	2,996,489	1,600,262	4,596,751
Less accumulated depreciation/amortization for:			
Buildings and improvements	(236,035)	(148,683)	(384,718)
Equipment	(64,117)	(42,171)	(106,288)
Software	(2,118)	(878)	(3,000)
Vehicles	(90,859)	-	(90,859)
Transmission and distribution system	(834)	(451,974)	(452,808)
Roadway network	(1,012,730)	-	(1,012,730)
Street light network	(83,720)	-	(83,720)
Park improvements	(67,014)	-	(67,014)
Total accumulated depreciation/amortization	(1,537,427)	(643,706)	(2,181,133)
Depreciable/amortizable capital assets, net	1,459,062	956,556	2,415,618
Total capital assets, net	\$ 1,772,486	\$ 1,268,425	\$ 3,040,911

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS (Continued)**

**Governmental Activities**

Governmental capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 202,374	\$ 1,640	\$ -	\$ -	\$ 204,014
Easements	913	-	-	-	913
Construction in progress	349,769	67,209	(308,481)	-	108,497
Total capital assets not being depreciated/amortized	553,056	68,849	(308,481)	-	313,424
Depreciable/amortizable capital assets					
Buildings and improvements	630,189	46,017	-	-	676,206
Equipment	73,409	317	-	-	73,726
Software	4,968	1,272	-	-	6,138
Vehicles	138,086	13,161	(5,641)	-	145,626
Transmission and distribution system	3,622	4,263	-	(3,108)	4,777
Roadway network	1,639,863	25,778	(4,865)	-	1,660,276
Streetlight network	227,020	8,693	-	-	236,223
Park improvements	189,545	3,574	-	-	193,517
Total depreciable/amortizable capital assets	2,907,098	103,005	(10,506)	(3,108)	2,996,489
Less accumulated depreciation/amortization for:					
Buildings and improvements	(222,701)	(13,334)	-	-	(236,035)
Equipment	(50,885)	(3,232)	-	-	(54,117)
Software	(1,665)	(452)	-	-	(2,118)
Vehicles	(86,052)	(9,939)	5,132	-	(90,859)
Transmission and distribution system	(766)	(68)	-	-	(834)
Roadway network	(973,054)	(44,541)	4,865	-	(1,012,730)
Streetlight network	(78,728)	(5,592)	-	-	(83,720)
Park improvements	(49,977)	(7,037)	-	-	(57,014)
Total accumulated depreciation/amortization	(1,463,229)	(84,195)	9,997	-	(1,537,427)
Depreciable/amortizable capital assets, net	1,443,869	18,810	(509)	(3,108)	1,459,062
Governmental activities capital assets, net	\$ 1,996,925	\$ 87,659	\$ (308,980)	\$ (3,108)	\$ 1,772,486
Depreciation/amortization expense was charged to functions as follows:					
General government		\$ 5,374			
Police		1,424			
Fire		1,135			
Public works		51,188			
Economic development		100			
Convention and cultural services		4,229			
Parks and recreation		9,471			
Community development		228			
Library		955			
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets		10,091			
Total governmental activities depreciation/amortization expense		\$ 84,195			

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 50,314	\$ -	\$ -	\$ -	\$ 50,314
Easements	281	-	-	-	281
Construction in progress	266,143	52,350	(57,229)	-	261,264
Total capital assets not being depreciated/amortized	316,748	52,350	(57,229)	-	311,869
Depreciable/amortizable capital assets					
Buildings and improvements	280,876	1,155	-	-	281,831
Equipment	64,452	-	(4,108)	-	60,344
Software	1,958	279	-	-	2,237
Transmission and distribution system	1,196,826	55,916	-	3,108	1,255,850
Total depreciable/amortizable capital assets	1,543,912	57,350	(4,108)	3,108	1,600,282
Less accumulated depreciation/amortization for:					
Buildings and improvements	(142,690)	(5,993)	-	-	(148,683)
Equipment	(43,685)	(2,594)	4,108	-	(42,171)
Software	(712)	(166)	-	-	(878)
Transmission and distribution system	(421,577)	(30,397)	-	-	(451,974)
Total accumulated depreciation/amortization	(608,664)	(39,150)	4,108	-	(643,706)
Depreciable/amortizable capital assets, net	935,248	18,200	-	3,108	956,556
Business-type activities capital assets, net	\$ 1,251,996	\$ 70,550	\$ (57,229)	\$ 3,108	\$ 1,268,425
Depreciation/amortization expense was charged to functions as follows:					
Water	\$ 19,226				
Wastewater	3,996				
Storm drainage	10,794				
Solid waste	1,398				
Community center	1,985				
Parking	1,693				
Child development	78				
Total business-type activities depreciation/amortization expense	\$ 39,150				

(1) Varies \$7 from amount reported in Other Enterprise Funds Financials as it is related to the amortization of "prepaid rent" for Regency Park Building.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 5 – PAYABLES**

Payables as of June 30, 2017, were as follows:

	Vendors	Employees	Interest	Deposits	Total
Governmental activities					
General Fund	\$ 16,137	\$ 20,170	\$ -	\$ 141	\$ 36,448
Measure U Fund	586	-	-	-	586
Capital Grants Fund	4,409	-	-	-	4,409
1997 Lease Revenue Bond Fund	-	-	631	-	631
Other governmental funds	16,582	200	7,384	2,161	26,337
Internal service funds	7,520	496	6	-	8,028
Total governmental activities	\$ 45,250	\$ 20,866	\$ 8,021	\$ 2,302	\$ 76,439
Business-type activities					
Water Fund	\$ 10,339	\$ 1,562	\$ 3,972	\$ 14	\$ 15,887
Wastewater Fund	13,571	414	488	-	14,473
Storm Drainage Fund	899	616	164	15	1,694
Solid Waste Fund	2,311	636	59	-	3,006
Community Center Fund	3,425	283	256	-	3,964
Other enterprise funds	2,446	417	131	-	2,994
Total business-type activities	\$ 32,991	\$ 3,928	\$ 5,070	\$ 29	\$ 42,018

Included in the Interest Payable amount related to 1997 Lease Revenue Bond Fund above is the interest payable accrual of \$631, reported in the government-wide statement of net position.

Included in the Interest Payable amount related to Other governmental funds above is the interest payable accrual for Other debt service funds of \$5,505, reported in the government-wide statement of net position.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(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, 2017, were \$1,223.

Sublease rental income for the fiscal year ended June 30, 2017 was \$712. The total amount of minimum rentals to be received in the future under non-cancelable subleases is \$2,192.

Future minimum lease payments required by non-cancelable lease agreements that have initial lease terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Payments
2018	\$ 814
2019	676
2020	642
2021	663
2022	677
2023 - 2027	3,029
2028 - 2032	3,169
2033 - 2037	3,039
2038 - 2042	2,539
2043 - 2047	2,681
2048 - 2052	2,806
2053 - 2057	1,302
2058 - 2062	224
<b>Total future minimum lease payments</b>	<b>\$ 22,261</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES**

**Activity**

The following is a summary of changes in long-term liabilities at June 30, 2017. Certain long-term liabilities provide financing to both governmental and business-type activities.

GOVERNMENTAL ACTIVITIES:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue and other bonds:					
1983 Refunded Revenue Bonds, Series A	\$ 7,811	\$ -	(1,403)	\$ 6,408	\$ 1,478
1983 Refunded Revenue Bonds, Series B	13,096	-	(2,352)	10,744	2,478
1987 Lease Revenue Bonds	57,315	-	(2,665)	54,650	3,025
1989 CFD No. 2 Revenue Bonds, Series A	1,610	-	(1,610)	-	-
2006 Capital Improvement Revenue Bonds, Series B	47,050	-	(1,185)	45,865	1,255
2006 Capital Improvement Revenue Bonds, Series D	475	-	(475)	-	-
2006 Capital Improvement Revenue Bonds, Series E	80,803	-	-	80,803	-
2015 Refunded Revenue Bonds	115,725	-	(9,645)	106,080	8,995
2016 Lease Revenue Bonds - Golden 1 Center	272,870	-	-	272,870	3,425
2016 Lease Financing	9,115	-	(735)	8,380	435
Subtotal, revenue and other bonds	605,870	-	(20,070)	585,800	21,091
Notes Payable:					
1987 State Department of Boating & Waterways	283	-	(60)	193	94
1988 Marina Phase I	1,493	-	(46)	1,445	50
1988 Marina Phase II	2,306	-	(63)	2,243	66
1988 Marina Phase III	411	-	(131)	280	177
1988 Marina Phase IV	327	-	(75)	252	137
2008 Sacramento Marina South Basin	10,477	-	-	10,477	983
Subtotal, notes payable	15,290	-	(407)	14,883	1,408
Capital Lease Obligations:					
JP Morgan Fleet Financing	863	-	(574)	289	289
Fire trucks and equipment #3	443	-	(443)	-	-
Liquid nitrate gas (LNG) - Refueling Trailer	2,062	-	(482)	1,580	504
Parking meters system with AutoVu	101	-	(27)	74	28
Bank of America - Marina South Basin	3,046	-	(1,207)	1,839	1,223
Subtotal, capital lease obligations	779	-	(1,069)	673	111
Subtotal, capital lease obligations	7,294	-	(2,639)	4,455	2,155
Plus deferred amounts:					
For issuance discounts	(8)	-	2	(6)	(2)
For issuance premiums	21,489	-	(1,186)	20,303	1,187
Subtotal deferred amounts	21,481	-	(1,184)	20,297	1,185
Subtotal, debt governmental activities	649,935	-	(24,500)	625,435	25,639
Other Long-term Liabilities:					
Accrued claims and judgments	73,767	28,094	(18,443)	83,418	22,852
Compensated absences	34,800	36,738	(35,256)	36,282	2,276
OPFB liability	172,023	24,052	(19,250)	176,825	-
Net pension liability	633,425	207,271	(81,965)	758,731	-
Pollution remediation obligations	1,664	786	(656)	1,794	59
Derivative instrument - interest rate swap	3,217	-	(2,646)	571	-
Financing plan fee credits:					
North Natomas	42,899	1,939	(5,646)	39,192	1,328
Jacinto Creek	968	34	-	1,002	-
Park Development	2,352	3	(1,341)	1,014	455
Subtotal, other long-term liabilities	965,025	298,917	(185,203)	1,098,739	26,970
Total governmental activities	\$ 1,614,960	\$ 298,917	\$ (189,703)	\$ 1,724,174	\$ 62,809



**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Activity (Continued)**

BUSINESS-TYPE ACTIVITIES:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Revenue and other bonds:</b>					
1993 Refunded Revenue Bonds, Series A	\$ 32,251	\$ -	\$ (5,792)	\$ 26,459	\$ 6,102
1993 Refunded Revenue Bonds, Series B	14,304	-	(2,568)	11,736	2,707
2006 Capital Improvement Revenue Bonds, Ser. E	92,277	-	-	92,277	-
Water Revenue Bonds, Series 2013	206,010	-	(3,780)	202,230	3,960
Water Revenue Bonds, Series 2017	-	52,610	-	52,610	-
Wastewater Revenue Bonds, Series 2013	30,285	-	(600)	29,685	605
2015 Refunding Revenue Bonds	67,655	-	(7,035)	60,620	7,335
Subtotal, revenue and other bonds	444,792	52,610	(19,755)	477,647	20,709
<b>Notes Payable:</b>					
State Water Resources Control Board	319	-	(157)	162	162
State Water Resources Control Board	11,088	-	(2,124)	8,964	2,170
State Water Resources Control Board	1,283	-	(309)	974	317
State Water Resources Control Board	1,842	-	(349)	1,493	358
State Water Resources Control Board	767	-	(145)	622	149
California Department of Public Health	8,588	-	(426)	8,162	437
California Infrastructure and Economic Development Bank (I-Bank)	2,450	-	(79)	2,371	81
Subtotal, notes payable	26,337	-	(3,589)	22,748	3,674
<b>Capital Lease Obligations:</b>					
Refuse Trucks - Schedule 16	1,069	-	(1,069)	-	-
Sewer Cleaning Trucks - Schedule 17	152	-	(152)	-	-
JP Morgan Capital Lease Refinance	1,122	-	(658)	464	564
Parking Equipment - Schedule 19	3,612	-	(781)	2,831	794
Parking Equipment - Schedule 20	2,700	-	(621)	2,079	530
Subtotal, capital lease obligations	8,655	-	(3,081)	5,574	1,888
<b>Less deferred amounts:</b>					
For insurance discounts	(245)	-	50	(195)	(60)
For insurance premiums	48,856	10,192	(2,758)	56,290	3,086
Subtotal, deferred amounts	48,611	10,192	(2,699)	56,104	3,026
Subtotal, debt, business type activities	528,395	62,802	(20,124)	569,073	29,297
<b>Other Long-term Liabilities:</b>					
Compensated absences	7,341	7,771	(7,992)	7,120	381
OPEB liability	30,699	4,227	(2,651)	32,275	-
Net pension liability	97,465	26,566	(16,015)	108,016	-
Accrued claims and judgements	504	189	-	693	693
Water fee credits	976	-	(792)	184	-
Liability for landfill closure	1,177	-	-	1,177	85
Subtotal, other long-term liabilities	138,162	38,753	(28,420)	148,495	1,159
Total business-type activities	\$ 666,557	\$ 101,555	\$ (58,544)	\$ 709,568	\$ 30,456
Total long-term liabilities	\$ 2,281,517	\$ 409,472	\$ (246,247)	\$ 2,433,742	\$ 83,265

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

The following is a list of long-term debt issues outstanding at June 30, 2017, 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.	
\$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 \$55,416 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$5,758 and lease revenue was \$28,506.	
\$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, PocketArea Library and other capital projects within 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 release \$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 2013 Water Revenue Bonds 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 \$364,409 as of June 30, 2017. Current year principal and interest paid was \$14,016 and Water Fund system revenue was \$108,867.	

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Revenue and Other Bonds (Continued)**

<u>Issued Amount</u>	
\$30,955	<p>2013 Wastewater Revenue Bonds 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 \$50,842 as of June 30, 2017. Current year principal and interest paid was \$1,955 and Wastewater Fund system revenue was \$34,311.</p>
\$183,380	<p>2015 Refunding Revenue Bonds Authorized and issued October 1, 2015, due in annual installments of \$5,120 to \$24,773 through December 1, 2037, bearing interest rates of 3% to 5%. Net proceeds of \$205,778 plus cash of \$28,165, together with certain proceeds of the Tax Allocation Bonds, were utilized to establish an irrevocable escrow to defease \$257,630 principal amount of outstanding 2002 Capital Improvement Revenue Bonds, 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, 2006 Capital Improvement Revenue Bonds, Series A, 2006 Capital Improvement Revenue Bonds, Series C, and pay cost of issuance. The refunded liabilities have been removed from the associated fund and government-wide financial statements. The net carrying value of the old debt exceeded the reacquisition price by \$1,983. The 2015 Refunding reduced total debt service payments by \$37,788, and resulted in an economic gain of \$21,552.</p>
\$272,870	<p>2015 Lease Revenue Bonds – Golden 1 Center The bonds were originally issued on August 13, 2015, in the aggregate principal amount of \$293,995, to pay for a portion of the acquisition and construction of the multi-purpose entertainment and sports center (the Golden 1 Center) in downtown Sacramento. On the fixed rate conversion date, October 6, 2015, \$271,125 principal amount of the bonds were cancelled. The bonds are due in annual installments of \$7,229 to \$18,379 through fiscal year 2050, bearing interest of 2.5% to 5.6%.</p>
\$9,115	<p>2016 Lease Financing – H Street Theater Complex The City delivered its 2016 Lease Financing on January 26, 2016, due in annual installments of \$668 to \$1,010 through fiscal year 2033, bearing interest at 2.8%. Bond proceeds of \$9,115, together with cash of \$3,471, were utilized to establish a prepayment fund to refund \$12,010 aggregate principal, plus interest, and pay the cost of issuance of the outstanding Sacramento Regional Arts Facilities 2002 Certificates of Participation.</p>
\$52,610	<p>2017 Water Revenue Bonds Authorized and issued June 2017, due in annual installments of \$1,805 to 3,379 through fiscal year 2048, bearing interest rate of 4% 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 \$103,102 as of June 30, 2017. Current year principal and interest paid was \$0 and Water Fund system revenue was \$108,867.</p>

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable**

<u>Issued Amount</u>	
\$2,220	<p>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.</p>
\$3,229	<p>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.</p>
\$1,829	<p>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.</p>
\$1,117	<p>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.</p>
\$10,477	<p>2008 Sacramento Marina Note Payable, South Basin Authorized February 2005, the City had 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 has made no principal or interest payments on this loan since 2013, and is working with DB&amp;W on a loan restructure. As of June 30, 2017, the DB&amp;W and the City have not executed a formal agreement to restructure this loan.</p>
\$1,380	<p>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.</p>
\$2,619	<p>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 \$166. Current year principal and interest paid was \$166 and wastewater and storm drainage fee revenue was \$74,435.</p>

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable (Continued)**

Issued Amount

\$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 \$9,468. Current year principal and interest paid was \$2,367 and wastewater and storm drainage fee revenue was \$74,435.

\$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 \$1,026. Current year principal and interest paid was \$342 and wastewater and storm drainage fee revenue was \$74,435.

\$2,603 State Water Resources Control Board Note Payable  
Authorized June 2001, issued beginning May 2002, due in annual installments of \$165 through May 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 May 2021. Total principal and interest remaining to be paid on the note is \$660. Current year principal and interest paid was \$165 and wastewater and storm drainage fee revenue was \$74,435.

\$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 \$1,568. Current year principal and interest paid was \$397 and wastewater and storm drainage fee revenue was \$74,435.

\$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. Water Fund system revenue was \$108,867. The note is payable solely from water enterprise fund revenue through 2033.

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable (Continued)**

Issued Amount

\$2,975 California Infrastructure and Economic Development (I-Bank)  
Authorized in December 2007, due in annual principal and interest installments from \$163 to \$165 through August 2038, 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 2038. Total principal and interest remaining to be paid on the note is \$3,332. Current year principal and interest paid was \$162 and storm drainage fee revenue was \$40,124.

**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, 2017, future minimum lease payments to be made by the City's General, Solid Waste, Wastewater and Culture and Leisure Funds are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2018	\$ 2,271	\$ 1,970	\$ 4,241
2019	1,358	1,389	2,757
2020	722	1,400	2,122
2021	139	984	1,123
2022	139	-	139
2023 - 2027	69	-	69
Total minimum lease payments	4,698	5,753	10,451
Less amounts representing interest	(243)	(179)	(422)
Net present value of minimum lease payments	\$ 4,455	\$ 5,574	\$ 10,029

The following is a schedule of property under capital leases by major classes at June 30, 2017:

	Governmental Activities	Business-Type Activities	Total
Buildings and improvements	\$ 1,523	\$ -	\$ 1,523
Equipment	21,970	16,019	37,989
Less: accumulated depreciation	(10,035)	(10,282)	(20,317)
Total	\$ 13,458	\$ 5,737	\$ 19,195

**Other Long-term Liabilities**

Accrued claims and judgements – 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.

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Other Long-term Liabilities (Continued)**

**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 eight 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.

**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.

**Net Pension Liability** – The net pension liability is \$758,731 and \$106,015 for governmental activities and business-type activities, respectively, at June 30, 2017. Refer to Note 8 for more detailed information.

**Future Debt Service Requirements**

The following tables disclose the annual debt service requirements for the City's long-term debt outstanding as of June 30, 2017.

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
2018	\$ 21,091	\$ 30,564	\$ 1,408	\$ 645
2019	21,165	28,453	669	616
2020	21,385	28,294	448	586
2021	21,916	27,315	377	567
2022	18,505	26,333	396	548
2023 - 2027	112,320	116,664	2,267	2,454
2028 - 2032	113,176	86,452	2,834	1,887
2033 - 2037	90,952	59,185	3,428	1,178
2038 - 2042	50,180	41,241	3,056	419
2043 - 2047	65,960	25,420	-	-
2048 - 2052	49,170	5,643	-	-
Subtotals	585,800	476,566	14,883	8,900
Less: Issuance discounts	(6)	-	-	-
Plus: Issuance premiums	20,303	-	-	-
Totals	\$ 606,097	\$ 476,566	\$ 14,883	\$ 8,900

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**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
2018	\$ 20,709	\$ 22,499	\$ 3,674	\$ 564
2019	22,510	22,238	3,595	477
2020	23,655	21,072	3,679	392
2021	24,869	19,840	3,424	305
2022	15,215	18,875	575	225
2023 - 2027	85,005	82,311	3,108	885
2028 - 2032	102,349	58,361	3,538	446
2033 - 2037	71,993	35,717	1,006	96
2038 - 2042	78,180	18,552	149	3
2043 - 2047	29,670	3,176	-	-
2048 - 2052	3,292	86	-	-
Subtotals	477,647	302,727	22,748	3,393
Less: Issuance discounts	(186)	-	-	-
Plus: Issuance premiums	56,290	-	-	-
Totals	\$ 533,751	\$ 302,727	\$ 22,748	\$ 3,393

**Derivative Instrument - Interest Rate Swap**

**Objective of the interest rate swap.** In July 2007, the Sacramento City Financing Authority (the "Authority") and Goldman Sachs Capital Markets, L.P. ("GSCM") entered into an interest-rate swap in connection with the remarketing of the Authority's 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, 2017, the amount of outstanding Bonds was \$54,650. The interest and principal payments on the Bonds are insured by National Public Finance Guarantee Corporation ("NPFGC"), formerly MBIA Insurance Corporation.

**Terms.** The Bonds mature on July 15, 2027; are subject to mandatory 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. As noted, 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, 2017, of \$54,650. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through July 19, 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%). The Authority's payments to the swap provider are also insured by NPFGC.

**Fair value.** As of June 30, 2017, the swap had a negative value to the Authority of \$571, 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. This swap is categorized as Level 2 based on observable market data derived from LIBOR.

**City of Sacramento  
Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Derivative Instrument - Interest Rate Swap (Continued)**

*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, GSCM, was not rated by credit rating agencies, so a rated affiliate of GSCM, The Goldman Sachs Group, Inc. ("GS Group"), provided credit support. GSCM was replaced in November 2008 by a rated swap provider, Goldman Sachs Bank USA ("GS Bank").

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, 2017, the current swap provider, GS Bank, was rated A1 by Moody's Investors Services and A+ by Standard & Poor's; the credit support provider, GS Group, was rated A3 by Moody's Investors Service and BBB+ by Standard & Poor's; and GS Bank and the Authority 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.

*Swap payments and associated debt.* Using rates in effect on June 30, 2017, 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	Interest Rate Swaps, Net			Total
	Principal	Interest	Swaps, Net	
2018	\$ 54,650	\$ 195	\$ 571	\$ 55,416
TOTAL	\$ 54,650	\$ 195	\$ 571	\$ 55,416

The interest rates on the Bonds will vary until July 2017, when the swap terminates, and the Bonds are 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, 2017.

**City of Sacramento  
Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$158,030 at June 30, 2017. 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 \$204,202 at June 30, 2017. 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.

**NOTE 8 – PENSION PLANS**

**Defined Benefit Plan Description**

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.

As of June 30, 2017, the City reported total net pension liability, deferred outflows of resources and deferred inflows of resources for CalPERS (Miscellaneous and Safety Plans) and SCERS plan as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan	\$ 293,925	\$ 75,211	\$ 9,474
Safety Plan	522,453	121,509	18,180
SCERS	48,369	1,837	-
Total	\$ 864,747	\$ 198,557	\$ 27,654

**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. 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2017  
 (Dollar amounts expressed in thousands)

**NOTE 8 – PENSION PLANS (Continued)**

**General Information about the Pension Plan**

**Plan Description** – All qualified permanent probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple employer defined benefit pension plans administered by the CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website at <http://www.calpers.ca.gov/index.jsp?bc=about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

**Benefits Provided** – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year to full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service monthly for life	5 years of service monthly for life	5 years of service monthly for life	5 years of service monthly for life
Retirement age	50-55	52-57	50	50-57
Monthly benefits, as a % of annual salary	1.4% to 2.4%	1.0% to 2.5%	3.0%	2.0% to 2.7%
Required employee contribution rates	6.82%	6.00%	9.08%	11.50%
Required employer contribution rates	16.48%	16.48%	36.85%	36.85%

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2017  
 (Dollar amounts expressed in thousands)

**NOTE 8 – PENSION PLANS (Continued)**

**General Information about the Pension Plan (Continued)**

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	2,105	1,113
Inactive employees entitled to but not yet receiving benefits	4,071	380
Active employees	2,585	1,185
Total	8,761	2,678

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the fiscal year ended June 30, 2017, the contributions for the miscellaneous and safety plans were \$30,084 and \$47,222 respectively.

**Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	Miscellaneous		Safety	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Measurement Date	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:				
Discount Rate	7.65%	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%	2.75%
Payroll Growth	3.0%	3.0%	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)	7.65%	7.65% (2)	7.65% (2)
Mortality	2014 CalPERS Experience Study	2014 CalPERS Experience Study	2014 CalPERS Experience Study	2014 CalPERS Experience Study

(1) Depending on age, service and type of employment  
 (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website at <http://www.calpers.ca.gov/index.jsp?bc=about/forms-pubs/calpers-reports/actuarial-reports.xml>.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CALPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return	
		Years 1 - 10 <sup>(1)</sup>	Years 11+ <sup>(2)</sup>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	(0.55%)	(1.05%)
<b>Total</b>	<b>100%</b>		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3% used for this period.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for each Plan for the measurement date of June 30, 2017 are as follows:

Miscellaneous Plan:	Increase (Decrease)		Net Pension Liability/(Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
<b>Balance at June 30, 2016</b>	<b>\$ 1,047,046</b>	<b>\$ 813,428</b>	<b>\$ 233,618</b>
Changes in the year:			
Service cost	23,374	-	23,374
Interest on the total pension liability	79,515	-	79,515
Changes of assumptions	-	-	-
Difference between Expected and Actual Experience	(333)	-	(333)
Plan to Plan resource movement	-	531	(531)
Contribution - employer	-	25,963	(25,963)
Contribution - employee	-	11,991	(11,991)
Net investment income	-	4,260	(4,260)
Benefit payments, including refunds of employee contributions	(37,980)	(37,980)	-
Administrative expense	64,576	4,069	60,507
<b>Net changes</b>	<b>\$ 1,111,822</b>	<b>\$ 817,897</b>	<b>\$ 293,925</b>
<b>Balance at June 30, 2017</b>			

**Safety Plan:**

	Increase (Decrease)		Net Pension Liability/(Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
<b>Balance at June 30, 2016</b>	<b>\$ 1,560,275</b>	<b>\$ 1,143,974</b>	<b>\$ 416,301</b>
Changes in the year:			
Service cost	31,672	-	31,672
Interest on the total pension liability	118,821	-	118,821
Changes of assumptions	-	-	-
Difference between Expected and Actual Experience	-	-	-
Plan to Plan resource movement	14,398	-	14,398
Contribution - employer	-	36,001	(36,001)
Contribution - employee	-	18,465	(18,465)
Net investment income	-	4,971	(4,971)
Benefit payments, including refunds of employee contributions	(74,572)	(74,572)	-
Administrative expense	90,319	(697)	89,622
<b>Net changes</b>	<b>\$ 1,650,394</b>	<b>\$ 1,128,142</b>	<b>\$ 522,452</b>
<b>Balance at June 30, 2017</b>	<b>\$ 2,762,216</b>	<b>\$ 1,945,839</b>	<b>\$ 816,377</b>

**Totals of both Miscellaneous and Safety Plans**

**City of Sacramento**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net position liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 456,441	\$ 751,584	\$ 1,208,025
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 293,925	\$ 522,452	\$ 816,377
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 160,617	\$ 334,499	\$ 495,116

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plans' fiduciary net position is available in the separately issued CALPERS financial reports.

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2017 the City recognized pension expense of \$25,296 and \$52,294 for the Miscellaneous and Safety Plans respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 30,084	\$ -	\$ 47,222	\$ -	\$ 77,306	\$ -
Changes of assumption	-	6,254	-	17,811	-	24,065
Differences between actual and expected experience	-	2,974	11,629	369	11,629	3,343
Net differences between projected and actual earnings on plan investments	44,881	-	62,658	-	107,539	-
Proportionate share	246	246	-	-	246	-
Total	\$ 75,211	\$ 9,574	\$ 121,509	\$ 18,180	\$ 196,720	\$ 27,854

The amount of \$77,306 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

Fiscal Year Ended June 30,	Miscellaneous Plan	Safety Plan	Total
2018	(2,512)	\$ 6,159	\$ 3,647
2019	6,493	6,159	12,652
2020	20,112	25,796	45,908
2021	11,660	17,440	29,000
2022	-	553	553
Total	\$ 35,653	\$ 56,107	\$ 91,760

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**NOTE 8 – PENSION PLANS (Continued)**

**SCERS**

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, 4<sup>th</sup> 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.

**General Information about the Pension Plan**

**Plan Description** – The SCERS is a closed defined benefit pension plan. It has not accepted new members since January 28, 1977. All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS.

**Benefits Provided** – SCERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries based on the plan that they belong. SCERS have the following plans:

**Charter Section 399 Plan** – This defined benefit plan was established effective January 1, 1977 to provide retirement, disability and death benefits. Active members contribute at a rate based upon entry age and type of employment. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor, but no larger than 75% of final average earnings. Employees may retire at age 70, or age 60 and 5 years of service.

**Equal Shares Plan** – This defined benefit plan was established July 1, 1970 to provide retirement, disability and death benefits to all City employees electing coverage at that date and to all employees who were hired from that date through January 1, 1977. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor, but no larger than 75% of final average earnings. Employees may retire at age 70, or age 50 and 5 years of service.

**Charter Section 175 Plan** – This defined benefit plan was established in 1953 to provide for retirement, disability and death benefits at a lower amount than the successor Equal Shares Plan. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor. For retirement after age 65 with 20 years of service, benefit is minimum of \$60 per month. Employees may retire at age 70, or age 55 and 20 years of service.

An employee who leaves the City service may withdraw his or her contributions, plus any accumulated interest under all the retirement and disability benefit plans described above.



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**NOTE 8 – PENSION PLANS (Continued)**

**General Information about the Pension Plan (Continued)**

Benefit Factors at sample ages for benefit plans described above are following:

Retirement Age	Section 399 and	
	Section 175	Equal Share
50	N/A	1.10%
55	1.10%	1.75%
60	1.67%	2.40%
65	2.44%	2.40%

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	Section 399	Equal Shares	Section 175	Total
Inactive members or beneficiaries receiving benefits	943	56	60	1,059
Inactive members entitled to but not yet receiving benefits	9	-	1	10
Active plan members	16	-	-	16
Total plan members	<u>968</u>	<u>56</u>	<u>61</u>	<u>1,085</u>

**Cost-of-living Adjustment** – This adjustment, established in 1969, provides for annual retirement benefit increases of up to 3% of normal benefits based on a corresponding rise in the consumer price index. Cost-of-living benefits are payable to retirees and beneficiaries of all of the above plans after one year of retirement. The cost-of-living adjustment was 2.8% for fiscal year 2017. Members contribute to this adjustment at a rate of 1% of their normal retirement contributions. The City is required to fund all costs in excess of members' contributions and investment earnings.

**Social Security Reductions** – For members participating in Social Security, their benefit will be reduced at the later of age 62 or actual retirement age. The amount of the reduction is one half of the primary insurance amount (PIA) from Social Security, multiplied by the ratio of the sum of salary earned from the City to the sum of salary from all sources used in the calculation of the Social Security amount. The member's benefit under the System plus the amount received from Social Security cannot be less than the member's benefit under the System calculated with no reductions as of this retirement age. The City applies this offset to service retirees, not to disabled retirees.

**Contributions** – The City Charter grants the authority to establish and amend the contribution requirements of the City and active employees to the SCERS Board. The Board establishes rates based on actuarially determined rates recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrual liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2017, the average active employee contribution rate was 6.35% of annual pay, and the City's average contribution rate was 1.7% of annual payroll. For the fiscal year ended June 30, 2017, the contributions for the SCERS plan were \$6,645.

**City of Sacramento**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability**

The City's net pension liability for SCERS was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumption** – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25%
Investment rate of return	CPI Plus 0.5% merit, average percent, net of pension plan investment including inflation
	6.5%

Mortality rates for service retirees and beneficiaries were based on CalPERS 1997-2011 Mortality Table projected for future mortality improvement utilizing Society of Actuaries Scale AA. Mortality rates for disability retirements were based on CalPERS 1997-2011 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 1997-2011 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected for future mortality improvement utilizing Society of Actuaries Scale AA.

The actuarial assumption used in the June 30, 2017 valuation were based on the results from the CalPERS 1997-2011 Experience Study, project with fully generational Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.55%
Large Cap Growth	35%	5.35%
Equity Income	25%	5.35%
International	5%	5.35%
Total	<u>100%</u>	

An expected inflation of 2.75% used for this period.

**Discount Rate** – The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Sacramento**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for SCERS Plan for the measurement date June 30, 2017 is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016</b>	\$ 366,141	\$ 285,170	\$ 80,971
Service Cost	96	-	96
Interest	22,759	-	22,759
Changes of assumptions	(16,246)	-	(16,246)
Differences between expected and actual experience	(3,701)	8,645	(3,701)
Contribution - employer	-	64	(6,645)
Contribution - employee	-	26,801	(64)
Net investment income	-	(32,171)	(26,801)
Benefit payments, including refunds of employee contributions	(32,171)	3,339	-
<b>Net changes</b>	<u>(32,263)</u>	<u>286,509</u>	<u>(32,602)</u>
<b>Balance at June 30, 2017</b>	<u>\$ 333,878</u>	<u>\$ 286,509</u>	<u>\$ 48,369</u>

**Change of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date** – Inflation was changed from 3% to 2.75%, salary scale was changed from 3.5% to 3.25%, mortality improvement was changed from fully generational projection with Society of Actuaries Scale MP-2014 modified to converge to ultimate improvement rates in 2022 to Society of Actuaries Scale MP-2016.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City for the SCERS plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% decrease (5.5%)	Current Discount Rate (6.5%)	1% increase (7.5%)
SCERS net pension liability	\$ 76,333	\$ 48,369	\$ 24,224

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued SCERS financial report.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the City recognized pension expense of \$13,307 attributable to the SCERS plans. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net differences between projected and actual earnings on plan investments	\$ 1,837

Amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2018	\$ 1,622
2019	1,622
2020	397
2021	(1,804)
<b>Total</b>	<u>\$ 1,837</u>

**Defined Contribution Plan**

The City also provides defined contribution retirement benefits through City's 401(a) Money Purchase Plan (the 401(a)). The 401(a) is administered by the Nationwide. The 401(a) 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, 2017, employees contributed \$3,786 and the City contributed \$3,086 to the 401(a).

**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). The post-retirement health, dental and vision care employer contributions range from \$0 and \$794.69 per month per participant, which covers between 0% and 100% of the benefit cost, depending on the choice of plan and number of dependents. Participants have the choice of enrolling in one of several health plans, one of two dental plans and one of two vision plans. To be eligible for the City paid benefits, the employee must retire with a minimum of ten full years of active City service and be 50 years of age. 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-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.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS (Continued)**

**Funding Policy**

The City is currently funding the OPEB plan on a pay-as-you-go basis. However, the City Council has authorized the City Manager to participate in the California Employers Retiree Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of City Council. This Trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, California 94229. As of June 30, 2017, the City had deposited \$23,000 to the trust fund from the General Fund, Enterprise Funds, and Internal Service Funds. 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 12.4% 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)	\$ 34,515
Interest on beginning OPEB liability	9,146
Adjustment to the ARC	(15,382)
Annual OPEB cost	<u>28,279</u>
Contributions made	(12,965)
Trust prefunding	(9,336)
Increase in net OPEB obligation	6,378
Net OPEB obligation - Beginning of year	202,722
Net OPEB obligation - End of year	<u>\$ 209,100</u>
Covered payroll (active plan members)	\$ 270,677
UAAAL as a percentage of covered payroll	132.0%

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:

Fiscal year ended	Annual OPEB Cost	Contribution	Percentage of	
			OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 41,311	\$ 14,524	35%	\$ 180,984
6/30/2016	43,138	21,400	50	202,722
6/30/2017	28,279	21,901	77	209,100

**City of Sacramento**  
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**NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS (Continued)**

**Funding Status and Progress**

As of June 30, 2015, the most recent actuarial valuation date of the plan was 1.5% funded. The actuarial accrued liability was \$362,824 and the actuarial value of assets was \$5,461 resulting in an unfunded actuarial accrued liability (UAAAL) of \$357,363. The annual covered payroll was \$270,677 and the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 132%. 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 the 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, 2015, 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 7.1% for fiscal year 2017, reduced by decrements of 0.5% each year to an ultimate rate of 5%. The UAAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2015 was 18 years.

**NOTE 10 – FUND EQUITY**

At June 30, 2017, the government-wide statement of net position reported restricted net position of \$178,765 in governmental activities. Of this amount, \$29,144 is restricted for enabling legislation.

The Capital Grants Fund, a capital project fund, had a deficit fund balance of \$3,891 as of June 30, 2017. The deficit represents grant expenditures unreimbursed by granting agencies within the 60-day period of availability for reimbursements.

The Culture and Leisure Fund, a special revenue fund, had a deficit fund balance of \$3,771 as of June 30, 2017. Both the Golf and Marina programs within this fund had deficit fund balances of \$5,607 and \$1,500, respectively. It is anticipated that this deficit will be funded by future operating subsidies and surpluses.

The 4<sup>th</sup> R Child Development Fund, an enterprise fund, had a deficit net position of \$1,888 as of June 30, 2017. It is anticipated that this deficit will be funded by future operating subsidies.

For the fiscal year ended June 30, 2017, expenditures exceeded appropriations in the Culture and Leisure special revenue funds by \$158 and CCOMWP special revenue funds by \$870. This overspending was funded by revenue collected in excess of budgeted amounts.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**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, 2017:

Description	Transfers In	Transfers Out	Net Transfers
<b>Governmental activities:</b>			
General Fund	\$ 2,385	\$ (26,981)	\$ (24,596)
Capital Grants Fund	29,962	-	29,962
Other Governmental Funds	766	(1,978)	(1,212)
Internal Service Funds	-	(38)	(38)
2015 Golden 1 Center	5,500	-	5,500
Lease Revenue Bond Fund	25,369	(2,313)	23,056
Other Governmental Funds	2,404	(651)	1,843
Internal Service Funds	424	(64)	360
Program support	60	(384)	(324)
Adjustment for transfer of capital assets between governmental activities and business-type activities	-	(3,108)	(3,108)
<b>Total governmental activities</b>	<b>66,870</b>	<b>(35,427)</b>	<b>31,443</b>
<b>Business-type activities:</b>			
Water Fund	-	(48)	(48)
Wastewater Fund	22	(480)	(458)
Storm Drainage Fund	-	(64)	(64)
Storm Drainage Fund	135	(3,639)	(3,639)
Solid Waste Fund	-	(104)	(104)
Solid Waste Fund	78	(4,126)	(4,126)
Community Center Fund	-	(152)	(152)
Community Center Fund	11	(6,650)	(6,650)
Community Center Fund	-	-	11
Community Center Fund	-	(2,000)	(2,000)
Community Center Fund	-	(1,847)	(1,847)
Other Enterprise Funds	-	(37)	(37)
Other Enterprise Funds	-	(1,952)	(1,952)
Other Enterprise Funds	2	(2,040)	(2,040)
Adjustment for transfer of capital assets between governmental activities and business-type activities	3,108	-	3,108
<b>Total business-type activities</b>	<b>3,356</b>	<b>(34,799)</b>	<b>(31,443)</b>
<b>Total government-wide statements</b>	<b>\$ 70,226</b>	<b>\$ (70,226)</b>	<b>\$ -</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**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, 2017:

	Receivables	Payables	Interfund Balances
General Fund	\$ 3,800	\$ (534)	\$ 3,266
Capital Grants Fund	-	(866)	(866)
Other Governmental Funds	3,800	(6,930)	(3,130)
Internal Service Funds	13,653	-	13,653
Total governmental activities	<u>21,253</u>	<u>(8,320)</u>	<u>12,933</u>
Community Center Fund	-	(13,467)	(13,467)
Other Enterprise Funds	534	-	534
Total business-type activities	<u>534</u>	<u>(13,467)</u>	<u>(12,933)</u>
<b>Total</b>	<b>\$ 21,787</b>	<b>\$ (21,787)</b>	<b>\$ -</b>

\$13,653 was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$856) and to assist in development of community resources (approximately \$12,797). Included in the \$13,653 of interfund loans is \$13,081 that is not expected to be repaid within one year.

\$866 was borrowed by the Capital Grants Fund for short-term loans.

\$6,930 was borrowed by the Golf Fund for development of community resources and is not expected to be repaid within one year.

\$5,867 was borrowed by the Community Center Fund for development of community resources and is not expected to be repaid within one year.

\$534 was loaned to the General Fund by the Parking Fund to retrofit on-street parking meters and is not expected to be repaid within one year.

\$7,600 was borrowed by the Community Center Fund for short-term, i.e. \$3,800 from the General Fund and \$3,800 from the Innovation and Growth Fund, to finance a renovation of the Sacramento Convention Center.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**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, 2017, the expected rate of return was 3%. 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, 2017, the Risk Management Internal Service Fund had a net position of \$19,392.

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:

	2017	2016
Accrued claims and judgements, July 1	\$ 71,939	\$ 70,693
Incurred claims and adjustment expenses	27,187	17,560
Claim payments	(18,377)	(16,314)
Accrued claims and judgements, June 30	\$ 80,749	\$ 71,939

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Commitment of Enterprise Fund Revenues**

Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Notes Payable, the Water Revenue Bonds, Series 2013 and the Water Revenue Bonds, Series 2017. Revenue of the Wastewater Enterprise Fund is pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable and the payment of principal and interest on the Wastewater Revenue Bonds, Series 2013. Revenue of the Storm Drainage Enterprise Fund is pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable and 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 \$97,465 for contracts awarded but not completed as of June 30, 2017. The following table shows the distribution of those commitments among major and non-major funds.

Governmental Activities:		Business-type Activities:	
General Fund	\$ 14,904	Water Fund	\$ 30,167
Measure U	1,315	Wastewater Fund	8,649
Capital Grants Fund	4,201	Storm Drainage Fund	1,819
Other governmental funds	8,101	Solid Waste Fund	1,128
Internal service funds	8,203	Community Center Fund	17,111
		Other enterprise funds	1,867
Total governmental activities	\$ 36,724	Total business-type activities	\$ 60,741

The major contracts outstanding are \$15,673 for renovation of the convention center complex, \$10,251 for neighborhood water main replacement in Tahoe Park, \$10,000 for the purchase of vehicles, primarily fire suppression trucks and ambulances, \$9,989 for residential water meter projects, \$7,273 for upgrade and replacement of infrastructure in Old Sacramento, \$6,823 for sewer system upgrades, \$6,656 for design and construction of a 3 million gallon water storage reservoir, \$3,317 for design and construction of a fixed-rail streetcar system between downtown West Sacramento and Midtown Sacramento, and \$1,827 for a revenue control system for parking operations.

**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, 2016 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, 2016. Receipt of these grant revenues is not assured in the future.

**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, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

##### Post Closure 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, 2017. 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, the Sacramento County Department of Environmental Management and the State of California Department of Public Health. The estimated obligation was \$1,664 at June 30, 2016 and \$1,794 at June 30, 2017. Pollution remediation outlays totaled approximately \$656 for the fiscal year ended June 30, 2017. 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 \$70.

#### 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 12<sup>th</sup> 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.

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## City of Sacramento

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

#### NOTE 14 – JOINTLY GOVERNED AND JOINTLY GOVERNED 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, 2017, 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 and Measure U Fund contributions for the fiscal year ended June 30, 2017, were \$7,636. In addition, the City paid cost reimbursements and program support of \$8 to the library during the same period. 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 \$7,267 for the fiscal year ended June 30, 2017. 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 \$3,755 of support to SRFECC during the fiscal year ended June 30, 2017. 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, 2017, the City provided \$451 of annual support to the NCRPSTA. Payments for rent and training during the fiscal year ended June 30, 2017 were \$9. 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, 2017, the City provided general support of \$45, paid \$134 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.

##### Riverfront Joint Powers Authority

The City is a participant with the City of West Sacramento in the Riverfront Joint Powers Authority, formed in March 2017, to acquire, plan, design, finance, construct, own, operate and maintain a fixed-rail streetcar system that will operate within and between the two Cities. The City has committed \$7,000 for design and construction of the fixed-rail system. No payments were made to the Riverfront Joint Powers Authority during the fiscal year ended June 30, 2017.

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**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 14 – JOINTLY GOVERNED AND JOINTLY GOVERNED 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, 2017:

The Authority provided \$104 in annual support and \$260 in project/program expenses to the Regional Water Authority.

The City provided \$88 in annual support to the Sacramento Area Council of Governments.

The City provided \$132 in annual support to the Sacramento Groundwater Authority.

The City received \$490 of administration fees from the Sacramento Area Flood Control Agency (SAFCA) for collecting and transmitting permitting fees. The City also participates in several cost-sharing agreements with SAFCA for individual projects related to flood control. The City's portion of said projects is remitted directly to the suppliers of services.

The City received \$206 in Workforce Investment Act grants from the Sacramento Employment and Training Agency.

**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. 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 of Sacramento (City) elected to serve as the successor agency to the Redevelopment Agency of the City of Sacramento (Agency) for the Agency's non-housing assets and liabilities pursuant to the provisions of AB 1X26 (Chapter 5, Statutes of 2011). 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, 2017, the successor agency had a deficit of \$230,167 which will be eliminated with future property tax revenue distributions from the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

On June 27, 2012, Assembly Bill 1484 was enacted. Under AB 1484 (Chapter 16, Statutes of 2012, Health and Safety Code section 34173, subdivision (g)), the dissolution law was clarified to provide that the Agency is a separate legal entity from the City. Also, AB 1484 provided that the Agency's bond fund assets can be expended in a manner consistent with the bonds covenants after compliance with certain requirements.

**City of Sacramento**

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2017  
(Dollar amounts expressed in thousands)

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

On September 20, 2013, the Agency received its Finding of Completion from the State Department of Finance (DOF) and can spend the Agency's unencumbered bond funds in a manner consistent with the original bonds covenants. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency 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.

On August 25, 2015, the DOF approved RASA's Oversight Board action authorizing the RASA to refund certain outstanding tax-allocation obligations of the former Redevelopment Agency in accordance with Assembly Bill Nos. 1X 26 and 1484. The Redevelopment Agency Successor Agency of the City of Sacramento 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) and the Redevelopment Agency Successor Agency of the City of Sacramento 2015 Tax Allocation Refunding Bonds, Series B (Federally Taxable) were issued under the Indenture of Trust, dated October 1, 2015, to refund certain obligations of the former Redevelopment Agency of the City of Sacramento currently outstanding in aggregate principal amount of \$119,360, to purchase a Municipal Bond Debt Service Reserve Insurance Policy from Build America Mutual Assurance Company for deposit in the Reserve Account, and to pay certain costs of the issuance of the Bonds.

On October 6, 2015, the DOF approved the RASA's Oversight Board action approving an Excess Bond Expenditures Plan, approving a Master Excess Bond Expenditure Agreement between the RASA and the City, authorizing the transfer of the unspent non-housing bond proceeds to the City, approving an Excess Housing Bond Expenditure Agreement between RASA and the Housing Authority, and authorizing the transfer of the unspent housing bond proceeds to the Housing Authority of the City as the Housing Successor. The City will finance public and private development projects previously planned by the Agency and the Housing Authority will use the funds for low-moderate income housing projects.

On December 31, 2015, DOF completed its review of RASA's Long-Range Property Management Plan (LRPMP). DOF approve the use or disposition of all the properties listed in the LRPMP. The approved LRPMP will govern the disposition and use of all the real property assets of the former redevelopment agency.

The contracts payable reported in the private-purpose trust fund are allocations of the SHRA OPEB and pension unfunded liabilities for the former redevelopment agency employees.

**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	\$ 23,062	\$ -	\$ (11,042)	\$ 12,020
Depreciable/amortizable capital assets				
Buildings and improvements	6,558	-	(2,837)	3,721
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,596)	(93)	688	(1,001)
Depreciable/amortizable capital assets, net	4,962	(93)	(2,149)	2,720
Total activities capital assets, net	\$ 28,024	\$ (93)	\$ (13,191)	\$ 14,740

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**  
**Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Revenue Bonds:</b>					
2015 Tax Allocation Refunding Bonds TE, Series A	\$ 68,063	\$ -	\$ (8,136)	\$ 59,927 <sup>(2)</sup>	\$ 7,380
2015 Tax Allocation Refunding Bonds TX, Series B	41,950	-	(2,422)	39,428 <sup>(2)</sup>	3,340
<b>Subtotal, revenue bonds</b>	<b>109,913</b>	<b>-</b>	<b>(10,558)</b>	<b>99,365</b>	<b>10,700</b>
<b>Notes Payable:</b>					
1993 Merged Downtown TABS	21,705	1,078 <sup>(1)</sup>	(11,610)	11,173	11,385
2003 Del Paso TE, TABS, Series A	4,950	295 <sup>(1)</sup>	(22)	5,223 <sup>(2)</sup>	-
2005 Merged Downtown TE, Series A	119,284	6,676 <sup>(1)</sup>	(506)	125,454 <sup>(2)</sup>	-
2008 Oak Park TE, Series A	3,155	174 <sup>(1)</sup>	(13)	3,316 <sup>(2)</sup>	-
2006 65th Street TX Master Lease, Series B	3,575	-	(80)	3,495	65
2006 North Sacramento TX Master Lease, Series B	4,175	-	(105)	4,070	110
2008 Stockton Blvd Master Lease	1,990	-	-	1,990	-
2008 BOK Public Capital Corporation	2,225	-	(138)	2,087	145
2009 Army Depot TX Swap	2,877	-	(71)	2,806	77
2009 River District TX Swap	283	-	(68)	2,625	73
Beating and Waterways Loan	3,811	-	(91)	192	94
City of Sacramento CIEDB - Utilities/Detention Basin	1,225	-	(39)	1,186	41
Globe Mills	3,274	-	(251)	3,560	267
North Sacramento CIEDB Loan	3,274	-	(122)	3,152	125
Stockton Blvd CIEDB Loan	2,736	-	(103)	2,633	106
<b>Subtotal, notes payable</b>	<b>177,959</b>	<b>8,223</b>	<b>(13,229)</b>	<b>172,952</b>	<b>12,528</b>
<b>Total, long-term debt</b>	<b>\$ 287,871</b>	<b>\$ 8,223</b>	<b>\$ (23,787)</b>	<b>\$ 272,307</b>	<b>\$ 23,228</b>

(1) Change in accreted value is recorded as adjustment of Notes Payable.  
(2) 2016 Refunded and Refunding debits.

**Future Debt Service Requirements**

The following tables disclose the annual debt service requirements outstanding as of June 30, 2017:

Fiscal Year Ending June 30	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 10,700	\$ 3,359	\$ 12,528	\$ 1,376
2019	19,180	2,953	1,214	1,321
2020	10,675	2,491	11,193	1,260
2021	19,855	1,984	1,491	1,202
2022	2,630	1,591	19,004	1,140
2023 - 2027	11,335	6,024	94,820	4,536
2028 - 2032	8,730	3,879	87,255	2,613
2033 - 2037	11,020	920	26,150	880
2038 - 2042	-	-	76	-
<b>Subtotal</b>	<b>94,125</b>	<b>23,201</b>	<b>253,731</b>	<b>14,331</b>
Less: Unaccreted interest	-	-	(80,779)	-
Less: Issuance discounts	(47)	-	-	-
Plus: Issuance premiums	5,277	-	-	-
<b>Total</b>	<b>\$ 99,355</b>	<b>\$ 23,201</b>	<b>\$ 172,952</b>	<b>\$ 14,331</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2017  
(dollar amounts expressed in thousands)

**NOTE 16 – SERVICE CONCESSION ARRANGEMENT FOR CITY GOLF COURSES**

Effective January 1, 2012, the City entered into a service concession agreement with Morton Golf LLC (Morton) under which Morton operates and maintains City golf courses, collects user fees and remits a monthly payment for rent to the City. Morton pays the City minimum installment payments plus a percentage of gross revenues over the 10-year lease period. The present value of the installment payments was initially estimated to be \$10,634. The City reports a loan receivable and deferred inflow of \$4,786 in the government-wide statement of net position as of June 30, 2017.

**NOTE 17 – SUBSEQUENT EVENT**

On July 19, 2017, the City closed on the mandatory Direct Purchase and Remarketing of the Sacramento City Financing Authority (SCFA) 1997 Lease Revenue Bonds, as adopted by the City Council Resolution 2017-0124. On that date, SCFA will prepay \$21,917 of the 1997 Lease Revenue Bonds using lease revenue received from the Kings Arena Limited Partnership, and the balance of \$32,733 will be remarketed in accordance with the Third Supplemental Indenture dated July 1, 2017.



# Required Supplementary Information

City of Sacramento  
 Required Supplementary Information  
 Agent Multiple-Employer Defined Benefit Pension Plan  
 CalPERS - Miscellaneous Plan  
 Last Ten Years \*  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 (in thousands)

	Fiscal Year	
	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 23,110	\$ 22,342
Interest on the Total Pension Liability	70,942	74,835
Changes of assumptions	-	(20,153)
Differences between Expected and Actual Experience	(30,240)	(8,865)
Benefit payments, including refunds of employee contributions	949,465	933,769
<b>Net change in total pension liability</b>	<b>63,812</b>	<b>1,013,277</b>
Total pension liability -- beginning	949,465	1,013,277
Total pension liability -- ending (a)	\$ 1,013,277	\$ 1,047,046
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 21,613	\$ 22,827
Contributions - employee	11,670	11,302
Net investment income	118,326	18,047
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)
Plan to Plan Resource Movement	-	(3,066)
Administrative Expense	-	(922)
<b>Net change in fiduciary net position</b>	<b>121,369</b>	<b>13,798</b>
Plan fiduciary net position -- beginning	678,261	799,630
<b>Plan fiduciary net position -- ending (b)</b>	<b>799,630</b>	<b>813,428</b>
<b>Net pension liability -- ending (a) - (b)</b>	<b>\$ 213,647</b>	<b>\$ 233,618</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>78.92%</b>	<b>77.69%</b>
<b>Covered payroll **</b>	<b>\$ 156,032</b>	<b>\$ 157,449</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>136.93%</b>	<b>148.38%</b>
<b>Measurement date</b>	June 30, 2014	June 30, 2015
	June 30, 2016	June 30, 2016

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.  
 \*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

City of Sacramento  
 Required Supplementary Information  
 Agent Multiple-Employer Defined Benefit Pension Plan  
 CalPERS - Miscellaneous Plan  
 Last Ten Years \*  
 Schedule of Contributions  
 (in thousands)

	Fiscal Year	
	2015	2016
Actuarially determined contributions	\$ 22,827	\$ 26,156
Contributions in relation to the actuarially determined contribution	22,827	26,156
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll **	\$ 157,449	\$ 166,403
Contributions as a percentage of covered payroll	14.50%	15.72%
Contributions as a percentage of covered payroll	14.50%	15.72%
Valuation date:	6/30/2012	6/30/2013
	6/30/2012	6/30/2014

Notes to the Required Supplementary Information

Methods and assumptions used to determine contribution rates:  
 Actuarial cost method: Entry age normal cost method  
 Amortization method: Level percentage of payroll  
 Average Remaining Period: 23 Years as of the valuation date  
 Asset valuation method: 15 year smoothed market  
 Inflation: 2.75%  
 Salary Increase: 3.30% to 14.20% depending on Age, Service, and type of employment  
 Investment Rate of Return: 7.65% (net of administrative expenses)  
 Retirement age: 50 - 67 years  
 Mortality: Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.  
 \*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

City of Sacramento  
 Required Supplementary Information  
 Agent Multiple-Employer Defined Pension Plan  
 CalPERS - Safety Plan  
 Last Ten Years \*  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 (in thousands)

	Fiscal Year	
	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 28,539	\$ 28,653
Interest on the Total Pension Liability	107,189	112,331
Changes in assumptions	-	(28,604)
Difference between Expected and Actual Experience	(66,215)	(593)
Benefit payments, including refunds of employee contributions	70,513	42,242
<b>Net change in total pension liability</b>	<b>1,447,520</b>	<b>1,518,033</b>
Total pension liability -- beginning	1,447,520	1,518,033
Total pension liability -- ending (a)	\$ 1,518,033	\$ 1,560,275
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 27,935	\$ 30,798
Contributions - employee	16,094	15,565
Net investment income	171,795	25,341
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)
Plan to Plan Resource Movement	-	1
Administrative Expense	-	(1,288)
<b>Net change in fiduciary net position</b>	<b>149,609</b>	<b>(128)</b>
Plan fiduciary net position -- beginning	994,493	1,144,102
Plan fiduciary net position -- ending (b)	\$ 1,144,102	\$ 1,143,974
<b>Net pension liability -- ending (a) - (b)</b>	<b>\$ 373,931</b>	<b>\$ 416,301</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>75.37%</b>	<b>73.32%</b>
<b>Covered payroll **</b>	<b>\$ 107,176</b>	<b>\$ 112,067</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>348.89%</b>	<b>371.48%</b>
<b>Measurement date</b>	June 30, 2014	June 30, 2015
		June 30, 2016

Notes to the Required Supplementary Information.

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

City of Sacramento  
 Required Supplementary Information  
 Agent Multiple-Employer Defined Benefit Pension Plan  
 CalPERS - Safety Plan  
 Last Ten Years \*  
 Schedule of Contributions  
 (in thousands)

	Fiscal Year	
	2015	2016
Actuarially determined contributions	\$ 30,798	\$ 40,959
Contributions in relation to the actuarially determined contribution	30,798	40,959
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll **	\$ 112,067	\$ 120,120
Contributions as a percentage of covered payroll	27.48%	34.10%
		37.73%

Notes to the Required Supplementary Information

Valuation date: 6/30/2012 6/30/2013 6/30/2014

Methods and assumptions used to determine contribution rates:

Single and Agent Employer's Example Entry age  
 Amortization method Level percentage of payroll  
 Remaining amortization period 27 years as of the valuation date  
 Asset valuation method 15-year smoothed market  
 Inflation 2.75%  
 Salary increase 3.30% to 14.20% depending on Age, Service, and type of employment  
 Investment Rate of Return 7.65%, (net of administrative expenses)  
 Retirement age 50 - 57 years  
 Mortality Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

City of Sacramento  
 Required Supplementary Information  
 Sacramento City Employees' Retirement System, a Single-Employer Defined Benefit Plan:  
 Last Ten Years \*  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 (in thousands)

	Fiscal Year		
	2015	2016	2017
<b>Total pension liability</b>			
Service cost	\$ 131	\$ 103	\$ 96
Interest	23,134	23,416	22,759
Differences between expected and actual experience	(6,783)	(1,173)	(3,701)
Changes of assumptions	23,117	(32,683)	(16,246)
Benefit payments, including refunds of member contributions	(33,791)	(32,171)	(32,171)
<b>Net change in total pension liability</b>	3,808	(10,337)	(29,263)
<b>Total pension liability -- beginning</b>	372,670	376,478	366,141
<b>Total pension liability -- ending (a)</b>	\$ 376,478	\$ 366,141	\$ 336,878
<b>Plan fiduciary net position</b>			
Contributions -- employer	\$ 9,183	\$ 8,645	\$ 8,645
Contributions -- member	82	146	64
Net investment income	13,375	7,799	26,801
Benefits payments, including refunds of member contributions	(33,791)	(32,683)	(32,171)
<b>Net change in fiduciary net position</b>	(11,151)	(16,093)	3,339
<b>Plan fiduciary net position -- beginning</b>	312,414	301,263	295,170
<b>Plan fiduciary net position -- ending (b)</b>	\$ 301,263	\$ 285,170	\$ 288,509
<b>Net pension liability -- ending (a) - (b)</b>	\$ 75,215	\$ 80,971	\$ 48,369
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	80.02%	77.89%	85.64%
<b>Covered payroll **</b>	\$ 1,180	\$ 1,020	\$ 1,049
<b>Net pension liability as a percentage of covered payroll</b>	6374.15%	7938.33%	4610.96%
Measurement Date	June 30, 2015	June 30, 2016	June 30, 2017

Notes to the Required Supplementary Information.

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

City of Sacramento  
 Required Supplementary Information  
 Sacramento City Employees' Retirement System, a Single-Employer Defined Benefit Pension Plan  
 Last Ten Years \*  
 Schedule of Contributions  
 (in thousands)

	Fiscal Year		
	2015	2016	2017
Actuarially determined contributions	\$ 9,183	\$ 8,645	\$ 8,645
Contributions in relation to the actuarially determined contribution	9,183	8,645	8,645
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll **	\$ 1,180	\$ 1,020	\$ 1,049
Contributions as a percentage of covered payroll	778%	848%	824%

Notes to the Required Supplementary Information

Valuation date:

6/30/2015 6/30/2016 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal

Amortization method Level dollar payments over 14 years, open period

Asset valuation method 3 year smoothed market value

Inflation 3%

Salary increases 3.25%

Investment rate of return 6.50%

Retirement age Deferred vested members covered under Section 399

are assumed to retire at age 62; those covered under

175 are assumed to retire at age 65

Mortality CalPERS 1997-2011 Mortality Tables with Scale MP-2014

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

**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)
6/30/2012	\$ -	\$ 447	\$ 447	0.00%	\$ 262	170.9%
6/30/2013	-	434	434	0.00	257	168.4
6/30/2015	5	363	357	1.50	271	132.0

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:

**OTHER 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 other 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, 2017 (in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Cash and investments held by City	\$ 106,992	\$ 4,925	\$ 112,032	\$ 5,720	\$ 231,669
Cash and investments held by fiscal agent	-	14	-	-	14
Receivables, net:					
Accounts	4,274	-	-	-	4,274
Loans	2,602	1	348	-	2,951
Intergovernmental	2,410	192	-	-	2,602
Due from other funds	6,462	13,841	6,954	-	27,277
Due from other funds	3,800	3	167	13	4,083
Restricted assets:					
Cash and investments held by City	102	9,884	20,815	-	20,817
Cash and investments held by fiscal agent	726	4,468	-	-	15,059
Total assets	\$ 120,391	\$ 28,840	\$ 144,794	\$ 5,733	\$ 308,748

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 6,364	\$ -	\$ 8,228	\$ -	\$ 16,592
Accrued payroll	169	-	-	-	169
Accrued claims and judgments	31	-	-	-	31
Matured notes and interest payable	2,647	-	-	-	2,647
Deposits	1,505	656	4,619	-	2,180
Deferred inflows of resources	66	-	-	-	66
Advances from other funds	6,930	-	-	-	6,930
Total liabilities	19,715	656	12,847	-	33,218
Deferred inflows of resources:					
Unavailable revenue	3,502	13,844	1,802	-	19,148
Total deferred inflows of resources	3,502	13,844	1,802	-	19,148

### Fund Balances:

Nonspendable:					
Inventory	-	168	-	-	168
Prepaid expenses	-	-	-	678	678
Permanent fund principal	-	-	-	-	-
Restricted:					
Capital projects	16,211	-	131,532	-	147,743
Debt service	13,152	9,218	-	-	22,370
Public works programs	13,152	-	-	-	13,152
Economic development programs	41,548	-	-	-	41,548
Other programs	23,576	-	396	4,855	28,767
Capital projects	1,561	-	-	-	1,561
Debt service	-	3,063	-	-	3,063
Other programs	19,750	-	-	-	19,750
Assigned	-	-	-	-	-
Debt service	-	1,866	(1,755)	-	1,111
Unassigned	(10,472)	-	-	-	(12,225)
Total fund balances	106,174	14,340	190,135	5,733	256,382
Total liabilities, deferred inflows of resources and fund balances	\$ 129,361	\$ 28,840	\$ 144,794	\$ 5,733	\$ 308,748

## OTHER SPECIAL REVENUE FUNDS

Other 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 other special revenue funds have been classified as nonmajor funds:

**THE TRANSPORTATION AND DEVELOPMENT FUND** is used to account for the receipts of taxes and fees which are used to maintain and repair streets, bridges and bikeways as well as for traffic safety and community development activities.

**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, the Winchester G. and Mary Alice Felt Endowment, Marcy Friedman Art in Public Places, and Arts and Culture.

**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, Special Program Donations, Ethel MacLeod Hart Trust, Land Park and Quimby.

**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.

### City of Sacramento Other Governmental Funds Combining Statement of Revenues, and Changes in Fund Balances For the Fiscal Year Ended June 30, 2017 (in thousands)

	Other Special Purpose Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 15,910	\$ -	\$ 4,071	\$ -	\$ 19,981
Intergovernmental	18,286	335	25,180	-	43,811
Charges for services	19,306	-	460	-	19,866
Fees	522	-	-	-	522
Interest, rents, and concessions	3,062	1,609	1,365	500	6,556
Community service fees	1,830	-	27,910	-	29,740
Assessment levies	43,916	-	157	-	44,073
Contributions and donations	481	-	3,956	-	4,437
Miscellaneous	72	-	-	-	124
<b>Total revenues</b>	<b>103,296</b>	<b>1,944</b>	<b>63,171</b>	<b>500</b>	<b>168,911</b>
<b>Expenditures:</b>					
General government	3,574	-	384	157	4,115
Police	7,414	-	-	-	7,414
Fire	1,965	-	-	-	1,965
Public works	22,344	-	9,776	-	32,120
Health and cultural services	10,832	-	-	7	10,933
Economic development	10,861	-	81	-	11,037
Parks and recreation	8,932	-	176	-	11,775
Community development	7,267	-	2,843	-	10,110
Library	871	-	11	-	882
Capital outlay	10,303	-	30,576	-	40,879
Debt service:					
Principal	1,285	15,034	6,868	-	23,307
Interest and fiscal charges	1,095	13,482	244	-	14,821
Bond issuance costs	-	1	-	-	1
<b>Total expenditures</b>	<b>94,088</b>	<b>28,517</b>	<b>51,109</b>	<b>164</b>	<b>173,878</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>9,208</b>	<b>(26,572)</b>	<b>12,062</b>	<b>336</b>	<b>(4,967)</b>
<b>Other financing sources (uses):</b>					
Transfers in	2,404	25,369	-	-	27,773
Transfers out	(326)	-	(2,548)	-	(2,874)
Issuance of long-term debt	-	-	1,976	-	1,976
<b>Total other financing sources (uses)</b>	<b>2,078</b>	<b>25,369</b>	<b>(572)</b>	<b>-</b>	<b>26,875</b>
<b>Net change in fund balances</b>	<b>11,286</b>	<b>(1,204)</b>	<b>11,490</b>	<b>336</b>	<b>21,908</b>
<b>Fund balances, beginning of year</b>	<b>94,888</b>	<b>15,544</b>	<b>118,645</b>	<b>5,397</b>	<b>234,474</b>
<b>Fund balances, end of year</b>	<b>\$ 106,174</b>	<b>\$ 14,340</b>	<b>\$ 130,135</b>	<b>\$ 5,733</b>	<b>\$ 256,382</b>

**OTHER 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.



**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
 June 30, 2017  
 (in thousands)

ASSETS	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
Cash and investments held by City	\$ 37,517	\$ 5,101	\$ 9,478	\$ 31,553
Receivables, net:				
Taxes	-	-	-	4,274
Accounts payable	617	252	6	-
Loans	-	9	-	2,401
Intergovernmental	-	-	1,078	-
Interest	-	-	3	-
Other special funds	-	-	-	3,800
Restricted assets:				
Cash and investments held by City	-	102	-	-
Cash and investments held by fiscal agent	-	726	-	-
<b>Total assets</b>	<b>\$ 38,134</b>	<b>\$ 6,190</b>	<b>\$ 10,565</b>	<b>\$ 42,040</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

Liabilities:				
Accounts payable	\$ 1,049	\$ 112	\$ 408	\$ 492
Accounts payable - accrued	-	26	13	-
Accrued interest	-	-	31	-
Accrued programs and judgments	-	2,647	-	-
Matured notes and interest payable	1,187	150	-	-
Deposits	-	6	-	-
Unearned revenues	-	6,880	-	-
Advances from other funds	-	-	-	-
<b>Total liabilities</b>	<b>2,236</b>	<b>9,881</b>	<b>560</b>	<b>492</b>
Deferred inflows of resources:				
Unavailable revenue	145	70	-	-
<b>Total deferred inflows of resources</b>	<b>145</b>	<b>70</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Restricted:				
Capital projects	6,680	54	6,370	-
Debt service	-	828	-	-
Economic development programs	13,152	-	-	41,548
Other programs	-	1,559	2,739	-
Committed:				
Capital projects	194	387	437	-
Other programs	15,717	1,271	459	-
Unassigned	-	(7,870)	-	-
<b>Total fund balances (deficit)</b>	<b>35,753</b>	<b>(3,771)</b>	<b>10,005</b>	<b>41,548</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 38,134</b>	<b>\$ 6,190</b>	<b>\$ 10,565</b>	<b>\$ 42,040</b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
 June 30, 2017  
 (in thousands)

ASSETS	Operating Grants Fund	COOWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Other Special Revenue Funds
Cash and investments held by City	\$ 3,896	\$ 1,979	\$ 17,925	\$ 1,543	\$ 108,992
Receivables, net:					
Taxes	-	-	-	-	4,274
Accounts payable	71	-	1,644	-	2,603
Loans	-	-	-	-	2,410
Intergovernmental	-	244	-	44	6,482
Interest	5,116	-	-	-	3
Other special funds	-	-	-	-	3,800
Restricted assets:					
Cash and investments held by City	-	-	-	-	102
Cash and investments held by fiscal agent	-	-	-	-	726
<b>Total assets</b>	<b>\$ 9,083</b>	<b>\$ 2,223</b>	<b>\$ 19,569</b>	<b>\$ 1,587</b>	<b>\$ 129,391</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

Liabilities:					
Accounts payable	\$ 1,698	\$ 247	\$ 4,360	\$ -	\$ 8,364
Accounts payable - accrued	-	20	-	-	19
Accrued interest	-	-	-	-	31
Accrued programs and judgments	-	-	-	-	2,647
Matured notes and interest payable	168	-	-	-	1,595
Deposits	-	-	-	-	6,880
Unearned revenues	43	-	-	-	-
Advances from other funds	-	-	-	-	6,930
<b>Total liabilities</b>	<b>1,909</b>	<b>267</b>	<b>4,360</b>	<b>-</b>	<b>19,715</b>
Deferred inflows of resources:					
Unavailable revenue	3,069	218	-	-	3,592
<b>Total deferred inflows of resources</b>	<b>3,069</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>3,592</b>
<b>Fund balances:</b>					
Restricted:					
Capital projects	-	-	3,097	-	16,211
Debt service	-	-	-	-	13,828
Economic development programs	-	-	-	-	41,548
Other programs	7,166	-	12,112	-	23,576
Committed:					
Capital projects	-	1,738	-	1,000	1,591
Other programs	(3,061)	-	-	-	19,750
Unassigned	-	-	-	-	(10,472)
<b>Total fund balances (deficit)</b>	<b>4,105</b>	<b>1,738</b>	<b>15,209</b>	<b>1,587</b>	<b>106,174</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,083</b>	<b>\$ 2,223</b>	<b>\$ 19,569</b>	<b>\$ 1,587</b>	<b>\$ 129,391</b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
<b>Revenues:</b>				
Taxes	\$ 10,712	\$ -	\$ -	\$ 5,198
Intergovernmental	15,315	1,966	3,968	-
Charges for services	329	54	54	-
Fees	329	1,542	476	422
Interest, rents, and concessions	577	-	1,253	-
Community service fees	414	50	338	-
Assessment levies	-	-	-	72
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>27,866</b>	<b>3,558</b>	<b>6,093</b>	<b>5,692</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	9,323	-	-	-
Convention and cultural services	-	1,609	-	-
Economic development	-	-	-	1,732
Parks and recreation	7,974	-	4,710	-
Community development	-	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	4,192	541	1,127	659
Debt service:	-	1,285	-	-
Interest and fiscal charges	-	1,095	-	-
<b>Total expenditures</b>	<b>21,489</b>	<b>4,520</b>	<b>5,837</b>	<b>2,391</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,377</b>	<b>(972)</b>	<b>256</b>	<b>3,301</b>
<b>Other financing sources (uses):</b>				
Transfers in	1,933	-	560	-
Transfers out	(273)	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,660</b>	<b>-</b>	<b>560</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>7,435</b>	<b>(972)</b>	<b>846</b>	<b>3,301</b>
<b>Fund balances (deficit), beginning of year</b>	<b>29,318</b>	<b>(2,799)</b>	<b>9,159</b>	<b>39,247</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 36,753</b>	<b>\$ (3,771)</b>	<b>\$ 10,005</b>	<b>\$ 41,548</b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Operating Grants Fund	COOMP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Other Special Revenue Funds
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 15,910
Intergovernmental	11,359	2,785	-	184	18,206
Charges for services	1,888	3	-	-	19,209
Fees	-	-	-	-	3,862
Interest, rents, and concessions	51	15	208	18	1,830
Community service fees	-	-	-	-	43,816
Assessment levies	93	-	43,502	-	491
Contributions and donations	-	-	-	-	72
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>13,371</b>	<b>2,803</b>	<b>43,711</b>	<b>202</b>	<b>103,296</b>
<b>Expenditures:</b>					
Current:					
General government	-	2,914	660	-	3,574
Police	7,414	-	-	-	7,414
Fire	1,965	-	-	-	1,965
Public works	-	-	13,019	2	22,945
Convention and cultural services	77	-	6,173	-	7,659
Economic development	741	-	8,379	-	10,852
Parks and recreation	533	-	5,618	-	10,881
Community development	538	-	7,260	-	7,287
Library	-	-	-	-	337
Utilities	-	-	477	473	10,303
Capital outlay	2,834	-	-	-	-
Debt service:	-	-	-	-	1,285
Interest and fiscal charges	-	-	-	-	1,095
<b>Total expenditures</b>	<b>14,402</b>	<b>2,914</b>	<b>42,050</b>	<b>475</b>	<b>94,088</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,031)</b>	<b>(111)</b>	<b>1,661</b>	<b>(273)</b>	<b>9,208</b>
<b>Other financing sources (uses):</b>					
Transfers in	(51)	481	-	-	2,164
Transfers out	(51)	-	-	-	(826)
<b>Total other financing sources (uses)</b>	<b>(102)</b>	<b>481</b>	<b>-</b>	<b>-</b>	<b>1,338</b>
<b>Net change in fund balances</b>	<b>(1,082)</b>	<b>370</b>	<b>1,661</b>	<b>(273)</b>	<b>11,286</b>
<b>Fund balances (deficit), beginning of year</b>	<b>5,187</b>	<b>1,368</b>	<b>13,548</b>	<b>1,860</b>	<b>94,889</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 4,105</b>	<b>\$ 1,738</b>	<b>\$ 15,209</b>	<b>\$ 1,587</b>	<b>\$ 106,174</b>

**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, 2017  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 10,563	\$ 10,569	\$ 10,712	\$ 153
Fees, forfeits and penalties	700	700	519	(181)
Interest, rents, and concessions	24	20	41	27
<b>Total revenues</b>	<b>11,287</b>	<b>11,279</b>	<b>11,278</b>	<b>(1)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	9,240	9,797	9,249	548
Capital outlay	3,627	3,621	3,321	500
<b>Total expenditures</b>	<b>13,067</b>	<b>13,618</b>	<b>12,570</b>	<b>1,048</b>
<b>Net change in fund balance for budget</b>	<b>\$(1,780)</b>	<b>\$(2,339)</b>	<b>(1,292)</b>	<b>\$ 1,047</b>
<b>Net change in fund balance for Development Special Revenue which annual budgets are not</b>			<b>8,727</b>	
<b>Net change in fund balance</b>			<b>\$ 7,435</b>	

**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, 2017  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,696	\$ 1,552	\$ 1,966	\$ 414
Interest, rents and concessions	1,544	1,544	1,542	(2)
Contributions and donations	45	45	50	5
<b>Total revenues</b>	<b>3,285</b>	<b>3,141</b>	<b>3,558</b>	<b>417</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Convention and cultural services	1,532	1,382	1,609	(217)
Capital outlay	490	490	541	(51)
<b>Debt:</b>				
Principal	1,365	1,365	1,285	110
Interest and fiscal charges	1,095	1,095	1,095	-
<b>Total expenditures</b>	<b>4,512</b>	<b>4,372</b>	<b>4,530</b>	<b>(158)</b>
<b>Net change in fund balance for budget</b>	<b>\$(1,227)</b>	<b>\$(1,231)</b>	<b>(972)</b>	<b>259</b>
<b>Net change in fund balance</b>			<b>\$(972)</b>	<b>259</b>

**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, 2017  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,112	\$ 1,112	\$ 2,785	\$ 1,673
Interest, rents and concessions	-	-	15	15
Charges for services	-	-	3	3
Total revenues	1,112	1,112	2,803	1,691
Expenditures:				
Current:				
General government	2,092	2,044	2,914	(820)
Excess (deficiency) of revenues over (under) expenditures	(920)	(932)	(111)	821
Other financing sources				
Operating transfers in	481	481	481	-
Net change in fund balance	\$ (439)	\$ (451)	\$ 370	\$ 821

**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, 2017  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,844	\$ 3,475	\$ 3,968	\$ 483
Charges for services	223	223	54	(169)
Interest, rents and concessions	45	45	49	4
Community service fees	46	46	72	26
Total revenues	3,158	3,789	4,143	354
Expenditures:				
Current:				
Parks and recreation	3,936	4,667	4,406	261
Total expenditures	3,936	4,667	4,406	261
Excess (deficiency) of revenues over (under) expenditures	(778)	(878)	(263)	615
Other financing sources (uses):				
Transfers in	709	709	590	(119)
Total other financing sources (u)	709	709	590	(119)
Net change in fund balance for budget	(69)	(169)	327	496
Net change in fund balance for Parks Special Revenue Fund activities for which annual budgets are not adopted:			519	
Net change in fund balance			\$ 846	

**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, 2017  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Interest, rents, and concessions	\$ -	\$ -	\$ 209	\$ 209
Assessment levies	47,712	42,560	43,502	942
Total revenues	47,712	42,560	43,711	1,151
Expenditures:				
Current:				
General government	673	733	660	73
Public works	13,216	12,170	13,019	(849)
Convention and cultural services	5,144	5,654	6,173	(519)
Economic development	7,171	9,631	8,379	1,252
Parks and recreation	6,095	6,095	5,618	477
Community development	150	150	120	30
Library	7,410	7,410	7,267	143
Utilities	372	670	337	333
Debt service:				
Principal	1,037	1,037	477	560
Interest and fiscal charges	581	581	-	581
Total expenditures	41,849	44,131	42,050	2,081
Net change in fund balance	\$ 5,863	\$ (1,571)	\$ 1,661	\$ (930)

**City of Sacramento**  
**CalEPA Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 173	\$ 173	\$ 184	\$ 11
Interest, rents, and concessions	-	-	18	18
Total revenues	173	173	202	29
Expenditures:				
Current:				
Public Works	-	8	2	6
Capital outlay	-	935	473	462
Total Expenditures	-	943	475	468
Net change in fund balance	\$ 173	\$ (770)	\$ (273)	\$ 497

## OTHER DEBT SERVICE FUNDS

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 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 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 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 2015 REFUNDING REVENUE BOND FUND** is used to account for debt service activities related to the refunding of the outstanding 2002 Capital Improvement Revenue Bonds, 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, and the 2006 Capital Improvement Revenue Bonds Series A and C.

**THE 2016 SPFA LEASE FINANCING (H STREET THEATER COMPLEX) FUND** is used to account for debt service activities related to the refunding of the Sacramento Regional Arts Facilities 2002 Series Certificates of Participation (COPs).

**THE OTHER CITY DEBT FUND** is used to account for debt service activities related to the financing the other programs of the City.

**City of Sacramento  
Other Debt Service Funds  
Combining Balance Sheet  
June 30, 2017**  
(in thousands)

	2016 Series D Revenue Bond Fund	2015 Series E Revenue Bond Fund	Refunding Revenue Bond Fund
<b>ASSETS</b>			
Assets:			
Cash and investments held by City	\$ 3	\$ -	\$ 1,816
Cash and investments held by fiscal agent	-	-	-
Receivables, net:			
Accounts	-	-	-
Loans	-	1,990	1
Intergovernmental	-	-	-
Restricted assets:			
Cash and investments held by fiscal agent	-	-	-
<b>Total assets</b>	<b>\$ 3</b>	<b>\$ 1,990</b>	<b>\$ 1,817</b>

**City of Sacramento  
Other Debt Service Funds  
Combining Balance Sheet  
June 30, 2017**  
(in thousands)

	1993 Series A Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series C Revenue Bond Fund
<b>ASSETS</b>			
Assets:			
Cash and investments held by City	\$ 26	\$ 30	\$ 3,049
Cash and investments held by fiscal agent	-	-	14
Receivables, net:			
Accounts	-	-	-
Loans	-	-	11,851
Intergovernmental	1	2	-
Restricted assets:			
Cash and investments held by fiscal agent	1,202	3,298	3,958
<b>Total assets</b>	<b>\$ 1,229</b>	<b>\$ 3,320</b>	<b>\$ 18,872</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

Liabilities:			
Deposits	\$ -	\$ -	\$ -
Deferred inflows of resources:			
Unavailable revenue	1	2	11,851
<b>Total deferred inflows of resources</b>	<b>1</b>	<b>2</b>	<b>11,851</b>
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Debt service	1,212	3,288	3,958
Committed:			
Debt service	-	-	3,063
Assigned:			
Debt service	16	30	-
<b>Total fund balances</b>	<b>1,228</b>	<b>3,318</b>	<b>7,021</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,229</b>	<b>\$ 3,320</b>	<b>\$ 18,872</b>

Liabilities:			
Deposits	\$ -	\$ -	\$ -
Deferred inflows of resources:			
Unavailable revenue	-	1,990	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>1,990</b>	<b>-</b>
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Debt service	-	-	-
Committed:			
Debt service	-	-	-
Assigned:			
Debt service	3	-	1,817
<b>Total fund balances</b>	<b>3</b>	<b>-</b>	<b>1,817</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3</b>	<b>\$ 1,990</b>	<b>\$ 1,817</b>

(continued)

(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, 2017  
(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2006 Series B Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 335
Interest, rents, and concessions	(14)	(38)	870
Total revenues	(14)	(38)	1,205
Expenditures:			
Debt service:			
Interest and fiscal charges	830	2,352	1,185
Bond issuance cost	227	644	2,771
Total expenditures	1,057	2,996	3,956
Excess (deficiency) of revenues over (under) expenditures	(1,071)	(3,034)	(2,751)
Other financing sources:			
Transfers in	1,054	2,985	2,401
Total other financing sources (uses)	1,054	2,985	2,401
Net change in fund balances	(17)	(49)	(350)
Fund balances, beginning of year	1,245	3,367	7,371
Fund balances, end of year	\$ 1,228	\$ 3,318	\$ 7,021

**City of Sacramento  
Other Debt Service Funds  
Combining Balance Sheet**  
June 30, 2017  
(in thousands)

	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
<b>ASSETS</b>			
Assets:			
Cash and investments held by City	\$ -	\$ 1	\$ 4,925
Cash and investments held by fiscal agent	-	-	14
Receivables, net:			
Accounts	-	-	1
Loans	-	192	192
Intergovernmental	-	-	13,841
Restricted assets:			
Cash and investments held by fiscal agent	1,416	-	9,864
Total assets	\$ 1,416	\$ 193	\$ 28,840
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Deposits	\$ 656	\$ -	\$ 656
Deferred inflows of resources:			
Unavailable revenue	-	-	13,844
Total deferred inflows of resources	-	-	13,844
Fund balances:			
Nonspendable:			
Restricted assets	-	193	193
Debt service	760	-	9,218
Committed:			
Debt service	-	-	3,063
Assigned:			
Debt service	-	-	1,866
Total fund balances	760	193	14,340
Total liabilities, deferred inflows of resources and fund balances	\$ 1,416	\$ 193	\$ 28,840



**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	2006	2006	2015
	Series D	Series E	Refunding
	Revenue	Revenue	Revenue
	Bond Fund	Bond Fund	Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Interest, rents, and concessions	-	105	25
Total revenues	-	105	25
Expenditures:			
Disbursements:			
Principal	475	-	9,217
Interest and fiscal charges	12	4,132	5,095
Bond issuance cost	-	-	1
Total expenditures	487	4,132	14,313
Excess (deficiency) of revenues over (under) expenditures	(487)	(4,027)	(14,288)
Other financing sources:			
Transfers in	487	3,981	14,290
Total other financing sources (uses)	487	3,981	14,290
Net change in fund balances	-	(46)	2
Fund balances, beginning of year	3	46	1,815
Fund balances, end of year	\$ 3	\$ -	\$ 1,817

(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, 2017  
 (in thousands)

	2016	2016	Total
	SPFA	Other City	Other Debt
	Lease	Debt Fund	Service
	Financing	Debt Fund	Funds
	Fund		
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 335
Interest, rents, and concessions	656	5	1,609
Total revenues	656	5	1,944
Expenditures:			
Disbursements:			
Principal	735	240	15,034
Interest and fiscal charges	275	326	13,482
Bond issuance cost	-	-	1
Total expenditures	1,010	566	28,517
Excess (deficiency) of revenues over (under) expenditures	(354)	(561)	(26,573)
Other financing sources:			
Transfers in	-	171	25,369
Total other financing sources (uses)	-	171	25,369
Net change in fund balances	(354)	(390)	(1,204)
Fund balances, beginning of year	1,114	583	15,544
Fund balances, end of year	\$ 760	\$ 193	\$ 14,340

(continued)

**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 TRANSPORTATION AND DEVELOPMENT CAPITAL PROJECTS FUND** is used to account for the receipts of taxes and fees which are used to construct transportation-related 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.

**THE ECONOMIC DEVELOPMENT FUND** is used to account for the excess proceeds of Redevelopment Agency (RDA) pre-2011 non-housing bond issues and associated capital projects.

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**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**  
 June 30, 2017  
 (in thousands)

	General Fund Capital Projects Fund	Transportation and Development Capital Projects Fund	Crocker Art Museum Expansion Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ -	\$ 40,428	\$ -
Receivables, net:			
Accounts	-	1	-
Interest	-	-	-
Intergovernmental	-	6,954	-
Restricted assets:			
Cash and investments held by City	3,099	-	125
Cash and investments held by fiscal agent	4,468	-	-
<b>Total assets</b>	<b>\$ 7,567</b>	<b>\$ 47,383</b>	<b>\$ 125</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

<b>Liabilities:</b>			
Accounts payable	\$ 4,910	\$ 1,951	\$ -
Unearned revenue	-	577	-
<b>Total liabilities</b>	<b>4,910</b>	<b>2,528</b>	<b>-</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	-	1,753	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>1,753</b>	<b>-</b>
<b>Fund balances:</b>			
Restricted:			
Capital projects	2,657	44,855	125
Other programs	-	-	-
Unassigned	-	(1,753)	-
<b>Total fund balances</b>	<b>2,657</b>	<b>43,102</b>	<b>125</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,567</b>	<b>\$ 47,383</b>	<b>\$ 125</b>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**  
 June 30, 2017  
 (in thousands)

	Financing Plans Fund	Special Districts Capital Projects Fund	Economic Development Fund	Other Capital Projects Funds
<b>ASSETS</b>				
Cash and investments held by City	\$ 64,757	\$ 6,847	\$ -	\$ 112,032
Receivables, net:				
Accounts	343	4	-	348
Interest	167	-	-	167
Intergovernmental	-	-	-	6,954
Restricted assets:				
Cash and investments held by City	-	-	17,591	20,815
Cash and investments held by fiscal agent	-	-	-	4,468
<b>Total assets</b>	<b>\$ 65,267</b>	<b>\$ 6,851</b>	<b>\$ 17,591</b>	<b>\$ 144,784</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

<b>Liabilities:</b>				
Accounts payable	\$ 1,367	\$ -	\$ -	\$ 8,228
Unearned revenue	4,042	-	-	4,639
<b>Total liabilities</b>	<b>5,409</b>	<b>-</b>	<b>-</b>	<b>12,867</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	49	-	-	1,802
<b>Total deferred inflows of resources</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>1,802</b>
<b>Fund balances:</b>				
Restricted:				
Capital projects	59,453	6,851	17,591	131,532
Other programs	356	-	-	386
Unassigned	-	-	-	(1,753)
<b>Total fund balances</b>	<b>59,809</b>	<b>6,851</b>	<b>17,591</b>	<b>130,135</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 65,267</b>	<b>\$ 6,851</b>	<b>\$ 17,591</b>	<b>\$ 144,784</b>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	General Fund Capital Projects Fund	Transportation and Development Capital Projects Fund	Crocker Art Museum Expansion Fund
<b>Revenues:</b>			
Permit fees and concessions	\$ 79	\$ 564	\$ 2
Community service fees	-	-	-
Assessment levies	-	-	-
Contributions and donations	-	4,071	-
Taxes	-	25,180	-
Intergovernmental	-	460	-
Charges for services	-	-	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>79</b>	<b>30,275</b>	<b>2</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	-	-	-
Public works	-	9,776	-
Police	-	-	-
Fire	-	-	-
Economic development	-	-	-
Community development	-	-	-
Utilities	-	-	-
Capital outlay	1,903	19,434	-
Debt service:	-	-	-
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>1,903</b>	<b>29,210</b>	<b>-</b>
(Deficiency) excess of revenues (under) over expenditures	<b>(1,824)</b>	<b>1,065</b>	<b>2</b>
<b>Other financing sources (uses):</b>			
Transfers out	-	-	-
Issuance of long-term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,824)</b>	<b>1,065</b>	<b>2</b>
<b>Fund balances, beginning of year</b>	<b>4,481</b>	<b>42,037</b>	<b>123</b>
<b>Fund balances, end of year</b>	<b>\$ 2,657</b>	<b>\$ 43,102</b>	<b>\$ 125</b>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Financing Plans Fund	Special Districts Capital Projects Fund	Economic Development Fund	Total Other Capital Projects Funds
<b>Revenues:</b>				
Permit fees and concessions	\$ 400	\$ 80	\$ 170	\$ 1,385
Community service fees	27,910	-	-	27,910
Assessment levies	-	157	-	157
Contributions and donations	386	510	3,060	3,956
Taxes	-	-	-	4,071
Intergovernmental	-	-	-	25,180
Charges for services	-	-	-	460
Miscellaneous	52	-	-	52
<b>Total revenues</b>	<b>28,638</b>	<b>747</b>	<b>3,230</b>	<b>63,171</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	361	23	-	384
Public works	-	-	-	9,776
Police	176	-	-	176
Fire	-	-	-	81
Economic development	2,843	-	81	2,843
Community development	-	-	-	41
Utilities	41	-	-	41
Capital outlay	6,436	2,646	157	30,576
Debt service:				
Principal	6,968	-	-	6,968
Interest and fiscal charges	244	-	-	244
<b>Total expenditures</b>	<b>17,069</b>	<b>2,669</b>	<b>238</b>	<b>51,109</b>
(Deficiency) excess of revenues (under) over expenditures	<b>11,749</b>	<b>(1,922)</b>	<b>2,992</b>	<b>12,062</b>
<b>Other financing sources (uses):</b>				
Transfers out	(2,548)	-	-	(2,548)
Issuance of long-term debt	1,976	-	-	1,976
<b>Total other financing sources (uses)</b>	<b>(672)</b>	<b>-</b>	<b>-</b>	<b>(672)</b>
<b>Net change in fund balances</b>	<b>11,177</b>	<b>(1,922)</b>	<b>2,992</b>	<b>11,490</b>
<b>Fund balances, beginning of year</b>	<b>48,632</b>	<b>8,773</b>	<b>14,599</b>	<b>118,645</b>
<b>Fund balances, end of year</b>	<b>\$ 59,809</b>	<b>\$ 6,851</b>	<b>\$ 17,591</b>	<b>\$ 130,135</b>

## 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.

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2017  
 (in thousands)

	Ann Land Fund	Bertha Henschel Fund	George Clark Scholarship Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ 1,043	\$ 3,130	\$ 1,194
Receivables, net:			
Interest	3	8	2
<b>Total assets</b>	<b>\$ 1,046</b>	<b>\$ 3,138</b>	<b>\$ 1,196</b>

**FUND BALANCES**

Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 272	\$ 278	\$ 25
Restricted:			
Other programs	774	2,860	1,171
<b>Total fund balances</b>	<b>\$ 1,046</b>	<b>\$ 3,138</b>	<b>\$ 1,196</b>

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**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2017  
 (in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ 44	\$ 309	\$ 5,720
Receivables, net:			13
Interest	-	-	
Total assets	\$ 44	\$ 309	\$ 5,733
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 3	\$ 300	\$ 878
Restricted:			
Other programs	41	9	4,855
Total fund balances	\$ 44	\$ 309	\$ 5,733

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Ann Land Fund	Bertha Hirschel Fund	George Clark Scholarship Fund
<b>Revenues:</b>			
Interest, rents, and concessions	\$ 78	\$ 235	\$ 184
Total revenues	78	235	184
<b>Expenditures:</b>			
Current:			
General government	33	101	23
Convention and cultural services	-	-	-
Total expenditures	33	101	23
Net change in fund balances	45	134	161
Fund balances, beginning of year	1,001	3,004	1,035
Fund balances, end of year	\$ 1,046	\$ 3,138	\$ 1,196

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
Revenues:			
Interest, rents, and concessions	\$ -	\$ 3	\$ 500
Total revenues	-	3	500
Expenditures:			
Current:			
General government	-	-	157
Convention and cultural services	7	0	7
	7	0	164
Net change in fund balances	(7)	3	336
Fund balances, beginning of year	51	306	5,397
Fund balances, end of year	\$ 44	\$ 309	\$ 5,733



**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 4<sup>th</sup> R CHILD DEVELOPMENT FUND** is used to account for a program that provides school age child care services at various locations throughout the City.

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**  
 June 30, 2017  
 (in thousands)

	Parking Fund	Child Development Fund	4th R Fund	Total Other Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 25,066	\$ 1,622	\$	\$ 26,688
Receivables, net:				
Accounts	559	237		796
Interest	105	-		105
Prepaid items	35	-		35
Inangible asset, current portion	-	8		8
Total current assets	25,765	1,867		27,632
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	1,743	39		1,782
Cash and investments held by fiscal agent	1,776	-		1,776
Advances to other funds	534	-		534
Loans receivable	1			1
Inangible assets	-	143		143
Capital assets:				
Land	5,825			5,825
Buildings and improvements	6,184	1,546		7,730
Equipment and equipment	3,594			3,594
Construction in progress	6,634	13		6,647
Software	32			32
Less: accumulated depreciation/amortization	(36,460)	(1,025)		(37,485)
Total noncurrent assets	44,060	716		44,776
Total assets	69,825	2,583		72,408
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,063		1,064	2,127
Total deferred outflows of resources	1,063		1,064	2,127

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**  
 June 30, 2017  
 (in thousands)

	Parking Fund	Child Development Fund	4th R Fund	Total Other Enterprise Funds
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,394		52	2,446
Accrued payroll	175		242	417
Accrued compensated absences	30		12	42
Interest payable	131		-	131
Unearned revenue	515		175	690
Accrued claims and judgements	6		41	47
Capital leases payable	1,324		-	1,324
Revenue and other bonds payable, net	2,520		-	2,520
Total current liabilities	7,095		522	7,617
Noncurrent liabilities:				
Accrued compensated absences	260		241	501
OPEB liability	1,528		221	1,749
Capital leases payable	3,685		-	3,685
Net pension liability	4,499		4,173	8,672
Revenue and other bonds payable, net	20,491		-	20,491
Total noncurrent liabilities	30,463		4,635	35,098
Total liabilities	37,558		5,157	42,715
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on debt refunding	291		-	291
Deferred inflows related to pensions	125		378	503
Total deferred inflows of resources	416		378	794
<b>NET POSITION</b>				
Net investment in capital assets	21,006		534	21,540
Unrestricted	11,908		(2,422)	9,486
Total net position (deficit)	\$ 32,914		\$ (1,888)	\$ 31,026

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	Parking Fund	Child Development Fund	4th R Fund	Total Other Enterprise Funds
Operating revenues:				
Charges for services:				
Licenses and charges	\$ 17,898	\$ 5,709	\$ -	\$ 23,607
Rents and concessions	476	-	-	476
Miscellaneous	20	4	-	24
Total operating revenues	18,394	5,713	-	24,107
Operating expenses:				
Employee services	3,707	4,913	-	8,620
Services and supplies	5,545	744	-	6,289
Depreciation/amortization	1,693	85	-	1,778
Claims and judgments	3	1	-	4
Total operating expenses	10,948	5,743	-	16,691
Operating income (loss)	7,446	(30)	-	7,416
Nonoperating revenues (expenses):				
Interest and investment revenue	91	15	-	106
Revenue from other agencies	1	621	-	622
Interest expense	(1,007)	-	-	(1,007)
Gain or (loss) on disposition of capital assets	17	-	-	17
Total nonoperating revenues (expenses)	(898)	636	-	(262)
Income (loss) before transfers	6,548	606	-	7,154
Transfers in	2	-	-	2
Transfers out	(3,992)	-	-	(3,992)
Change in net position	2,558	606	-	3,164
Total net position (deficit), beginning of year	30,356	(2,494)	-	27,862
Total net position (deficit), end of year	\$ 32,914	\$ (1,888)	\$ -	\$ 31,026

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**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Parking Fund	Child Development Fund	4th R Fund	Total Other Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 18,478	\$ -	\$ 5,726	\$ 24,204
Payments to suppliers	(4,704)	(758)	(5,482)	(10,944)
Payments to employees	(3,884)	(5,174)	(9,058)	(18,116)
Claims and judgements paid	(1)	(1)	(2)	(4)
<b>Net cash provided by (used for) operating activities</b>	<b>9,889</b>	<b>(207)</b>	<b>9,682</b>	<b>9,682</b>
Cash flows from noncapital financing activities:				
Transfers in from other funds	2	-	2	4
Transfers out to other funds	(2,040)	-	(2,040)	(4,080)
Loans made to other funds	(534)	-	(657)	(1,191)
Loans received from other funds	1	624	625	1,250
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(2,571)</b>	<b>624</b>	<b>(1,947)</b>	<b>(1,947)</b>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,043)	(13)	(4,056)	(8,112)
Proceeds from sale of capital assets	17	-	17	34
Principal payments on capital debt	(3,580)	-	(3,580)	(7,160)
Interest payments on capital debt	(1,192)	-	(1,192)	(2,384)
Transfers out to other funds	(1,952)	-	(1,952)	(3,904)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(10,750)</b>	<b>(13)</b>	<b>(10,763)</b>	<b>(21,526)</b>
Cash flows from investing activities:				
Acquisition of general and investment revenue	101	15	116	232
Loan repayments received	85	-	85	170
<b>Net cash provided by (used for) investing activities</b>	<b>186</b>	<b>15</b>	<b>201</b>	<b>392</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,246)</b>	<b>419</b>	<b>(2,827)</b>	<b>(5,654)</b>
Cash and cash equivalents, beginning of year	31,831	1,242	33,073	66,146
<b>Cash and cash equivalents, end of year</b>	<b>28,585</b>	<b>1,661</b>	<b>30,246</b>	<b>60,492</b>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 25,056	\$ 1,622	\$ 26,688	\$ 53,366
Restricted cash and investments held by City	174	39	213	426
Restricted cash and investments held by fiscal agent	1,776	-	1,776	3,552
<b>Total cash and cash equivalents, end of year</b>	<b>28,585</b>	<b>1,661</b>	<b>30,246</b>	<b>60,492</b>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Parking Fund	Child Development Fund	4th R Fund	Total Other Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 7,446	\$ (30)	\$ -	\$ 7,416
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	1,690	77	1,767	3,534
Amortization of intangible assets	3	8	11	22
Pension expense	(245)	(228)	(473)	(946)
Changes in assets and liabilities:				
Accounts receivable, net	95	13	108	216
Prepaid items	2	-	2	4
Accounts payable	839	2	825	1,666
Accrued payroll	32	28	60	120
Accrued compensated absences	46	(7)	39	78
Accrued claims and judgements	2	-	2	4
OPPEB liabilities	(10)	(54)	(64)	(128)
Unearned revenue	(11)	-	(11)	(22)
<b>Net cash provided by (used for) operating activities</b>	<b>9,889</b>	<b>(207)</b>	<b>9,682</b>	<b>9,682</b>
Noncash investing, capital and financing activities:				
Amortization of bond premium and discount	\$ 127	\$ -	\$ -	\$ 127
Amortization of bond loss on refunding	(21)	-	(21)	(42)
Capitalization of interest	13	-	13	26
Purchase of capital assets on accounts payable	275	-	275	550

WATER FUND

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2017  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ -	\$ 112,192	\$ -
Receivables, net:			
Accounts	-	17,701	-
Loans	1,206	-	-
Governmental	-	-	3,490
Interest	15	619	-
Due from other funds	-	2,778	-
Inventories	-	1,333	-
Prepaid items	-	369	-
<b>Total current assets</b>	<b>1,221</b>	<b>135,192</b>	<b>3,490</b>
Noncurrent assets:			
Receivables:			
Cash and investments held by City	33,683	285	-
Cash and investments held by fiscal agent	-	200	-
Loans receivable	891	-	-
Capital assets:			
Land	584	1,170	37
Buildings and improvements	-	39,123	582
Machinery and equipment	1,262	16,143	1,944
Transmission and distribution systems	8,622	24,466	2,417
Construction in progress	-	134	-
Software	-	134	-
Equipment	-	-	-
Less: accumulated depreciation/amortization	(64)	(249,936)	(537)
<b>Total noncurrent assets</b>	<b>45,168</b>	<b>433,318</b>	<b>4,443</b>
<b>Total assets</b>	<b>46,389</b>	<b>568,510</b>	<b>7,933</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on refunding of debt	-	5,243	-
Deferred outflows related to pensions	-	9,904	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>15,147</b>	<b>-</b>

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2017  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	963	6,938	645
Due to other funds	-	-	2,778
Accrued payroll	-	1,562	-
Accrued compensated absences	-	14	-
Notes payable	-	588	-
Deposits	-	14	-
Unearned revenue	1,335	2,137	62
Accrued claims and judgements	-	194	-
Revenue and other bonds payable, net	-	6,902	-
Notes payable	-	437	-
Total current liabilities	2,298	18,896	3,485
Noncurrent liabilities:			
Notes payable	-	2,666	-
Water fee credits	-	214	-
OPEB liability	-	9,925	-
Revenue and other bonds payable, net	-	128,775	-
Notes payable	-	7,725	-
Net pension liability	-	33,506	-
Total noncurrent liabilities	-	182,811	-
Total liabilities	2,298	201,707	3,485
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on debt refunding	-	762	-
Deferred inflows related to pensions	-	1,132	-
Total deferred inflows of resources	-	1,894	-
<b>NET POSITION</b>			
Net investment in capital assets	10,594	296,357	4,443
Restricted for:			
Capital projects	33,497	-	-
Unrestricted	-	83,699	5
Total net position	\$ 44,091	\$ 380,056	\$ 4,448

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2017  
 (in thousands)

	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund	Eliminations	Total Water Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 112,192
Receivables, net:				
Accounts	-	-	-	17,701
Loans	-	-	-	1,206
Governmental	-	-	-	3,822
Interest	-	-	-	834
Due from other funds	-	-	(2,778)	-
Inventories	-	-	-	1,333
Prepaid items	-	-	-	369
Total current assets	-	-	(2,778)	137,125
Noncurrent assets:				
Revenue and investments held by City	5,848	56,628	-	96,159
Cash and investments held by fiscal agent	6,944	6	-	7,235
Loans receivable	-	-	-	1,091
Capital assets:				
Land	-	-	-	1,754
Buildings and improvements	1,205	-	-	40,365
Machinery and equipment	-	-	-	16,725
Transmission and distribution systems	83,102	-	-	897,418
Construction in progress	185,113	5,992	-	226,810
Software	-	-	-	134
Equity	-	-	-	134
Less: accumulated depreciation/amortization	(2,793)	-	-	(253,360)
Total noncurrent assets	279,419	62,626	-	824,974
Total assets	279,419	62,626	(2,778)	962,099
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	-	-	5,243
Deferred outflows related to pensions	-	-	-	3,924
Total deferred outflows of resources	-	-	-	15,147

(continued)

(continued)

**City of Sacramento  
Water Fund  
Combining Schedule of Net Position**  
June 30, 2017  
(in thousands)

	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund	Eliminations	Total Water Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,793	-	-	10,339
Due to other funds	-	-	(2,778)	1,562
Accrued payroll	-	-	-	2,424
Accrued compensated absences	-	-	-	3,972
Accounts payable	3,384	-	-	14
Deposits	-	-	-	3,534
Unearned revenue	-	-	-	194
Accrued claims and judgements	-	-	-	12,302
Revenue and other bonds payable, net	5,071	329	-	437
Notes payable	-	-	-	-
<b>Total current liabilities</b>	<b>10,248</b>	<b>328</b>	<b>(2,778)</b>	<b>32,478</b>
Noncurrent liabilities:				
Accounts payable	-	-	-	2,686
Water fee credits	-	-	-	214
OP&B liability	-	-	-	9,925
Revenue and other bonds payable, net	227,479	62,473	-	418,727
Notes payable	-	-	-	7,725
Net pension liability	-	-	-	33,506
<b>Total noncurrent liabilities</b>	<b>227,479</b>	<b>62,473</b>	<b>-</b>	<b>472,753</b>
<b>Total liabilities</b>	<b>237,727</b>	<b>62,802</b>	<b>(2,778)</b>	<b>505,241</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on debt refunding	-	-	-	762
Deferred inflows related to pensions	-	-	-	1,132
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,894</b>
<b>NET POSITION</b>				
Net investment in capital assets	47,064	-	-	358,458
Restricted for:				
Capital projects	-	(176)	-	33,497
Unrestricted	(5,372)	-	-	78,156
<b>Total net position</b>	<b>\$ 41,692</b>	<b>\$ (176)</b>	<b>\$ -</b>	<b>\$ 470,111</b>

**City of Sacramento  
Water Fund  
Combining Schedule of Revenues,  
Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Operating revenues:			
Charges for services:			
User fees and charges	-	108,810	\$ -
Miscellaneous	-	57	-
<b>Total operating revenues</b>	<b>-</b>	<b>108,867</b>	<b>-</b>
Operating expenses:			
Employee services	-	38,575	66
Supplies	-	1,168	1,168
Travel and per diem	-	1,168	1,168
Depreciation	19	17,370	148
Claims and judgements	-	137	-
<b>Total operating expenses</b>	<b>19</b>	<b>67,685</b>	<b>1,433</b>
<b>Operating income (loss)</b>	<b>(19)</b>	<b>41,182</b>	<b>(1,433)</b>
Nonoperating revenues (expenses):			
Interest and investment revenue	482	80	-
Revenue from other agencies	-	85	2,750
Interest expense	-	(4,527)	-
Amortization of bond prepaid insurance	-	(623)	-
<b>Total nonoperating revenues (expenses)</b>	<b>482</b>	<b>(4,282)</b>	<b>2,750</b>
<b>Income (loss) before contributions and transfers</b>	<b>443</b>	<b>36,900</b>	<b>1,317</b>
Capital contributions	4,165	1,336	-
Transfers in	-	22	-
Transfers out	-	(26,451)	-
<b>Change in net position</b>	<b>4,608</b>	<b>11,827</b>	<b>1,317</b>
<b>Total net position (deficit), beginning of year</b>	<b>39,483</b>	<b>388,229</b>	<b>3,131</b>
<b>Total net position (deficit), end of year</b>	<b>\$ 44,091</b>	<b>\$ 380,056</b>	<b>\$ 4,448</b>



**City of Sacramento  
Water Fund  
Combining Schedule of Revenues,  
Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2017  
(In thousands)

	2013 Water Revenue Bonds Funds	2017 Water Revenue Bonds Funds	Eliminations	Total Water Fund
Operating revenues:				
Charges for services:				
User fees and charges		\$ -	\$ -	\$ 108,810
Miscellaneous				57
Total operating revenues				108,867
Operating expenses:				
Employee services				33,671
Services supplies	4,143	489	-	20,115
Depreciation	1,680	-	-	19,238
Claims and judgments	-	-	-	137
Total operating expenses	5,823	489	-	75,449
Operating income (loss)	(5,823)	(489)	-	33,418
Nonoperating revenues (expenses):				
Interest and investment revenue		20	-	562
Revenue from other agencies			-	2,933
Interest expense	(180)	-	-	(4,771)
Amortization of bond prepaid insurance	-	-	-	(23)
Total nonoperating revenues (expenses)	(180)	20	-	(1,230)
Income (loss) before contributions and transfers	(6,003)	(469)	-	32,188
Capital contributions				5,501
Transfers in	13,950	283	(14,243)	22
Transfers out	-	-	14,243	(12,188)
Change in net position	7,947	(176)	-	25,523
Total net position (deficit), beginning of year	33,745	-	-	444,588
Total net position (deficit), end of year	\$ 41,692	\$ (176)	\$ -	\$ 470,111

**City of Sacramento  
Water Fund  
Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2017  
(In thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ 108,738	\$ -
Payments to suppliers	-	(15,340)	(865)
Payments to employees	-	(34,344)	(86)
Claims and judgments paid	-	(81)	-
Net cash provided by (used for) operating activities	-	58,453	(981)
Cash flows from noncapital financing activities:			
Interfund cashflow loans	-	(2,778)	2,778
Loan made to water agency	-	(200)	-
Transfers in from other funds	-	22	-
Transfers out to other funds	-	(11,662)	-
Interfund loan repayments	-	1,189	(1,189)
Intergovernmental revenue received	-	-	834
Net cash provided by (used for) noncapital financing activities	-	(13,242)	2,423
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(4,902)	(7,460)	(1,442)
Proceeds from issuance of debt	-	(5,821)	-
Principal payments on capital debt	-	(6,565)	-
Interest payments on capital debt	-	-	-
Transfers in from other funds	-	(14,771)	-
Capital contributions received	-	-	-
Loan repayments received	7,645	-	-
Net cash provided by (used for) capital and related financing activities	5,216	(34,617)	(1,442)
Cash flows from investing activities:			
Collection of interest and investment revenue	602	(173)	-
Net cash provided by (used for) investing activities	602	(173)	-
Net increase (decrease) in cash and cash equivalents	5,818	10,421	-
Cash and cash equivalents, beginning of year	27,865	102,056	-
Cash and cash equivalents, end of year	\$ 33,683	\$ 112,477	\$ -
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ -	\$ 112,192	\$ -
Restricted cash and investments held by City	33,683	-	-
Restricted cash and investments held by fiscal agent	-	285	-
Total cash and cash equivalents, end of year	\$ 33,683	\$ 112,477	\$ -

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 108,738
Payments to suppliers	(4,143)	(489)	-	(21,357)
Payments to employees	-	-	-	(34,481)
Claims and judgments paid	-	-	-	(81)
Net cash provided by (used for) operating activities	(4,143)	(489)	-	52,840
Cash flows from noncapital financing activities:				
Interfund cashflow loans	-	-	-	-
Loan made to water agency	-	-	-	(200)
Transfers in from other funds	-	-	-	22
Transfers out to other funds	-	-	-	(11,689)
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	-	-	-	1,019
Net cash provided by (used for) noncapital financing activities	-	-	-	(10,819)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(6,326)	(5,992)	-	(28,122)
Proceeds from issuance of debt	(3,780)	62,802	-	6,022
Proceeds from sale of capital assets	(10,238)	-	-	(6,801)
Interest payments on capital debt	13,950	293	(14,243)	(16,801)
Transfers out to other funds	-	-	-	(528)
Capital contributions received	-	-	-	7,645
Loan repayments received	-	-	-	2,473
Net cash provided by (used for) capital and related financing activities	(6,392)	57,103	-	17,868
Cash flows from investing activities:				
Collection of interest and investment revenue	(17)	20	-	432
Net cash provided by (used for) investing activities	(17)	20	-	432
Net increase (decrease) in cash and cash equivalents	(12,592)	56,634	-	60,321
Cash and cash equivalents, beginning of year	25,344	-	-	155,265
Cash and cash equivalents, end of year	\$ 12,752	\$ 56,634	\$ -	\$ 215,586

	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 112,192
Payments to suppliers	5,948	56,628	-	96,159
Payments to employees	5,944	6	-	7,235
Claims and judgments paid	-	-	-	-
Net cash provided by (used for) operating activities	12,752	56,634	-	215,586

	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 112,192
Payments to suppliers	5,948	56,628	-	96,159
Payments to employees	5,944	6	-	7,235
Claims and judgments paid	-	-	-	-
Net cash provided by (used for) operating activities	12,752	56,634	-	215,586

Reconciliation of cash and cash equivalents to the Statement of Net Position:

Cash and investments held by City				
Restricted cash and investments held by City				
Restricted cash and investments held by fiscal agent				
Total cash and cash equivalents, end of year				

(continued)

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	2013 Water Revenue Bonds Fund	2017 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)	\$ -	\$ -	\$ -	\$ (1,433)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense		19		148
Amortization of intangible assets		-		54
Pension expense		-		(2,370)
Changes in assets and liabilities:				
Accounts receivable, net		-		(501)
Inventories		-		604
Accounts payable		-		150
Accrued payroll		-		502
OPEB liabilities		-		385
Accrued claims and judgments		-		894
Deposits		-		5
Unearned revenue		-		387
Net cash provided by (used for) operating activities	\$ -	\$ 58,453	\$ -	\$ (881)
Noncash investing, capital and financing activities:				
Contributions of capital assets				
Transfer of capital assets from governmental funds, net of depreciation				
Capitalized interest				
Amortization of bond premium and discount				
Amortization of bond premium				
Amortization of bond gain on refunding				
Amortization of bond prepaid insurance				
Capital asset acquisitions on accounts payable				
Water fee credits usage				

	2013 Water Revenue Bonds Fund	2017 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)	\$ -	\$ -	\$ -	\$ (1,433)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense		19		148
Amortization of intangible assets		-		54
Pension expense		-		(2,370)
Changes in assets and liabilities:				
Accounts receivable, net		-		(501)
Inventories		-		604
Accounts payable		-		150
Accrued payroll		-		502
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Accrued claims and judgments		-		894
Deposits		-		5
Unearned revenue		-		387
Net cash provided by (used for) operating activities	\$ -	\$ 58,453	\$ -	\$ (881)
Noncash investing, capital and financing activities:				
Contributions of capital assets				
Transfer of capital assets from governmental funds, net of depreciation				
Capitalized interest				
Amortization of bond premium and discount				
Amortization of bond premium				
Amortization of bond gain on refunding				
Amortization of bond prepaid insurance				
Capital asset acquisitions on accounts payable				
Water fee credits usage				

(continued)

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	2013 Water Revenue Bonds Fund	2017 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)	\$ (5,823)	\$ (489)	\$ -	\$ 33,418
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	1,680	-	-	19,172
Amortization of intangible assets	-	-	-	54
Pension expense	-	-	-	(2,370)
Changes in assets and liabilities:				
Accounts receivable, net	-	-	-	(501)
Inventories	-	-	-	604
Accounts payable	-	-	-	454
Accrued payroll	-	-	-	502
Accrued compensated absences	-	-	-	385
OPEB liabilities	-	-	-	684
Accrued claims and judgments	-	-	-	56
Deposits	-	-	-	5
Unearned revenue	-	-	-	387
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (4,143)</b>	<b>\$ (489)</b>	<b>\$ -</b>	<b>\$ 52,840</b>
Noncash investing, capital and financing activities:				
Contributions of capital assets	-	-	-	40
Transfer of capital assets from governmental funds, net of depreciation	-	-	-	535
Capitalized interest	8,906	-	-	9,783
Amortization of bond premium and discount	1,111	-	-	2,388
Amortization of bond gain on refunding	-	-	-	(189)
Amortization of bond gain on refunding	-	-	-	180
Amortization of bond prepaid insurance	-	-	-	(23)
Capital asset acquisitions on accounts payable	1,793	-	-	7,566
Water fee credits usage	-	-	-	762

**WASTEWATER FUND**

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**City of Sacramento  
Wastewater Fund  
Combining Schedule of Net Position**  
June 30, 2017  
(in thousands)

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Net Position**  
June 30, 2017  
(in thousands)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ -	\$ -	\$ 40,099
Receivables, net:			
Accounts	-	-	10,886
Loans	-	-	193
Inter-governmental	-	-	472
Interest	-	-	177
Inventories	-	-	28
Prepaid items	-	-	5
Total current assets	-	-	52,180
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	478	-	5,304
Payments held by fiscal agent	965	-	963
Loans receivable	-	-	418
Capital assets:			
Land	-	-	1,138
Buildings and improvements	11,332	-	26,551
Machinery and equipment	301	-	5,147
Transmission and distribution systems	12,176	-	168,565
Construction in progress	9,202	-	15,131
Software	-	-	364
Less: accumulated depreciation/amortization	(779)	-	(76,358)
Total noncurrent assets	33,693	-	147,353
Total assets	33,693	-	199,533
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	-	-	2,273
Total deferred outflows of resources	-	-	2,273

	Development Impact Fee Fund	User Fee Fund	Grant/Projects Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ -	\$ 39,411	\$ 688
Receivables, net:			
Accounts	-	10,886	-
Loans	-	133	-
Inter-governmental	-	177	652
Interest	-	-	-
Inventories	-	28	-
Prepaid items	-	5	-
Total current assets	-	50,640	1,540
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	4,064	832	-
Payments held by fiscal agent	-	-	-
Loans receivable	-	418	-
Capital assets:			
Land	-	1,138	-
Buildings and improvements	-	15,219	-
Machinery and equipment	-	4,846	-
Transmission and distribution systems	938	154,926	525
Construction in progress	490	1,536	3,903
Software	-	364	-
Less: accumulated depreciation/amortization	(33)	(75,505)	(23)
Total noncurrent assets	5,479	103,776	4,405
Total assets	5,479	154,416	5,945
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	-	2,273	-
Total deferred outflows of resources	-	2,273	-

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
 June 30, 2017  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	142	13,164	241
Accrued payroll	-	414	-
Accrued compensated absences	-	21	-
Interest payable	-	33	-
Unearned revenue	-	-	1,299
Accrued claims and judgments	-	71	-
Revenue and other bonds payable, net	-	-	-
Notes payable	-	789	-
Total current liabilities	142	14,492	1,540
Noncurrent liabilities:			
Accrued compensated absences	-	727	-
PEPB liability	-	3,529	-
Revenue and other bonds payable, net	-	-	-
Notes payable	-	2,265	-
Net pension liability	-	11,688	-
Total noncurrent liabilities	-	18,209	-
Total liabilities	142	32,701	1,540
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	-	300	-
Total deferred inflows of resources	-	300	-
<b>NET POSITION</b>			
Net investment in capital assets	1,395	99,472	4,405
Restricted for:			
Capital projects	3,942	-	-
Unrestricted	-	24,216	-
Total net position (deficit)	\$ 5,337	\$ 123,688	\$ 4,405

(continued)

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
 June 30, 2017  
 (in thousands)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	24	-	13,571
Accrued payroll	-	-	414
Accrued compensated absences	-	-	21
Interest payable	455	-	26
Unearned revenue	-	-	1,299
Accrued claims and judgments	-	-	71
Revenue and other bonds payable, net	662	-	662
Notes payable	-	-	789
Total current liabilities	1,141	-	17,315
Noncurrent liabilities:			
Accrued compensated absences	-	-	727
PEPB liability	-	-	3,529
Revenue and other bonds payable, net	30,504	-	30,504
Notes payable	-	-	2,265
Net pension liability	-	-	11,688
Total noncurrent liabilities	30,504	-	48,713
Total liabilities	31,645	-	66,028
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	-	-	300
Total deferred inflows of resources	-	-	300
<b>NET POSITION</b>			
Net investment in capital assets	3,107	-	108,379
Restricted for:			
Capital projects	-	-	3,942
Unrestricted	(1,059)	-	23,157
Total net position (deficit)	\$ 2,048	\$ -	\$ 135,478

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Revenues,  
Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2017  
(in thousands)**

	Development Impact Fee Fund	User Fee Fund	Grant/Projects Fund
Operating revenues:			
Charges for services:			
User fees and charges	\$ -	\$ 33,305	\$ -
Charge to other agencies for contract services	-	1,006	-
Total operating revenues	-	34,311	-
Operating expenses:			
Employee services	-	9,893	-
Services supplies	-	140	29
Debt amortization	9	3,608	6
Claims and judgments	-	68	-
Total operating expenses	9	27,630	35
Operating income (loss)	(9)	6,681	(35)
Nonoperating revenues (expenses):			
Interest and investment revenue	43	140	-
Interest expense	-	(69)	-
Total nonoperating revenues (expenses)	43	71	-
Income (loss) before contributions and transfers	34	6,752	(35)
Capital contributions	831	489	351
Transfers in	-	135	-
Transfers out	-	(6,958)	-
Change in net position	865	1,718	316
Total net position (deficit), beginning of year	4,472	121,970	4,089
Total net position (deficit), end of year	\$ 5,337	\$ 123,688	\$ 4,405

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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, 2017  
(in thousands)**

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
Operating revenues:			
Charges for services:			
User fees and charges	\$ -	\$ -	\$ 33,305
Charge to other agencies for contract services	-	-	1,006
Total operating revenues	-	-	34,311
Operating expenses:			
Employee services	-	-	9,893
Services supplies	636	-	4,906
Debt amortization	373	-	3,906
Claims and judgments	-	-	68
Total operating expenses	1,309	-	28,983
Operating income (loss)	(1,309)	-	5,328
Nonoperating revenues (expenses):			
Interest and investment revenue	-	-	183
Interest expense	(23)	-	(82)
Total nonoperating revenues (expenses)	(23)	-	91
Income (loss) before contributions and transfers	(1,332)	-	5,419
Capital contributions	-	-	1,671
Transfers in	1,955	(1,955)	135
Transfers out	-	1,955	(3,703)
Change in net position	623	-	3,522
Total net position (deficit), beginning of year	1,425	-	131,956
Total net position (deficit), end of year	\$ 2,048	\$ -	\$ 135,478

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**City of Sacramento  
Wastewater Fund  
Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ 34,475	\$ -
Payments to suppliers	-	(12,088)	(5)
Payments to employees	-	(10,443)	-
Claims and judgments paid	-	(47)	-
Net cash provided by (used for) operating activities	-	11,512	(5)
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	135	-
Transfers out to other funds	-	(3,639)	-
Net cash provided by (used for) noncapital financing activities	-	(3,504)	-
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(278)	(1,259)	(109)
Principal payments on capital debt	-	(921)	-
Interest payments on capital debt	-	(92)	-
Transfers in from other funds	-	(2,019)	-
Transfers out to other funds	831	-	103
Capital contributions received	-	131	-
Net cash provided by (used for) capital and related financing activities	553	(4,160)	(6)
Cash flows from investing activities:			
Collection of interest and investment revenue	43	134	-
Net cash provided by (used for) investing activities	43	134	-
Net increase (decrease) in cash and cash equivalents	596	3,982	(11)
Cash and cash equivalents, beginning of year	3,488	36,261	699
Cash and cash equivalents, end of year	\$ 4,084	\$ 40,243	\$ 688
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ -	\$ 39,411	\$ 688
Restricted cash and investments held by City	4,084	832	-
Restricted cash and investments held by fiscal agent	-	-	-
Total cash and cash equivalents, end of year	\$ 4,084	\$ 40,243	\$ 688

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	2013 Wastewater Revenue Bonds Fund	Elimination	Total Wastewater Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ -	\$ 34,475
Payments to suppliers	(936)	-	(13,429)
Payments to employees	-	-	(10,443)
Claims and judgments paid	-	-	(47)
Net cash provided by (used for) operating activities	(936)	-	10,571
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	-	135
Transfers out to other funds	-	-	(9,839)
Net cash provided by (used for) noncapital financing activities	-	-	(9,504)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,908)	-	(3,554)
Principal payments on capital debt	(590)	-	(1,501)
Interest payments on capital debt	(1,375)	-	(1,487)
Transfers in from other funds	1,955	(1,955)	-
Transfers out to other funds	-	1,955	(64)
Capital contributions received	-	-	131
Net cash provided by (used for) capital and related financing activities	(1,908)	-	(6,521)
Cash flows from investing activities:			
Collection of interest and investment revenue	(3)	-	174
Net cash provided by (used for) investing activities	(3)	-	174
Net increase (decrease) in cash and cash equivalents	(2,847)	-	1,720
Cash and cash equivalents, beginning of year	4,308	-	44,756
Cash and cash equivalents, end of year	\$ 1,461	\$ -	\$ 46,476
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ -	\$ -	\$ 40,099
Restricted cash and investments held by City	478	-	5,384
Restricted cash and investments held by fiscal agent	983	-	983
Total cash and cash equivalents, end of year	\$ 1,461	\$ -	\$ 46,476



**City of Sacramento  
Wastewater Fund  
Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (9)	\$ 6,681	\$ (35)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	9	3,579	6
Amortization of intangible assets	-	29	-
Pension expense	-	(765)	-
Changes in assets and liabilities:			
Accounts receivable, net	-	164	-
Inventories	-	50	-
Prepaid items	-	(5)	-
Accounts payable	-	1,528	24
Accrued payroll	-	125	-
Accrued compensated absences	-	(32)	-
Accrued claims and judgments	-	21	-
OPEB liabilities	-	157	-
Net cash provided by (used for) operating activities	\$ -	\$ 11,512	\$ (5)
Noncash investing, capital and financing activities:			
Contributions of capital assets	-	3	-
Transfer of capital assets from governmental funds, net of depreciation	-	486	-
Capitalized interest	-	14	-
Amortization of bond premium and discount	-	-	-
Capital asset acquisitions on accounts payable	-	815	-

(continued)

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	2013 Wastewater Revenue Bonds Fund	Elimination	Total Wastewater Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,309)	\$ -	\$ 5,328
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	373	-	3,967
Amortization of intangible assets	-	-	29
Pension expense	-	-	(765)
Changes in assets and liabilities:			
Accounts receivable, net	-	-	164
Inventories	-	-	50
Prepaid items	-	-	(5)
Accounts payable	-	-	1,552
Accrued payroll	-	-	125
Accrued compensated absences	-	-	(32)
Accrued claims and judgments	-	-	21
OPEB liabilities	-	-	157
Net cash provided by (used for) operating activities	\$ (936)	\$ -	\$ 10,571
Noncash investing, capital and financing activities:			
Contributions of capital assets	-	-	3
Transfer of capital assets from governmental funds, net of depreciation	-	-	486
Capitalized interest	1,291	-	1,305
Amortization of bond premium and discount	57	-	57
Capital asset acquisitions on accounts payable	24	-	839

**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.

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
 June 30, 2017  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 16,628	\$ 91,681	\$ 108,309
Investments held by fiscal agent	-	194	194
Receivables, net:			
Accounts	74	159	233
Interest	-	302	302
Due from other funds	-	1,106	1,106
Prepaid items	3,380	3	3,383
Total current assets	20,092	93,445	113,537
Noncurrent assets:			
Advances to other funds	-	12,547	12,547
Capital assets:			
Buildings and improvements	7,159	-	7,159
Furniture and equipment	543	-	543
Vehicles	145,625	-	145,625
Software	256	-	256
Construction in progress	202	-	202
Less: accumulated depreciation/amortization	(96,225)	-	(96,225)
Total noncurrent assets	57,560	12,547	70,107
Total assets	77,652	105,992	183,644
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,534	957	2,491
Total deferred outflows of resources	1,534	957	2,491

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**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
 June 30, 2017  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,640	886	7,526
Accrued payroll	324	172	496
Accrued compensated absences	63	20	83
Interest payable	6	-	6
Unearned revenue	-	348	348
Accrued claims and judgements	51	20,183	20,234
Capital leases payable	51	-	51
Revenue and other bonds payable, net	403	-	403
Total current liabilities	7,515	21,609	29,124
Noncurrent liabilities:			
Accrued compensated absences	565	279	844
OPEB liability	3,676	603	4,279
Accrued claims and judgements	-	60,566	60,566
Capital leases payable	44	-	44
Revenue and other bonds payable, net	1,207	-	1,207
Net pension liability	7,452	4,377	11,829
Total noncurrent liabilities	12,944	65,825	78,769
Total liabilities	20,459	87,434	107,893
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	209	123	332
Total deferred inflows of resources	209	123	332
<b>NET POSITION</b>			
Net investment in capital assets	55,878	-	55,878
Unrestricted	2,640	19,392	22,032
Total net position	\$ 58,518	\$ 19,392	\$ 77,910

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**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
 For the Fiscal Year Ended June 30, 2017  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 45,566	\$ 96,231	\$ 141,797
Payments to suppliers	(19,479)	(74,086)	(93,565)
Payments to employees	(6,686)	(3,600)	(10,286)
Claims and judgements paid	(13)	(18,377)	(18,390)
Net cash provided by (used for) operating activities	19,388	168	19,556
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	60	60
Transfers out to other funds	(394)	-	(394)
Collections on interfund loans	-	3,287	3,287
Loans made to other funds	-	(89)	(89)
Interest received	453	-	453
Claim and judgement recoveries	-	190	190
Net cash provided by (used for) noncapital financing activities	69	2,668	2,737
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(12,290)	-	(12,290)
Proceeds from sale of capital assets	422	-	422
Principal payments on capital debt	(370)	-	(370)
Interest payments on capital debt	(85)	-	(85)
Transfers in from other funds	360	-	360
Net cash used for capital and related financing activities	(11,963)	-	(11,963)
Cash flows from investing activities:			
Collection of interest and investment revenue	131	1,045	1,176
Net cash provided by investing activities	131	1,045	1,176
Net increase in cash and cash equivalents	7,625	3,881	11,506
Cash and cash equivalents, beginning of year	9,003	87,994	96,997
Cash and cash equivalents, end of year	16,628	91,875	108,503
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 16,628	\$ 91,681	\$ 108,309
Cash and investments held by fiscal agent	-	194	194
Total cash and cash equivalents, end of year	16,628	91,875	108,503

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:	\$ 45,522	\$ 32,602	\$ 78,124
Fees and charges	-	2	61
Miscellaneous	59	-	-
Total operating revenues	45,581	32,604	78,185
Operating expenses:			
Employee services	6,722	3,509	10,231
Services and supplies	19,594	6,909	26,503
Depreciation/amortization	10,091	-	10,091
Insurance premiums	-	4,124	4,124
Claims and judgements	28	27,187	27,215
Total operating expenses	36,435	41,729	78,164
Operating income (loss)	9,146	(9,125)	21
Nonoperating revenues (expenses):			
Interest and investment revenue	131	1,051	1,182
Revenue from other agencies	453	7	460
Insurance and other claim recoveries	-	297	297
Interest expense	(44)	-	(44)
Gain (loss) on disposition of capital assets	(22)	-	(22)
Total nonoperating revenues (expenses)	518	1,355	1,873
Income (loss) before contributions and transfers	9,664	(7,770)	1,894
Transfers in	424	60	484
Transfers out	(446)	-	(446)
Change in net position	9,640	(7,710)	1,930
Total net position, beginning of year	48,878	27,102	75,980
Total net position, end of year	58,518	19,392	77,910

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2017  
 (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)	\$ 9,146	\$ (9,125)	\$ 21
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	10,074	-	10,074
Amortization of intangible assets	17	-	17
Pension expense	(103)	(62)	(165)
Changes in assets and liabilities:			
Accounts receivable, net	(15)	1	(14)
Prepaid items	23	(3)	20
Accounts payable	92	594	686
Accrued payroll	63	(14)	49
Accrued compensated absences	13	(39)	(26)
Unearned revenue	-	(18)	(18)
Accrued claims and judgements	15	8,810	8,825
OPEB liabilities	63	24	87
Net cash provided by (used for) operating activities	\$ 19,388	\$ 168	\$ 19,556
Noncash investing, capital and financing activities:			
Amortization of bond premium, discount	\$ 40	\$ -	\$ 40
Capital asset acquisitions on accounts payable	3,907	-	3,907

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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, 2017  
(in thousands)

	Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ 67,534	\$ 84,442	\$ 151,976
Receivables, net:			
Interest	191	278	469
Total assets	<u>67,725</u>	<u>84,720</u>	<u>152,445</u>
<b>NET POSITION</b>			
Held in trust	\$ 67,725	\$ 84,720	\$ 152,445

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
For the Fiscal Year Ended June 30, 2017  
(in thousands)

	Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
From investment activities:			
Net appreciation in fair value of investments	\$ (306)	\$ (585)	\$ (891)
Interest	808	1,130	1,938
Total investment earnings	502	545	1,047
Less investment expenses:			
Banking, interest, and fiscal agent expenses	142	-	142
Net income from investing activities	360	545	905
Net investment income	360	545	905
Deposits	68,493	4,613	73,106
Total additions	68,853	5,158	74,011
Deductions:			
Withdrawals	66,619	4,224	70,843
Change in net position	2,234	934	3,168
Net position, beginning of year	65,491	83,786	149,277
Net position, end of year	\$ 67,725	\$ 84,720	\$ 152,445

**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, 2017  
(In thousands)

<b>ASSESSMENT DISTRICTS FUND</b>				
	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
<b>ASSETS</b>				
Cash and investments held by City	\$ 2,365	\$ 1,205	\$ 1,990	\$ 1,980
Cash and investments held by fiscal agent	937	987	996	928
Receivables, net:				
Accounts	10	13	10	13
Total assets	\$ 3,312	\$ 2,205	\$ 2,996	\$ 2,921
<b>LIABILITIES</b>				
Accounts payable	\$ 2	\$ 8	\$ 10	\$ -
Due to bondholders	3,310	1,205	1,994	2,921
Total liabilities	\$ 3,312	\$ 1,213	\$ 1,994	\$ 2,921
<b>COMMUNITY FACILITIES DISTRICTS FUND</b>				
<b>ASSETS</b>				
Cash and investments held by City	\$ 10,181	\$ 35,023	\$ 31,627	\$ 13,557
Cash and investments held by fiscal agent	14,183	13,750	12,460	15,379
Receivables, net:				
Taxes	217	272	273	216
Interest	15	31	15	31
Total assets	\$ 24,576	\$ 49,122	\$ 44,315	\$ 29,383
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 61	\$ 112	\$ 173	\$ 29,383
Due to bondholders	24,515	37,214	33,046	
Total liabilities	\$ 24,576	\$ 38,026	\$ 33,219	\$ 29,383
<b>TOTAL-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments held by City	\$ 12,526	\$ 36,228	\$ 33,217	\$ 15,537
Cash and investments held by fiscal agent	15,120	14,750	13,869	16,307
Receivables, net:				
Taxes	217	272	273	216
Accounts	10	13	10	13
Interest	15	31	15	31
Total assets	\$ 27,888	\$ 51,327	\$ 46,911	\$ 32,304
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 63	\$ 120	\$ 183	\$ 32,304
Due to bondholders	27,825	39,119	34,840	
Total liabilities	\$ 27,888	\$ 39,239	\$ 34,823	\$ 32,304

# 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)  
**Last Ten Fiscal Years**  
 (accrual basis accounting, in thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 1,165,658	\$ 1,249,993	\$ 1,286,576	\$ 1,328,932	\$ 1,387,540
Restricted for:					
Capital projects	239,377	221,594	186,619	156,157	148,904
Debt service	531	544	484	1,105	1,101
Public works programs	-	-	-	21,484	18,103
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	-
Trust and endowments:					
Expendable	30,996	30,836	32,443	23,544	23,274
Nonexpendable	6,159	4,442	4,690	5,659	6,870
Unrestricted	1,934	1,934	1,934	1,934	878
Unrestricted	124,408	84,092	76,953	16,107	6,128
Total governmental activities net position	\$ 1,698,063	\$ 1,893,435	\$ 1,698,709	\$ 1,554,922	\$ 1,573,788
Business-type activities					
Net investment in capital assets	\$ 656,951	\$ 687,417	\$ 691,197	\$ 701,157	\$ 705,527
Restricted for:					
Capital projects	-	16,866	25,781	30,184	33,209
Other programs	-	-	-	-	530
Unrestricted	119,975	92,458	106,148	113,804	123,265
Total business-type activities net position	\$ 776,926	\$ 796,741	\$ 823,126	\$ 845,145	\$ 862,531
Primary government	\$ 1,822,609	\$ 1,937,410	\$ 1,977,773	\$ 2,050,069	\$ 2,075,067
Restricted for:					
Capital projects	239,377	238,460	212,400	188,341	183,113
Debt service	531	544	484	1,105	1,101
Public works programs	-	-	-	21,484	18,103
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	-
Trust and endowments:					
Expendable	30,996	30,836	32,443	23,544	23,804
Nonexpendable	6,159	4,442	4,690	5,659	6,870
Unrestricted	1,934	1,934	1,934	1,934	878
Unrestricted	244,393	176,550	183,101	129,911	129,393
Total primary government net position	\$ 2,345,989	\$ 2,390,176	\$ 2,412,835	\$ 2,400,067	\$ 2,436,329

Notes: (1) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been restated for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (2) City of Sacramento GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (3) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with TaylorCIM Redevelopment Company, LLC.  
 (4) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land. (5) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
 (6) Fiscal year 2013 beginning net position was restated due to the implementation of GASB 68 and GASB 71.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Net Position by Component** (1)(2)(3)(4)(5)(6)  
**Last Ten Fiscal Years**  
 (accrual basis accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 1,389,377	\$ 1,393,447	\$ 1,445,139	\$ 1,497,796	\$ 1,296,493
Restricted for:					
Capital projects	131,822	116,271	116,910	80,054	119,131
Debt service	641	652	665	1,203	872
Public works programs	16,798	16,462	19,027	20,521	18,886
Economic development programs	23,979	22,493	1,085	1,085	16,251
Other programs	-	-	-	-	-
Trust and endowments:					
Expendable	21,087	22,315	26,735	28,381	23,645
Nonexpendable	7,225	7,928	7,789	8,008	8,545
Unrestricted	878	878	878	878	878
Unrestricted	1,857	36,170	(591,895)	(581,697)	(443,845)
Total governmental activities net position	\$ 1,573,602	\$ 1,610,616	\$ 1,043,612	\$ 1,073,117	\$ 1,040,896
Business-type activities					
Net investment in capital assets	\$ 720,039	\$ 733,980	\$ 748,312	\$ 785,353	\$ 807,004
Restricted for:					
Capital projects	33,188	33,255	33,914	40,772	39,155
Other programs	349	1,215	1,730	2,203	2,607
Unrestricted	140,385	177,814	107,305	123,842	150,049
Total business-type activities net assets	\$ 893,941	\$ 946,264	\$ 891,261	\$ 952,170	\$ 993,815
Primary government	\$ 2,069,416	\$ 2,127,427	\$ 2,193,451	\$ 2,263,149	\$ 2,103,497
Restricted for:					
Capital projects	164,990	149,526	150,824	120,826	158,286
Debt service	641	652	665	1,203	872
Public works programs	16,756	16,462	19,027	20,521	18,886
Economic development programs	23,979	22,493	1,085	1,088	16,251
Other programs	-	-	-	-	-
Trust and endowments:					
Expendable	21,436	23,530	28,465	30,584	26,252
Nonexpendable	7,225	7,928	7,789	8,008	8,545
Unrestricted	878	878	878	878	878
Unrestricted	142,222	207,984	(484,591)	(457,855)	(293,796)
Total primary government net position	\$ 2,467,543	\$ 2,556,890	\$ 1,894,873	\$ 2,025,287	\$ 2,039,651

Notes: (1) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been restated for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (2) City of Sacramento GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (3) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with TaylorCIM Redevelopment Company, LLC.  
 (4) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land. (5) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
 (6) Fiscal year 2013 beginning net position was restated due to the implementation of GASB 68 and GASB 71.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position  
Last Ten Fiscal Years**  
(actual basis of accounting, in thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>Expenses<sup>(1)</sup></b>				
<b>Governmental Activities</b>				
General government	\$ 49,841	\$ 45,866	\$ 44,278	\$ 42,238
Police	159,207	153,974	152,922	150,908
Fire	104,149	107,119	109,210	111,174
Public works	24,462	25,067	26,110	22,614
General Services <sup>(4)</sup>	88,016	95,238	89,358	97,350
Transportation	21,518	21,518	18,654	19,348
Economic development	66,930	54,209	51,984	56,162
Convention and cultural services	10,154	10,882	10,884	10,884
Parks and recreation	1,267	1,267	1,105	1,105
Code enforcement	30,297	24,863	-	-
Community development	9,935	13,976	16,827	14,635
Neighborhood services	6,830	29,284	29,658	24,903
Planning	9,935	13,976	16,827	14,635
Library	31,157	29,284	29,658	24,903
Interest on long-term debt	609,161	592,639	579,163	586,620
<b>Total governmental activities expenses</b>				
	\$ 823,662	\$ 831,301	\$ 795,945	\$ 797,953
<b>Business type activities</b>				
Water	63,364	60,527	60,692	63,070
Wastewater	18,370	20,488	17,385	18,990
Storm drainage	38,570	38,483	37,040	37,815
Solid waste	48,735	47,911	47,076	48,203
Community center	20,507	20,542	19,953	18,530
Child development	6,604	7,517	6,797	6,274
Regina	17,154	16,009	16,380	15,786
Parking	17,154	16,009	16,380	15,786
<b>Total business-type activities</b>				
	\$ 214,521	\$ 238,862	\$ 206,762	\$ 211,353
<b>Total primary government expenses</b>				
	\$ 1,038,183	\$ 1,069,163	\$ 1,002,707	\$ 1,009,306

Notes: (1) 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".  
(2) The expenses reported in the governmental activities and business-type activities are net of inter-fund charges between the departments.  
(3) Fiscal year 2010 amounts have been restated for the effects of the prior period adjustments for debt insurance costs and the reclassification of the Marina fund.  
(4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position  
Last Ten Fiscal Years**  
(actual basis of accounting, in thousands)

	Fiscal Year			
	2013	2014	2015	2017
<b>Expenses<sup>(1)</sup></b>				
<b>Governmental Activities</b>				
General government	\$ 36,681	\$ 41,109	\$ 52,474	\$ 59,037
Police	157,432	157,248	166,797	164,750
Fire	117,451	125,461	127,561	137,859
Public works	128,636	103,632	103,088	121,164
General Services <sup>(4)</sup>	15,343	13,807	15,619	-
Transportation	19,769	17,690	11,775	13,937
Economic development	18,654	17,916	19,444	20,380
Convention and cultural services	48,457	52,336	56,573	50,156
Parks and recreation	-	-	-	-
Code enforcement	29,253	26,484	30,221	41,726
Community development	-	-	-	-
Neighborhood services	-	-	-	-
Planning	-	-	-	-
Library	13,753	13,720	15,629	16,122
Interest on long-term debt	22,420	22,178	29,046	30,404
<b>Total governmental activities expenses</b>				
	\$ 597,431	\$ 591,052	\$ 627,524	\$ 656,878
<b>Business type activities</b>				
Water	68,643	66,627	66,428	70,150
Wastewater	20,488	20,488	20,488	20,176
Storm drainage	38,570	36,864	41,830	40,479
Solid waste	49,784	49,014	47,149	51,693
Community center	17,251	17,204	17,690	17,277
Child development	6,116	6,297	6,151	5,743
Regina	15,358	15,238	13,704	14,451
Parking	15,358	15,238	13,704	14,451
<b>Total business-type activities</b>				
	\$ 216,693	\$ 216,717	\$ 221,394	\$ 224,419
<b>Total primary government expenses</b>				
	\$ 814,124	\$ 807,769	\$ 848,908	\$ 881,297

Notes: (1) 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".  
(2) The expenses reported in the governmental activities and business-type activities are net of inter-fund charges between the departments.  
(3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt insurance costs and the reclassification of the Marina fund.  
(4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position  
Last Ten Fiscal Years**  
(actual basis of accounting, in thousands)

Program Revenues	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental activities</b>				
Charge for services				
General government	\$ 6,233	\$ 5,290	\$ 6,614	\$ 5,827
Police	4,203	4,819	4,088	10,316
Fire	17,936	24,448	22,711	21,998
Public works	10,471	10,578	9,954	10,442
Transportation	8,143	26,391	28,857	28,114
Economic development	8,345	8,497	8,136	8,800
Convention and cultural services	9,425	11,026	9,689	9,364
Parks and recreation	13,343	10,187	10,122	11,579
Code enforcement	3,600	7,332	5,327	5,277
Neighborhood development	123	195	6,166	15,409
Development services	19,887	16,115	-	-
Planning	114	108	-	-
Library	112,232	135,734	115,097	121,145
Trails for services	51,845	53,708	59,179	51,289
Operating grants and contributions	141,919	119,689	30,888	69,234
Capital grants and contributions				
Total governmental activities	305,996	298,629	285,164	241,668
Business - type activities				
Charge for services				
Water	66,411	62,619	70,463	79,315
Wastewater	20,704	19,775	20,294	21,360
Storm drainage	53,289	52,477	58,062	62,960
Sanitation	5,544	5,549	5,700	6,200
Community center	7,556	7,651	7,020	6,780
Child development	5,587	5,540	5,473	5,309
Marina	1,378	1,782	1,782	1,464
Parking	19,626	18,681	18,794	18,660
Trails for services	206,829	206,829	210,381	210,381
Operating grants and contributions	11,824	2,343	2,381	2,358
Capital grants and contributions				
Total business - type activities	11,661	38,094	14,148	10,417
Total primary government program revenues	219,470	245,227	233,318	242,729
Net (Expense) Revenue	\$ (525,466)	\$ (543,856)	\$ (498,482)	\$ (484,397)
Governmental activities	\$ (303,185)	\$ (294,010)	\$ (313,999)	\$ (344,952)
Business - type activities	4,949	6,865	26,536	31,962
Total primary government net expenses	\$ (298,236)	\$ (287,145)	\$ (287,463)	\$ (312,990)

Notes: (1) 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".  
 (2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.  
 (3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt insurance costs and the reclassification of the Marina fund.  
 (4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position  
Last Ten Fiscal Years**  
(actual basis of accounting, in thousands)

Program Revenues	Fiscal Year			
	2013	2014	2015	2016
<b>Governmental activities</b>				
Charge for services				
General government	\$ 6,924	\$ 7,270	\$ 6,436	\$ 7,103
Police	9,693	10,804	11,583	11,022
Fire	24,289	26,155	32,264	31,204
Public works	28,321	30,337	32,840	30,897
Transportation	3,175	1,756	1,251	-
Economic development	8,685	8,205	7,659	7,869
Convention and cultural services	8,817	9,311	9,303	10,085
Parks and recreation	10,604	13,359	15,004	13,792
Code enforcement	15,423	17,141	25,069	27,025
Neighborhood development	-	-	-	-
Development services	-	-	-	-
Planning	-	-	-	-
Library	33	59	29	-
Trails for services	115,923	134,426	141,129	145,209
Operating grants and contributions	81,822	47,430	52,306	35,442
Capital grants and contributions	69,323	89,539	115,354	122,528
Total governmental activities	267,108	281,366	309,098	303,269
Business - type activities				
Charge for services				
Water	88,754	94,382	100,523	98,533
Wastewater	25,134	28,493	32,223	31,532
Storm drainage	35,682	38,049	37,646	40,166
Sanitation	6,815	6,815	6,815	6,815
Community center	7,556	7,556	7,556	7,556
Child development	5,426	5,426	5,426	5,426
Marina	-	-	-	-
Parking	18,823	18,843	16,595	17,646
Trails for services	241,244	251,473	260,343	278,425
Operating grants and contributions	7,480	4,403	7,292	7,433
Capital grants and contributions				
Total business - type activities	249,819	257,844	269,817	273,853
Total primary government program revenues	\$ 516,927	\$ 539,210	\$ 578,915	\$ 577,122
Net (Expense) Revenue	\$ (330,323)	\$ (329,686)	\$ (318,426)	\$ (353,609)
Governmental activities	33,126	41,127	48,433	49,434
Business - type activities	(297,197)	(288,659)	(289,993)	(304,175)
Total primary government net expenses				

Notes: (1) 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".  
 (2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.  
 (3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt insurance costs and the reclassification of the Marina fund.  
 (4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position  
Last Ten Fiscal Years**

(actual basis of accounting, in thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>General Revenues and Other</b>				
<b>Changes in Net Position</b>				
Governmental activities				
Taxes:				
Property taxes	\$ 137,782	\$ 135,008	\$ 123,681	\$ 118,801
Utility user taxes	57,561	57,775	58,693	58,907
Other taxes	23,865	20,598	18,591	17,403
Interest earned state revenue	14,843	14,843	14,843	14,843
Income sales tax	16,344	15,745	14,332	14,548
Grants and other intergovernmental revenue not restricted to specific programs	-	4,224	4,691	2,610
Investment earnings	34,343	14,896	11,508	6,260
Miscellaneous	12,142	10,366	12,743	12,464
Gain (loss) on disposition of capital assets	-	-	-	1
Special items, net	18,791	(929)	2,912	2,336
Transfers	12,898	8,348	19,365	28,229
<b>Total Governmental activities</b>	<b>368,554</b>	<b>318,408</b>	<b>310,273</b>	<b>310,166</b>
<b>Business-type activities</b>				
Taxes:				
Other taxes	17,538	15,652	14,233	15,403
Investment earnings	6,889	5,746	4,964	3,449
Miscellaneous	-	-	-	2,957
Gain (loss) on disposition of capital assets	5,645	-	17	-
Special items, net	(12,889)	(8,248)	(19,365)	(28,229)
Transfers	17,536	13,250	(151)	(9,377)
<b>Total business-type activities</b>	<b>386,030</b>	<b>331,659</b>	<b>310,122</b>	<b>300,769</b>
<b>Total primary government</b>	<b>\$ 754,584</b>	<b>\$ 649,067</b>	<b>\$ 620,395</b>	<b>\$ 610,935</b>
<b>Change in Net Position</b>				
Governmental activities	\$ 65,389	\$ 24,398	\$ (3,728)	\$ (54,786)
Business-type activities	22,485	19,615	26,385	22,019
<b>Total primary government</b>	<b>\$ 87,874</b>	<b>\$ 44,013</b>	<b>\$ 22,659</b>	<b>\$ (32,767)</b>

Notes: (1) The City of Sacramento implemented GASB 83 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.  
 (3) Fiscal year 2010 amounts have been restated for the effects of the prior period adjustments for debt insurance costs and the reclassification of the Marine Fund.  
 (4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position  
Last Ten Fiscal Years**

(actual basis of accounting, in thousands)

	Fiscal Year			
	2013	2014	2015	2016
<b>General Revenues and Other</b>				
<b>Changes in Net Position</b>				
Governmental activities				
Taxes:				
Property taxes	\$ 114,451	\$ 122,477	\$ 129,714	\$ 136,354
Utility user taxes	59,066	59,613	59,947	61,404
Other taxes	27,943	61,594	66,205	70,781
Interest earned state revenue	18,465	18,465	18,465	18,465
Income sales tax	16,113	16,823	16,832	14,367
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	-
Investment earnings	10,101	10,136	8,769	11,328
Miscellaneous	9,749	8,653	11,060	12,964
Gain (loss) on disposition of capital assets	-	-	-	-
Special items, net	26,208	(2,500)	5,340	(8,830)
Transfers	19,002	28,571	32,148	14,773
<b>Total Governmental activities</b>	<b>334,934</b>	<b>366,700</b>	<b>389,292</b>	<b>383,114</b>
<b>Business-type activities</b>				
Taxes:				
Other taxes	16,555	17,843	20,108	21,800
Investment earnings	1,299	3,294	1,567	4,428
Miscellaneous	-	-	0	1,202
Gain (loss) on disposition of capital assets	-	-	-	20
Special items, net	(19,002)	(28,571)	(32,148)	(14,773)
Transfers	(1,148)	11,196	(5,914)	(11,475)
<b>Total business-type activities</b>	<b>(1,148)</b>	<b>377,896</b>	<b>382,378</b>	<b>394,569</b>
<b>Total primary government</b>	<b>\$ 333,786</b>	<b>\$ 377,896</b>	<b>\$ 382,378</b>	<b>\$ 337,276</b>
<b>Change in Net Position</b>				
Governmental activities	\$ 4,611	\$ 37,014	\$ 69,866	\$ 29,505
Business-type activities	30,978	52,625	42,512	68,669
<b>Total primary government</b>	<b>\$ 36,589</b>	<b>\$ 89,639</b>	<b>\$ 112,378</b>	<b>\$ 98,174</b>

Notes: (1) The City of Sacramento implemented GASB 83 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.  
 (3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt insurance costs and the reclassification of the Marine Fund.  
 (4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Fund Balances, Governmental Funds** <sup>(1)(2)</sup>  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting, in thousands)

General Fund	Fiscal Year				
	2008	2009	2010	2011	2012
Reserved for:					
Encumbrances	\$ 1,604	\$ 890	\$ 514	\$ -	\$ -
Investments and prepaids	8,947	5,189	6,301	-	-
Unreserved	449	316	304	-	-
Total	\$ 87,902	\$ 66,614	\$ 47,988	-	-
Nonspendable:					
Prepaid items	-	-	-	63	23
Funds	-	-	-	-	-
Noncurrent assets	-	-	-	245	71
Restricted:					
Capital projects	-	-	-	-	-
Other programs	-	-	-	86	64
Committed:					
Capital projects	-	-	-	14,549	20,293
Community center theater renovation	-	-	-	19,612	21,542
B Street Theater project	-	-	-	-	-
Other programs	-	-	-	-	-
OPEB	-	-	-	-	-
Homeless programs	-	-	-	-	-
Gas Tax	-	-	-	12,468	9,349
Other programs	-	-	-	-	-
Assigned:					
Unrealized investment gains	-	-	-	972	402
Next year's budget	-	-	-	5,138	9,304
Unassigned	-	-	-	-	-
Total general fund	\$ 89,992	\$ 72,098	\$ 55,107	\$ 52,924	\$ 61,088

**All Other Governmental Funds**

Reserved for:					
Noncurrent assets	\$ 875	\$ 746	\$ 1,149	\$ -	\$ -
Investments and prepaids	115,287	30,727	30,727	-	-
Debt service	22,834	20,817	20,269	-	-
Trust obligations	1,344	35	35	-	-
Other programs	1,934	1,934	1,934	-	-
Unreserved, reported in:					
Special revenue funds	79,289	73,628	93,583	-	-
Capital projects funds	131,595	104,884	100,308	-	-
Other programs	1,116	1,116	1,116	-	-
Permanent funds	3,770	2,857	2,736	-	-
Nonspendable:					
Prepaid items	-	-	-	30	29
Funds	-	-	-	-	-
Noncurrent assets	-	-	-	1,577	605
Permanent fund principal	-	-	-	1,804	878
Capital projects	-	-	-	161,265	150,475
Debt service	-	-	-	20,870	18,230
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	50,284	50,028
Committed:					
Capital projects	-	-	-	606	409
Grant retention	-	-	-	-	-
Debt service	-	-	-	2,278	2,278
Other programs	-	-	-	-	-
Assigned:					
Unrealized investment gains	-	-	-	2,878	2,088
Next year's budget	-	-	-	120	42
Other programs	-	-	-	2,281	4,093
Unassigned	-	-	-	(31,287)	(46,084)
Total all other governmental funds	\$ 364,240	\$ 292,207	\$ 262,353	\$ 213,652	\$ 183,195

Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2011. GASB 34 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.  
(2) FY13 amounts have been restated for the effects of Matus and reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Fund Balances, Governmental Funds** <sup>(1)(2)</sup>  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting, in thousands)

General Fund	Fiscal Year				
	2013	2014	2015	2016	2017
Reserved for:					
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Investments and prepaids	-	-	-	-	-
Unreserved	-	-	-	-	-
Nonspendable:					
Prepaid items	24	66	7	2	12
Funds	-	-	-	-	3,800
Noncurrent assets	48	-	4	-	-
Restricted:					
Capital projects	-	3,401	2,562	1,993	-
Other programs	-	-	1,048	1,895	-
Committed:					
Capital projects	27,795	33,714	39,997	45,959	49,644
Community center theater renovation	21,789	21,728	32,987	37,526	49,265
Community center theater renovation	8,500	8,500	8,500	8,500	8,500
B Street Theater project	-	-	2,500	-	-
Other programs	-	-	6,717	6,720	1,398
OPEB	2,000	-	6,717	6,752	5,334
Homeless programs	-	1,000	750	250	-
Gas Tax	-	-	-	-	-
Other programs	9,347	12,009	6,860	13,953	19,280
Assigned:					
Unrealized investment gains	-	17,3	50	732	-
Next year's budget	10,446	17,335	18,028	26,840	24,739
Unassigned	-	-	-	-	-
Total general fund	\$ 79,990	\$ 89,907	\$ 123,444	\$ 149,996	\$ 155,584

**All Other Governmental Funds**

Reserved for:					
Noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ -
Investments and prepaids	-	-	-	-	-
Trust obligations	-	-	-	-	-
Other programs	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Other programs	-	-	-	-	-
Permanent funds	-	-	-	-	-
Nonspendable:					
Prepaid items	44	24	24	-	-
Funds	530	451	369	283	193
Noncurrent assets	878	878	878	878	878
Permanent fund principal	-	-	-	-	-
Capital projects	135,059	126,262	124,790	138,552	149,684
Debt service	17,472	17,548	20,218	51,691	58,904
Public works programs	13,751	11,830	13,842	14,522	13,152
Economic development programs	23,970	22,484	17,271	16,887	41,548
Other programs	31,115	29,824	27,029	27,793	28,818
Committed:					
Capital projects	3,666	4,024	3,355	7,017	9,359
Grant retention	-	4,049	500	-	-
Debt service	-	6,933	6,660	8,733	19,110
Other programs	-	-	16,301	21,380	-
Assigned:					
Unrealized investment gains	-	5,125	50,001	51,024	56,715
Next year's budget	-	-	-	-	-
Other programs	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 211,021	\$ 237,614	\$ 259,850	\$ 321,740	\$ 362,710

Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2011. GASB 34 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.  
(2) FY13 amounts have been restated for the effects of Matus and reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento  
 Changes in Fund Balances, Governmental Funds <sup>(1) (2)</sup>  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting, in thousands)

	2008	2009	2010	2011	2012
<b>Revenues</b>					
Intergovernmental	\$ 286,498	\$ 277,570	\$ 260,749	\$ 254,705	\$ 256,654
Charges for services	137,341	161,418	174,214	125,758	154,937
Fees, fines, and penalties	63,285	70,403	62,962	67,831	62,760
Interest on investments	15,426	15,306	15,306	15,306	15,306
Interest on long-term debt	28,834	15,114	10,938	9,827	15,884
Assessment/invoice fees	16,831	13,597	7,675	3,647	3,058
Contributions from property owners	25,894	33,204	31,970	33,482	35,294
Contributions from other fund sources	31,722	8,122	7,106	9,410	8,122
Miscellaneous	1,286	3,312	4,105	4,105	2,100
<b>Total revenues</b>	<b>600,244</b>	<b>591,685</b>	<b>566,984</b>	<b>515,994</b>	<b>548,258</b>
<b>Expenditures</b>					
General Government	13,723	51,538	27,471	26,049	51,610
Police	16,029	141,598	147,559	144,568	142,336
Fire	94,284	99,613	105,430	97,573	98,749
General Services	23,198	23,296	21,025	19,353	19,388
Transportation	30,235	32,992	29,708	33,183	33,183
Public Works	16,080	15,116	13,196	13,291	10,670
Economic and cultural services	8,035	9,472	9,136	9,819	9,366
Parks and Recreation	53,499	46,845	40,312	36,590	30,393
Community Development	9,265	10,265	15,673	23,307	21,819
Library	9,366	13,408	12,366	12,398	11,739
Utilities	27,833	26,026	26,816	33,377	32,371
Capital Outlay	-	-	-	-	-
Debt Service - capital outlay	-	-	-	-	-
City	28,261	21,881	-	-	-
Interest and fiscal charges	3,266	2,708	-	-	-
Bond insurance costs	-	-	-	-	-
Payment to refunded bond escrow	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Subtotal - debt service	50,825	70,257	46,274	69,396	45,623
<b>Total Expenditures</b>	<b>693,684</b>	<b>735,871</b>	<b>692,482</b>	<b>607,073</b>	<b>598,369</b>
<b>Other Financing Sources (uses)</b>	<b>(93,440)</b>	<b>(144,208)</b>	<b>(63,498)</b>	<b>(51,079)</b>	<b>(50,144)</b>
Transfers in	58,898	65,076	58,621	58,006	55,435
Transfers out	(99,780)	(33,695)	(30,241)	(27,025)	(27,590)
Long-term debt	3,266	10,261	24,263	6,026	7
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	2,892	-	2,316	-
Proceeds of long-term capital-related debt	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-
Payments to other fund sources	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>24,875</b>	<b>45,354</b>	<b>49,343</b>	<b>40,125</b>	<b>27,818</b>
<b>Special items, net</b>	<b>18,971</b>	<b>(929)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (49,774)</b>	<b>\$ (89,268)</b>	<b>\$ (47,155)</b>	<b>\$ (60,954)</b>	<b>\$ (22,222)</b>
Debt services as a percentage of noncapital expenditures	9.41%	13.72%	9.35%	13.00%	9.41%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reallocation to a governmental activity.  
 (2) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

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
2008	\$ 150,901	-	\$ 54,821	\$ 57,861	\$ 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 <sup>(2)</sup>	-	57,121 <sup>(3)</sup>	59,066	16,354	265,605
2014	140,690 <sup>(2)</sup>	-	99,615 <sup>(3)</sup>	59,613	20,914	320,832
2015	147,415 <sup>(2)</sup>	-	102,596 <sup>(3)</sup>	59,948	24,690	334,649
2016	164,719 <sup>(2)</sup>	-	110,212 <sup>(3)</sup>	61,404	28,147	365,482
2017	159,566 <sup>(2)</sup>	-	125,560 <sup>(3)</sup>	62,997	34,032	382,155

Notes: (1) In lieu sales tax is reported as property tax in fiscal year 2007 and subsequent fiscal years.

(2) Includes residual property tax from redevelopment agency dissolution.

(3) 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 <sup>(1)</sup>				Total	Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate <sup>(2)</sup>
	Real Property	Personal Property	Public Utility	Total				
2008	\$ 39,286,839	\$ 1,548,914	\$ 15,371 <sup>(3)</sup>	\$ 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	
2015	37,918,666	1,585,876	18,173	39,522,715	455,212	39,067,503	1.00	
2016	39,823,777	1,513,519	9,267	41,346,563	448,779	40,897,784	1.00	
2017	42,300,010	1,623,203	9,193	43,932,406	446,683	43,485,723	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 be 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 decrease in public utility assessed value is primarily due to the transfer of the downtown rail yards 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		Special Districts	Total
	School Levy	City	Schools	Counties		
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
2015	1.0000	—	0.1325	—	—	1.1325
2016	1.0000	—	0.1426	—	—	1.1426
2017	1.0000	—	0.1418	—	—	1.1418

Notes : (1) Data is stated at full value as required under Article XII-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.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento  
Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago  
(in thousands)**

Taxpayer	2017			2008		
	Assessed Valuation	Rank	Percentage of Assessed Valuation	Assessed Valuation	Rank	Percentage of Assessed Valuation
Hines VAF II Sacramento	\$ 318,082	1	0.73%	\$ -	-	-
CIM Sacramento LP	217,479	2	0.50%	-	-	-
Arden Fair Associates	146,061	3	0.34%	126,223	4	0.31%
500 Capitol Mall LLC	133,482	4	0.31%	-	-	0.00%
621 Capitol Mall LLC	129,788	5	0.30%	-	-	-
GPT Properties Trust	122,616	6	0.28%	-	-	-
300 Capitol Association NF LP	114,000	7	0.26%	89,999	7	0.22%
HP Hood LLC	107,024	8	0.25%	-	-	-
M H V I Projects LLC	96,420	9	0.22%	-	-	-
GSA Sacramento CA LLC	91,372	10	0.21%	-	-	-
Teachers Ins. Annuity	-	-	-	162,180	1	0.40%
400 Capital Mall Venture	-	-	-	149,202	2	0.37%
Downtown Plaza	-	-	-	136,987	3	0.34%
CLPF Promemade LP	-	-	-	108,658	5	0.27%
M H Realty Partners VI LP	-	-	-	104,040	6	0.26%
RT Sacramento Funding Co.	-	-	-	80,937	8	0.20%
Pardee Homes	-	-	-	77,889	9	0.19%
Valley View Investors LLC	-	-	-	77,386	10	0.19%
	1,476,324		3.39%	1,115,501		2.76%
All other taxpayers	42,009,399		96.61%	39,230,104		97.24%
Total	\$ 43,485,723		100.00%	\$ 40,345,605		100.00%

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento  
Property Tax Levies and Collections  
Last Ten Fiscal Years**  
(in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount
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	98.89%	1,729	132,440	100.00%
2012	128,123	127,914	99.06%	1,209	128,123	100.00%
2013	130,755 <sup>(1)(b)</sup>	129,655	99.16%	1,100	130,755	100.00%
2014	140,273 <sup>(1)(b)</sup>	139,651	99.56%	622	140,273	100.00%
2015	147,483 <sup>(1)(b)</sup>	146,374	99.25%	1,109	147,483	100.00%
2016	155,024 <sup>(1)(b)</sup>	153,563	99.06%	1,461	155,024	100.00%
2017	148,456 <sup>(1)(b)</sup>	147,960	99.00%	1,496	148,456	100.00%

Notes: (1) Property taxes in 2007 and subsequent years (1) 2016 include in lieu sales tax revenue from prior year. Program was started in 2007 and ceased in 2017.  
(2) Total actual tax levy amount is not available from Sacramento County; amount provided is an estimate.  
(3) Includes residual property taxes resulting from the redevelopment agency dissolution.

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Source: City of Sacramento, Finance Department

**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
2008	\$ 552,354	-	-	\$ 25,875
2009	514,431	-	-	812
2010	496,641	-	-	746
2011	477,588	-	-	677
2012	467,324	-	-	605
2013 <sup>(1)</sup>	435,962	-	-	530
2014 <sup>(2)</sup>	419,477	-	-	16,063
2015	398,544	-	-	15,680
2016 <sup>(3)</sup>	627,351	-	-	15,290
2017	606,097	-	-	14,883

Notes:  
 (1) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.  
 (2) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.  
 (3) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.  
 (NA) Personal income data was not available.

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	Revenue Bonds	Capital Leases				
2008	\$ 322,965	-	\$ 49,977	\$ 2,710	\$ 942,687	NA	475,743	\$ 1,962		
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	470,965	1,721		
2013 <sup>(1)</sup>	542,347	-	52,536	9,466	1,050,287	NA	473,509	2,218		
2014 <sup>(2)</sup>	540,117	-	33,288	6,098	1,028,595	NA	475,122	2,165		
2015	519,869	-	29,844	4,075	978,488	NA	480,105	2,038		
2016 <sup>(3)</sup>	493,406	-	26,340	8,654	1,178,335	NA	485,683	2,426		
2017	533,751	-	22,748	5,574	1,187,508	NA	493,025	2,409		

Notes:  
 (1) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.  
 (2) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.  
 (3) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.  
 (NA) Personal income data was not available.

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	Percentage of Actual Taxable Value of Property		Population	Net Bonded Debt Per Capita
				Actual Taxable Value of Property	Property		
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	-
2015	-	-	-	39,067,503	0.00%	480,105	-
2016	-	-	-	40,897,784	0.00%	485,683	-
2017	-	-	-	43,485,723	0.00%	489,025	-

**City of Sacramento**  
**Direct and Overlapping Governmental Activities Debt (1)**  
**As of June 30, 2017**

(In thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Overlapping Tax and Assessment Debt:</b>			
Los Rios Community College District	\$ 340,100	25.28%	\$ 86,474
Elk Grove Unified School District	82,100	10.08%	8,295
Yuba County	2,000	100.00%	2,000
Sacramento Unified School District	526,788	84.54%	447,044
San Juan Unified School District	476,115	2.97%	14,150
Twin Rivers Unified School District	3,136	47.83%	1,500
Twin Rivers Unified School District (former Elementary School District bonds)	67,690	47.83%	32,377
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	222,605	47.40%	105,535
Robla School District	40,019	52.44%	20,827
City of Sacramento Community Facilities Districts	151,915	100.00%	151,915
Elk Grove Unified School District Community Facilities District No. 1	205,378	100.00%	205,378
City of Sacramento 1915 Act Bonds	4,655	100.00%	4,655
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	272,600	63.08%	173,400
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	2,690	63.08%	1,703
Sacramento Area Flood Control Agency Natomas Local Assessment District	34,210	84.05%	28,759
<b>Subtotal - Overlapping Tax and Assessment Debt</b>			<b>1,381,592</b>
<b>Direct and Overlapping General Fund Debt:</b>			
Sacramento County General Fund Obligations	235,694	30.97%	73,009
Sacramento County Pension Obligations	944,016	30.97%	292,418
Sacramento County Board of Education Certificates of Participation	5,675	30.97%	1,758
Los Rios Community College District Certificates of Participation	7,000	25.42%	1,778
Natomas Unified School District Certificates of Participation	8,985	88.37%	7,949
Sacramento Unified School District Certificates of Participation	67,920	84.54%	57,424
San Juan Unified School District Certificates of Participation	488	2.97%	15
Twin Rivers Unified School District Certificates of Participation	66,440	47.40%	31,489
Sacramento Metropolitan Fire District General Fund Obligations	1,383	100.00%	1,383
Sacramento Metropolitan Fire District General Pension Obligations	52,364	0.00%	0
<b>Subtotal - Lease Obligation Debt</b>			<b>464,250</b>
<b>Total Overlapping Debt</b>			<b>1,845,841</b>
<b>City of Sacramento Direct Debt</b>			<b>625,435</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 2,471,276</b>

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 these overlapping governments that is borne by the residents and businesses of the City. This estimate is based on the assumption that the debt is shared proportionately among the residents and businesses of the City and the overlapping governments. This estimate 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: City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.

**City of Sacramento  
Legal Debt Margin  
Last Ten Fiscal Years**  
(in thousands)

Fiscal Year	Debt Limit		General Obligation Bonds	Debt Applicable to Limit Amount set aside for repayment of general obligation debt	Total net debt applicable to the limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
	Net Assessed Value	15% of Assessed Value					
2008	\$ 40,345,605	\$ 6,051,841	-	-	\$ 6,051,841	0.00%	0.00%
2009	41,560,435	6,234,065	-	-	6,234,065	0.00%	0.00%
2010	38,778,007	5,816,701	-	-	5,816,701	0.00%	0.00%
2011	37,647,002	5,647,050	-	-	5,647,050	0.00%	0.00%
2012	36,502,112	5,475,317	-	-	5,475,317	0.00%	0.00%
2013	35,494,811	5,324,222	-	-	5,324,222	0.00%	0.00%
2014	36,924,255	5,538,638	-	-	5,538,638	0.00%	0.00%
2015	39,067,503	5,860,125	-	-	5,860,125	0.00%	0.00%
2016	40,897,794	6,134,668	-	-	6,134,668	0.00%	0.00%
2017	43,485,723	6,522,858	-	-	6,522,858	0.00%	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)
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
2015	1,470,912	64,638	43,944	34	NA	241,022	5.8
2016	1,495,297	69,590	46,539	33	NA	242,725	5.8
2017	1,514,770	72,894	48,122	34	NA	244,394	5.4

Sources: (A) <http://www.dof.ca.gov/research/demographic/reports/statistics-5/011-2016/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/statquest/>  
(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)	2017			2008		
	Employees (A) <sup>(1)</sup>	Rank	Percentage of Total Employment (B) <sup>(2)</sup>	Employees (A) <sup>(1)</sup>	Rank	Percentage of Total Employment (B)
State of California	74,462	1	11.23%	73,872	1	11.30%
Sacramento County	12,514	2	1.85%	14,513	2	2.22%
Kaiser Permanente	10,517	3	1.59%	6,260	6	0.96%
UC Davis Health System	10,467	4	1.56%	7,927	3	1.21%
U.S. Government	10,322	5	1.56%	-	-	-
Sutter Health	9,811	6	1.49%	7,140	4	1.09%
Dignity Health	8,039	7	1.21%	-	-	-
Intel Corporation	6,000	8	0.90%	6,000	7	0.92%
Apple, Inc.	5,000	9	0.75%	-	-	-
Elk Grove Unified School District	4,620	10	0.70%	5,813	9	0.89%
City of Sacramento	4,458	11	0.67%	-	-	-
Sacramento City Unified School District	-	-	-	7,000	5	1.07%
Los Rios Community College	-	-	-	6,000	8	0.92%
Mercy/Catholic Healthcare West	-	-	-	5,647	10	0.86%
San Juan Unified School District	-	-	-	4,999	11	0.76%

Notes: (1) Ranked by number of employees in full-time equivalents.  
(2) Percentage of total employment based on Sacramento County's total employment force of 660,000 (per Employment Development Department website) in June 2017.

Sources: (A) Sacramento Business Journal, July 8, 2016. List of largest employers in Sacramento County.  
(B) Employment Development Department, State of California.

**City of Sacramento  
Successor Agency Trust Fund  
Assessed Value of Taxable Property<sup>(1)(2)</sup>  
Last Ten Fiscal Years  
(in thousands)**

PROJECT AREA	Fiscal Year				
	2008	2009	2010	2011	2012
Merged Downtown					
Secured	\$ 2,203,787	\$ 2,549,340	\$ 2,656,453	\$ 2,504,312	\$ 2,427,850
Unsecured	146,071	174,529	172,285	160,110	145,125
Utility	4,107	997	997	997	997
Total	\$ 2,353,965	\$ 2,724,866	\$ 2,829,735	\$ 2,665,419	\$ 2,573,972
Del Paso Heights					
Secured	\$ 393,968	\$ 414,673	\$ 317,546	\$ 305,405	\$ 286,172
Unsecured	11,076	14,272	37,627	17,112	10,267
Utility	-	1	1	1	1
Total	\$ 405,044	\$ 428,946	\$ 355,174	\$ 322,518	\$ 296,440
Alkali Flat					
Secured	\$ 122,660	\$ 126,892	\$ 132,387	\$ 128,304	\$ 121,651
Unsecured	4,701	4,273	4,759	3,740	2,962
Utility	-	-	-	-	-
Total	\$ 127,361	\$ 131,165	\$ 137,146	\$ 132,044	\$ 124,613
Oak Park					
Secured	\$ 618,602	\$ 611,302	\$ 460,439	\$ 438,987	\$ 428,226
Unsecured	10,363	11,361	13,418	10,613	8,973
Utility	-	-	-	-	-
Total	\$ 628,965	\$ 622,663	\$ 473,857	\$ 449,600	\$ 437,199
River District (formerly Richards Blvd)					
Secured	\$ 404,185	\$ 434,882	\$ 454,256	\$ 405,518	\$ 403,771
Unsecured	34,967	44,693	45,813	41,732	31,661
Utility	4,120	4,120	4,200	4,200	4,264
Total	\$ 443,272	\$ 483,695	\$ 504,269	\$ 451,450	\$ 439,696
North Sacramento					
Secured	\$ 581,880	\$ 613,238	\$ 563,978	\$ 555,744	\$ 526,139
Unsecured	30,238	37,027	33,239	36,014	35,675
Utility	-	-	-	-	-
Total	\$ 612,118	\$ 650,265	\$ 597,217	\$ 591,758	\$ 561,814

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<sup>(1)(2)</sup>  
Last Ten Fiscal Years  
(in thousands)**

PROJECT AREA	Fiscal Year				
	2013	2014	2015	2016	2017
Merged Downtown					
Secured	\$ 2,366,130	\$ 2,300,993	\$ 2,344,213	\$ 2,461,341	\$ 2,682,975
Unsecured	137,967	132,581	138,662	124,172	110,987
Utility	770	770	770	748	748
Total	\$ 2,504,867	\$ 2,434,344	\$ 2,483,645	\$ 2,586,261	\$ 2,794,710
Del Paso Heights					
Secured	\$ 276,998	\$ 269,856	\$ 311,285	\$ 317,866	\$ 338,354
Unsecured	9,550	12,659	14,464	13,621	15,440
Utility	1	1	1	1	1
Total	\$ 286,549	\$ 302,516	\$ 325,750	\$ 331,508	\$ 353,795
Alkali Flat					
Secured	\$ 119,184	\$ 112,883	\$ 120,103	\$ 123,251	\$ 136,555
Unsecured	4,992	3,224	3,504	2,963	2,996
Utility	-	-	-	-	-
Total	\$ 124,166	\$ 116,107	\$ 123,607	\$ 126,214	\$ 139,551
Oak Park					
Secured	\$ 427,642	\$ 466,006	\$ 476,624	\$ 501,132	\$ 567,966
Unsecured	9,898	9,763	9,483	24,938	27,750
Utility	-	-	-	-	-
Total	\$ 437,540	\$ 475,769	\$ 486,107	\$ 526,070	\$ 595,716
River District (formerly Richards Blvd)					
Secured	\$ 396,061	\$ 375,825	\$ 403,452	\$ 393,540	\$ 404,183
Unsecured	33,655	29,486	35,352	37,314	34,732
Utility	4,779	4,779	4,779	2,591	2,591
Total	\$ 434,495	\$ 410,090	\$ 443,583	\$ 433,445	\$ 441,506
North Sacramento					
Secured	\$ 506,029	\$ 498,272	\$ 509,637	\$ 523,526	\$ 555,437
Unsecured	39,802	36,413	40,115	36,778	36,563
Utility	-	-	-	-	-
Total	\$ 545,831	\$ 534,685	\$ 549,752	\$ 560,304	\$ 592,000

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 <sup>(1)(2)</sup>  
Last Ten Fiscal Years  
(in thousands)**

PROJECT AREA	2008	2009	Fiscal Year 2010	2011	2012
Franklin Boulevard					
Secured	\$ 595,198	\$ 615,732	\$ 571,385	\$ 571,094	\$ 554,662
Unsecured	45,819	47,150	44,573	41,821	38,551
Utility	-	-	-	-	-
Total	\$ 641,017	\$ 662,882	\$ 615,958	\$ 612,915	\$ 593,213
Stockton Boulevard					
Secured	\$ 463,344	\$ 476,809	\$ 390,475	\$ 372,566	\$ 355,452
Unsecured	15,416	16,399	16,598	17,048	17,468
Utility	-	-	-	-	-
Total	\$ 478,760	\$ 493,208	\$ 407,073	\$ 389,614	\$ 372,920
Army Depot					
Secured	\$ 985,435	\$ 1,011,483	\$ 835,497	\$ 826,480	\$ 810,113
Unsecured	145,115	118,889	120,863	119,918	116,198
Utility	578	578	578	578	579
Total	\$ 1,141,128	\$ 1,130,950	\$ 956,938	\$ 946,976	\$ 926,890
65th Street					
Secured	\$ 243,734	\$ 240,544	\$ 224,763	\$ 242,905	\$ 230,618
Unsecured	22,673	29,115	25,010	25,040	25,808
Utility	-	-	-	-	-
Total	\$ 266,407	\$ 269,659	\$ 249,773	\$ 267,945	\$ 256,426
Railyards					
Secured	\$ -	\$ -	\$ 49,467	\$ 71,772	\$ 80,928
Unsecured	-	-	-	251	3,521
Utility	-	-	641	680	768
Total	\$ -	\$ -	\$ 50,108	\$ 72,703	\$ 85,217

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 <sup>(1)(2)</sup>  
Last Ten Fiscal Years  
(in thousands)**

PROJECT AREA	2013	2014	Fiscal Year 2015	2016	2017
Franklin Boulevard					
Secured	\$ 553,114	\$ 556,190	\$ 482,823	\$ 474,370	\$ 487,711
Unsecured	39,862	37,903	32,000	31,566	35,431
Utility	-	-	-	-	-
Total	\$ 592,976	\$ 594,093	\$ 514,823	\$ 505,935	\$ 533,142
Stockton Boulevard					
Secured	\$ 334,059	\$ 345,330	\$ 364,463	\$ 384,262	\$ 403,482
Unsecured	17,101	17,293	17,731	16,742	15,941
Utility	-	-	-	-	-
Total	\$ 351,160	\$ 362,623	\$ 382,194	\$ 401,004	\$ 419,423
Army Depot					
Secured	\$ 790,956	\$ 826,125	\$ 864,133	\$ 928,249	\$ 979,664
Unsecured	116,489	140,382	139,964	110,209	106,652
Utility	943	943	943	1,072	1,072
Total	\$ 908,388	\$ 978,450	\$ 1,005,040	\$ 1,039,530	\$ 1,087,388
65th Street					
Secured	\$ 229,458	\$ 228,785	\$ 231,632	\$ 243,684	\$ 276,299
Unsecured	17,346	14,536	17,543	14,033	15,339
Utility	-	-	-	-	-
Total	\$ 246,804	\$ 243,321	\$ 249,175	\$ 257,717	\$ 291,638
Railyards					
Secured	\$ 84,191	\$ 80,200	\$ 75,245	\$ 68,288	\$ 62,600
Unsecured	4,548	4,454	5,973	10,940	7,310
Utility	771	-	-	-	-
Total	\$ 89,510	\$ 84,654	\$ 81,218	\$ 79,228	\$ 69,910

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 <sup>(1)(2)</sup>  
 Merged Downtown  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
300 CAPITOL MALL	\$ 114,000	\$ 102,000	\$ (12,000)	0.43%
CIM	100,554	50,275	(50,279)	1.80%
1415 MERIDIAN PLAZA	75,500	59,000	(16,500)	0.59%
COMCAST CABLE	54,441	20,960	(33,481)	1.20%
HILTON HOTELS (WORLDWIDE)	33,600	2,400	(31,200)	1.12%
HILTON HOTELS	29,059	3,230	(25,829)	0.92%
ONE CAPITOL MALL	20,948	19,760	(1,188)	0.04%
COMCAST OF SACRAMENTO	20,820	16,647	(4,173)	0.15%
CIM	18,533	9,265	(9,268)	0.33%
COMCAST OF SACRAMENTO	16,701	14,705	(1,996)	0.07%
Sub Total	484,156	298,242	(185,914)	6.65%
All Other Taxpayers	2,310,154	-	-	-
Total	\$ 2,794,310	\$ 298,242	\$ (185,914)	6.65%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1)(2)</sup>  
 Del Paso Heights  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
COMCAST CABLE	\$ 1,470	\$ 418	\$ (1,052)	0.30%
COMCAST OF SACRAMENTO	623	374	(249)	0.07%
COMCAST OF SACRAMENTO	391	344	(47)	0.01%
COMCAST CABLE	312	89	(223)	0.06%
COMCAST CABLE	279	79	(200)	0.06%
COMCAST CABLE	243	69	(174)	0.05%
COMCAST CABLE	151	43		
MONA SUE AYERS	120	52	(68)	0.02%
COMCAST CABLE	106	30	(76)	0.02%
COMCAST OF SACRAMENTO	83	73	(10)	0.00%
Sub Total	3,778	1,571	(2,099)	0.59%
All Other Taxpayers	350,017	-	-	-
Total	\$ 353,795	\$ 1,571	\$ (2,099)	0.59%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>  
 Alkali Flat  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
BIMBO BAKERIES USA INC	\$ 19,813	\$ 15,797	\$ (4,016)	0.67%
BIMBO BAKERIES USA INC	16,065	8,032	(8,032)	1.35%
RAINBOW BAKING CO OF SACTO VALLEY	12,202	3,660	(8,542)	1.43%
COMCAST CABLE	2,617	782	(1,835)	0.31%
CAMPBELL TAGGART BAKING CO	1,379	414	(965)	0.16%
COMCAST OF SACRAMENTO	738	650	(88)	0.01%
COMCAST CABLE	579	316	(263)	0.04%
WALGREEN CO	429	260	(169)	0.03%
COMCAST CABLE	354	108	(246)	0.04%
COMCAST OF SACRAMENTO	320	256	(64)	0.01%
Sub Total	54,496	30,275	(24,220)	4.07%
All Other Taxpayers	541,220	-	-	-
Total	\$ 595,716	\$ 30,275	\$ (24,220)	4.07%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>  
 Alkali Flat  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
REALTY ADVISORS INC	\$ 7,480	\$ 3,500	\$ (3,980)	2.85%
LYNN HOULIHAN	2,244	1,675	(569)	0.41%
COMCAST CABLE	540	146	(394)	0.28%
ALDON BOLANOS	375	100	(275)	-
COMCAST OF SACRAMENTO	137	121	(16)	-
Sub Total	10,776	5,542	(5,234)	3.75%
All Other Taxpayers	128,775	-	-	-
Total	\$ 139,551	\$ 5,542	\$ (5,234)	3.75%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1)(2)</sup>  
 River District  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
JUNO COMM REAL EST	\$ 9,462	\$ 4,731	\$ (4,731)	1.07%
CLEAR CHANNEL OUTDOOR	1,598	750	(848)	0.19%
CLEAR CHANNEL OUTDOOR	1,574	800	(774)	0.18%
REALTY ADVISORS INC	752	371	(381)	0.09%
Sub Total	13,386	6,652	(6,734)	1.53%
All Other Taxpayers	428,120	-	-	-
Total	\$ 441,506	\$ 6,652	\$ (6,734)	1.53%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1)(2)</sup>  
 North Sacramento  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
SEVEN UP BOTTLING CO OF SF	\$ 33,618	\$ 5,000	\$ (28,618)	4.83%
OMNINET SACRAMENTO LLC	8,183	5,004	(3,179)	0.54%
COLUMBIA WOODLAKE	7,868	3,500	(4,368)	0.74%
SENT EXPO POINTE LLC & SENT INV	7,800	4,485	(3,315)	0.56%
RECREATIONAL EQUIPMENT	7,758	3,418	(4,340)	0.73%
COLUMBIA WOODLAKE LLC	7,750	6,000	(1,750)	0.30%
OMNINET SACRAMENTO LLC	5,482	3,353	(2,129)	0.36%
BELL EXPO LLC	3,046	1,978	(1,068)	0.18%
AMERICAN BOTTLING COMPANY	3,003	1,500	(1,503)	0.25%
OMNINET SACRAMENTO LLC	1,898	1,200	(698)	0.12%
Sub Total	86,406	35,438	(50,968)	8.61%
All Other Taxpayers	505,594	-	-	-
Total	\$ 592,000	\$ 35,438	\$ (50,968)	8.61%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>  
 Franklin Boulevard  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
O'REILLY AUTO ENTERPRISES LLC	\$ 4,563	\$ 1,370	\$ (3,193)	0.60%
CHATEAU LANG APARTMENTS LLC	3,257	2,856	(401)	0.08%
O'REILLY AUTO ENTERPRISES LLC	2,323	697	(1,626)	0.30%
AU ENERGY	2,089	1,540	(549)	0.10%
COMCAST CABLE	931	283	(648)	0.12%
COMCAST CABLE	667	202	(465)	0.09%
COMCAST CABLE	374	113	(261)	0.05%
COMCAST CABLE	288	87	(201)	0.04%
COMCAST OF SACRAMENTO	286	181	(105)	0.02%
COMCAST OF SACRAMENTO	267	235	(32)	0.01%
Sub Total	15,045	7,564	(4,288)	0.80%
All Other Taxpayers	518,097	-	-	-
Total	\$ 533,142	\$ 7,564	\$ (4,288)	0.80%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>  
 Stockton Boulevard  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
ESS PRISA II LLC	\$ 5,587	\$ 4,500	\$ (1,087)	0.26%
LEONARD W GRAY	3,450	1,145	(2,305)	0.55%
AARONS INC	1,520	0	(1,520)	0.36%
COMCAST CABLE	1,423	432	(991)	0.24%
COMCAST CABLE	904	274	(630)	0.15%
COMCAST OF SACRAMENTO	605	384	(221)	0.05%
SMART & FINAL #406	513	257	(256)	0.06%
RENT-A-CENTER WEST INC	452	395	(57)	0.01%
COMCAST OF SACRAMENTO	406	358	(48)	0.01%
COMCAST CABLE	344	104	(240)	0.06%
Sub Total	15,204	7,849	(7,355)	1.75%
All Other Taxpayers	404,219	-	-	-
Total	\$ 419,423	\$ 7,849	\$ (7,355)	1.75%

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 March 1, 2017.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction (1)(2)  
 65th Street  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value (a)	Assessee's Value (b)	Value Difference	Percentage of Total Taxable Value
TARGET CORPORATION	\$ 27,114	\$ 1,400	\$ (25,714)	8.82%
TARGET CORPORATION	26,726	1,380	(25,346)	8.69%
COMCAST CABLE	636	193	(443)	0.15%
COMCAST OF SACRAMENTO	182	160	(22)	0.01%
COMCAST CABLE	91	25	(66)	0.02%
U-NEAC FASTENERS INC	49	5	(44)	0.02%
COMCAST OF SACRAMENTO	23	21	(2)	0.00%
MATERIAL TRANSPORT	19	-	(19)	0.01%
Sub Total	54,840	3,184	(51,656)	17.71%
All Other Taxpayers	236,798	-	-	-
Total	\$ 291,638	\$ 3,184	\$ (51,656)	17.71%

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 March 1, 2017.

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, 2017  
 (in thousands)

Assessee	Taxable Value (a)	Assessee's Value (b)	Value Difference	Percentage of Total Taxable Value
RI FLORIN PERKINS LLC	\$ 15,983	\$ 4,797	\$ (11,186)	1.03%
RI FLORIN PERKINS LLC	15,871	13,761	(2,110)	0.19%
SOUTHDOWN CEMENT, LLC DBA CEMEX	5,896	1,000	(4,896)	0.45%
AFF POWER INN ROAD LLC	3,708	2,000	(1,708)	0.16%
COMCAST CABLE	2,553	775	(1,778)	0.16%
DO TRINH FAMILY REVOCABLE LIVING TRUST	1,503	976	(527)	0.05%
R/G HAYWARD LLC	1,232	370	(862)	0.08%
RIACHARD REESE FAMILY	1,066	781	(315)	0.03%
COMCAST CABLE	872	264	(608)	0.06%
COMCAST OF SACRAMENTO	730	643	(87)	0.01%
Sub Total	48,454	25,367	(24,087)	2.22%
All Other Taxpayers	1,037,934	-	-	-
Total	\$ 1,087,388	\$ 25,367	\$ (24,087)	2.22%

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 March 1, 2017.

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)

Assessee	2017				2008			
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Taxable Value <sup>(2)</sup>	Taxable Value	Rank
City of Sacramento (Sacramento Downtown Arena LLC)	\$ 41,221	1	14.72%	\$ -	-	-	-	-
400 Capitol Mall Owner LP	176,630	2	6.29%	237,472	1	10.09%	237,472	1
500 Capitol Mall LLC	138,357	3	4.95%	75,657	9	3.21%	75,657	9
621 Capitol Mall LLC	132,596	4	4.74%	81,098	8	3.45%	81,098	8
CIM650 9th St Sacramento LP	117,626	5	4.21%	-	-	-	-	-
300 Capitol Associates NE LP	114,000	6	4.08%	135,252	4	5.75%	135,252	4
SG Downtown LLC	106,021	7	3.87%	-	-	-	-	-
CIMU Street Hotel Sacramento LP	96,756	8	3.43%	122,495	5	5.20%	122,495	5
GSA Sacramento CA LLC	93,200	9	3.34%	83,168	7	3.53%	83,168	7
Capital Towers Apartments	92,000	10	3.29%	-	-	-	-	-
Teachers Insurance/Annuity Assn of America	-	-	-	213,893	2	9.09%	213,893	2
Downtown Plaza	-	-	-	152,005	3	6.17%	152,005	3
Sacramento Equities REIT	-	-	-	89,804	6	3.82%	89,804	6
CA Asan Hospo/HR Sym (Tsalogopoulos Family)	-	-	-	75,511	10	3.21%	75,511	10
Sub Total	1,067,096		38.19%	1,267,255		53.85%	1,267,255	
All Other Taxpayers	1,727,214		61.81%	1,086,710		46.17%	1,086,710	
Total	\$ 2,794,310		100.00%	\$ 2,353,965		100.00%	\$ 2,353,965	

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction<sup>(1) (2)</sup>  
 Railyards  
 As of June 30, 2017  
 (in thousands)

Assessee	Taxable Value <sup>(3)</sup>	Assessee's Value <sup>(3)</sup>	Value Difference	Percentage of Total Taxable Value
PETER C THOMPSON	\$ 12,000	\$ 7,144	\$ (4,856)	6.95%
COMCAST OF SACRAMENTO	2,219	1,259	(960)	1.37%
SIMS METAL MGMT	1,417	709	(708)	1.01%
COMCAST OF SACRAMENTO	800	475	(325)	0.46%
Sub Total	16,436	9,587	(6,849)	9.80%
All Other Taxpayers	53,474	-	-	-
Total	\$ 69,910	\$ 9,587	\$ (6,849)	9.80%

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 March 1, 2017.

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	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
North Avenue Apartments	\$ 7,413	1	2.10%	\$ 8,412	1	2.15%
Greiner Sacramento Urban League	6,456	2	1.82%	5,691	2	1.46%
Research Properties	5,569	3	1.57%	3,470	5	0.89%
BM Ventures LLC	5,502	4	1.56%	-	-	-
Ramon Canyon Associates LP	3,028	5	0.86%	-	-	-
John A/Leta K Nichols 1994 Rev Trust	2,933	6	0.83%	2,553	8	0.65%
Gain Elisa REtal	2,711	7	0.77%	-	-	-
US Rentals Inc	2,454	8	0.69%	2,682	7	0.69%
Profit/Limited Partnership	2,318	9	0.66%	-	-	-
Terenkha Associates	2,173	10	0.61%	-	-	-
Deutsche Bank National Trust Company	-	-	-	4,822	3	1.23%
Woodhaven Senior Residence	-	-	-	4,246	4	1.09%
Federal Home Loan Mortgage Corp.	-	-	-	2,967	6	0.76%
Lunaborn Family Trust	-	-	-	2,379	9	0.61%
23002 Moulton Parkway LLC	-	-	-	2,255	10	0.59%
Sub Total	26,688		7.54%	26,412		6.50%
All Other Taxpayers	327,107		92.46%	365,529		93.50%
Total	\$ 353,795		100.00%	\$ 390,941		100.00%

Notes: (1) Based on exemptions of locally assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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)

Assessee	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Hemat-Angie Stations Inc	\$ 17,221	1	12.34%	\$ 9,059	2	7.11%
Eileen R Coia LTD	12,696	2	9.03%	-	-	-
Blackpine City Falls LLC	11,127	3	7.97%	-	-	-
Reilly Advisors Inc	7,629	4	5.47%	6,876	3	5.40%
Blackpine City Falls LLC	5,307	5	3.86%	-	-	-
1001 G State Rehabilitation Limited Partnership	2,856	6	2.05%	-	-	-
1229 E State LLC	2,856	7	2.05%	-	-	-
520 Ninth St	2,289	8	1.64%	2,083	9	1.62%
John Dalley Trust / Charles D Delaney	2,089	9	1.48%	-	-	-
700 E Street Building Partnership	1,520	10	1.09%	-	-	-
GMA Investors LP	-	-	-	12,933	1	10.19%
MND Creamery LLC	-	-	-	5,979	4	4.69%
Washington SHRWD LLP	-	-	-	5,538	5	4.35%
Norman/Sara Evans 1990 Trust	-	-	-	4,269	6	3.35%
Boys and Girls Club	-	-	-	4,001	7	3.14%
US Housing Partners II LP	-	-	-	3,969	8	3.12%
James Fortino Trust/Court on G Inc.	-	-	-	2,040	10	1.60%
Sub Total	66,480		46.92%	56,727		44.54%
All Other Taxpayers	74,071		53.08%	70,634		55.46%
Total	\$ 139,551		100.00%	\$ 127,361		100.00%

Notes: (1) Based on exemptions of locally assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value <sup>(2)</sup>
Rainbow Bank Co of Sac Valley	\$ 11,000	1	1.95%	14,544	2	2.31%
Regents University CA	11,155	2	1.87%	9,853	4	1.57%
Bowdoin/Stockton Food Source Inv LLC	5,447	3	0.91%	6,587	5	-
Great CHI Investment LLC	4,740	4	0.80%	-	-	-
Oxwood Medical Center Hospital	4,562	5	0.77%	4,206	9	0.67%
Security Public Storage-Sacramento	3,975	6	0.67%	-	-	0.00%
Roman Catholic Bishop of Sacramento	5,546	7	0.95%	-	-	0.00%
Edmar Inns LLC	3,375	8	0.57%	-	-	0.00%
Bowdoin Triangle LLC	3,056	9	0.51%	-	-	-
Oak Park Senior Housing	2,220	10	0.37%	-	-	-
Gasstock Partnership	-	-	-	19,772	1	3.14%
Stockton Boulevard Partners	-	-	-	13,560	3	2.16%
Ticon III	-	-	-	5,774	6	0.92%
Deutsche Bank National Trust Co.	-	-	-	5,182	7	0.82%
Sac Properties LLC	-	-	-	5,027	8	0.80%
Security Public Storage	-	-	-	3,465	10	0.55%
Sub Total	55,666		9.35%	87,970		13.99%
All Other Taxpayers	510,020		90.65%	540,935		86.01%
Total	\$ 565,716		100.00%	\$ 628,905		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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)

Assessee	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value <sup>(2)</sup>
California Almond Growers Exchange	\$ 79,094	1	17.91%	\$ 27,703	2	6.19%
Grove River District LLC	36,101	2	8.18%	-	-	-
T9 Affordable Housing Partners L	15,562	3	3.52%	-	-	-
Mendell Allan/Etal	12,000	4	2.72%	12,483	6	2.79%
Cajobi Station 65 LLC	10,129	5	2.29%	9,640	7	2.15%
New Sac Arena Props LLC	7,542	6	1.71%	-	-	-
Dalmer Family Limited Partnership	6,600	7	1.49%	5,937	9	1.33%
Doc Rios Venture	6,563	8	1.49%	-	-	-
Sacramento Loaves/Fishes	6,425	9	1.46%	-	-	-
Touchstone Climbing Inc	6,265	10	1.42%	-	-	-
Grove Investment Company	-	-	-	30,146	1	6.74%
RECP HAW Sacramento LLC	-	-	-	20,375	3	4.56%
New Baytree LLC	-	-	-	14,913	4	3.33%
CCAA Partners LLC/Brouse W. Ballet al	-	-	-	14,912	5	3.31%
Rivepark Business Center LLC	-	-	-	6,251	8	1.40%
REA Limited Partnership	-	-	-	5,420	10	1.21%
Sub Total	186,271		42.19%	147,680		32.99%
All Other Taxpayers	255,235		57.81%	299,908		67.01%
Total	\$ 441,506		100.00%	\$ 447,588		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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)

Assessee	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value <sup>(2)</sup>
Seven Up Bowling Company of San Francisco	\$ 32,441	1	5.45%	\$ 9,690	7	1.58%
Pizza Company	22,155	2	3.74%	16,779	3	2.74%
Omninet Sacramento LLC	19,500	3	3.29%	-	-	-
McClain Acoma Street Investors	12,529	4	2.12%	11,292	5	1.84%
Columbia Woodlake LLC	8,527	5	1.44%	-	-	-
Meritz Incorporated	7,929	6	1.34%	-	-	-
Seni Expo Pointe LLC	7,800	7	1.32%	-	-	-
Piazza Ave Apartments LLC	7,316	8	1.24%	-	-	-
Recreational Equipment Inc	7,079	9	1.20%	-	-	-
Stoke Robert J/North Sacramento Land Company	6,548	10	1.11%	-	-	-
JB Management LP	-	-	-	28,455	1	4.65%
PD Hotel Associates LLC	-	-	-	22,056	2	3.60%
North Sacramento Land Co	-	-	-	12,117	4	1.98%
ARRKS Investments LLC	-	-	-	10,403	6	1.70%
Don Robles Limited Partnership	-	-	-	7,491	8	1.22%
OMM Expo Parkway LLC	-	-	-	5,890	9	0.96%
ONS Woodlake	-	-	-	5,882	10	0.96%
Sub Total	131,824		22.27%	130,055		21.25%
All Other Taxpayers	480,176		77.73%	482,083		78.75%
Total	\$ 612,000		100.00%	\$ 612,118		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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)

Assessee	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value <sup>(2)</sup>
6200 Franklin LLC	\$ 19,738	1	3.71%	\$ -	-	-
United States Cold Storage Calif	10,309	2	1.93%	7,930	5	1.24%
Hillside Apartments LLC	7,704	3	1.45%	-	-	-
Greystone Place INVS LLC	6,887	4	1.31%	-	-	-
ARB INVS	6,885	5	1.29%	-	-	-
Rosedown Associates LLC	6,199	6	1.16%	9,481	4	1.48%
Extra Space Props Ninety Four Limited Partnership	4,541	7	0.85%	-	-	-
SEFPSP VI Joint Ventures	4,274	8	0.82%	4,004	8	0.62%
Campus Plaza Associates	4,389	9	0.82%	-	-	-
Bowling Green Associates	4,204	10	0.81%	3,879	9	0.61%
Campbell Soup	-	-	-	56,807	1	8.86%
Western Village LP	-	-	-	13,083	2	2.04%
Preservation Southpointe LP	-	-	-	10,352	3	1.61%
Sacramento Children's Home	-	-	-	7,234	6	1.13%
TESCO Controls Inc.	-	-	-	5,553	7	0.87%
Con-Way Western Express Inc.	-	-	-	3,187	10	0.50%
Sub Total	75,449		14.15%	121,510		18.86%
All Other Taxpayers	487,603		85.85%	519,507		81.04%
Total	\$ 563,052		100.00%	\$ 641,017		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Stockton Plaza Partners LLC	\$ 14,352	1	3.42%	\$ 14,272	2	2.98%
EKG Investors LLC/Sci Investors LLC/EWI	14,200	2	3.40%	20,369	1	4.25%
Sustained Inv LLC	10,455	3	2.49%	-	-	-
John McNancy M. Kehndis Living Trust	8,003	4	1.91%	7,213	6	1.51%
NT Stockton Inv LLC	7,940	5	1.89%	8,365	5	1.75%
Shoh-Arms Partners LP	4,563	6	1.09%	-	-	-
Long Sight Properties LLC	6,385	7	1.52%	-	-	-
ESS Priesa I LLC	6,149	8	1.47%	5,337	10	1.11%
Brittany Arms LLC	6,125	9	1.46%	5,620	7	1.15%
Little Saigon Plaza Sacramento	5,814	10	1.39%	11,739	3	2.45%
Gonzalez, Jaime/Gloria	-	-	-	9,201	4	1.92%
Hill Cl Inv Group Ltd Part	-	-	-	5,905	8	1.19%
Mulleen Enterprises LLC	-	-	-	5,368	9	1.12%
Sub Total	84,026		20.03%	92,909		19.41%
All Other Taxpayers	335,397		79.97%	385,851		80.59%
Total	\$ 419,423		100.00%	\$ 478,760		100.00%

Notes: (1) Based on ownership of locally-assessed, secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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)

Assessee	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
US National Leasing LLC	\$ 27,958	1	2.56%	\$ -	-	-
RI Florin Perkins LLC	17,569	2	1.62%	-	-	-
Engineered Polymer Solutions Inc	13,614	3	1.27%	7,665	6	0.67%
AWW Investments LLC	11,172	4	1.03%	8,379	4	0.73%
Elder Creek Transfer/Recovery Inc	10,384	5	0.96%	9,907	3	0.87%
Air Products Manufacturing Corporation	9,287	6	0.85%	-	-	-
Central Valley Industrial Core Holdings LLC	9,286	7	0.85%	-	-	-
AFP Inv Partners LLC	8,711	8	0.80%	-	-	-
Central Valley Industrial Core Holdings	8,628	9	0.79%	-	-	-
C/S Logistics Sacramento/Trasey LLC	7,718	10	0.71%	5,907	8	0.52%
R/G Hayward LLC	-	-	-	31,761	1	2.79%
California Emergency Food Link	-	-	-	10,187	2	0.89%
Balantyne Diana S/Mark C/Jan W/L	-	-	-	7,789	5	0.68%
Marvin L. Oakes Trust	-	-	-	6,042	7	0.53%
Power Inn Intl PK VIII LLC	-	-	-	5,360	9	0.47%
Vision Shops LLC	-	-	-	5,092	10	0.45%
Sub Total	124,437		11.44%	98,139		8.60%
All Other Taxpayers	953,951		88.56%	1,042,989		91.40%
Total	\$ 1,078,388		100.00%	\$ 1,141,128		100.00%

Notes: (1) Based on ownership of locally-assessed, secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2016-17 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)**

Assessee	2017			2008		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
SSC Sacramento Apartments LLC	\$ 63,945	1	21.93%	\$ -	-	-
Element Sacramento LLC	60,180	2	20.64%	-	-	-
Target Corporation	27,260	3	9.36%	15,572	3	5.85%
AMCAL Sacramento LLC	19,012	4	6.52%	-	-	-
66th St Village LLC	11,320	5	3.88%	-	-	-
Sutter Community Hospitals of Sacramento	11,142	6	3.82%	-	-	-
Jackson IV LLC	10,216	7	3.50%	-	-	-
Dimension Properties LLC	8,854	8	3.07%	-	-	-
CPCA 771F Folsom Blvd LLC	8,021	9	2.75%	-	-	-
Atlas Disposal Industries LLC	6,634	10	2.27%	-	-	-
Valeo Sacramento	-	-	-	36,041	1	13.53%
Sally R Davis Trust Et al	-	-	-	26,068	2	9.79%
Mark/Melroye Friedman Family Trust Et al	-	-	-	10,146	4	3.81%
Farming Company Folsom Blvd LLC Et al	-	-	-	10,092	5	3.79%
Kenneth/Susan Catchet Family 2005 Revocable Trust	-	-	-	5,283	6	1.98%
7301 14th Ave LLC	-	-	-	4,940	7	1.85%
American River Self Storage LP	-	-	-	4,527	8	1.70%
KCMHC Properties, LP/Pat E. Fong/MAE Et al	-	-	-	4,204	9	1.58%
Gonzales Kimmel Enterprises	-	-	-	4,072	10	1.53%
Sub Total	226,714		77.74%	120,945		45.40%
All Other Taxpayers	64,924		22.26%	145,462		54.60%
Total	\$ 291,638		100.00%	\$ 266,407		100.00%

Notes: (1) Based on exemptions of locally assessed, secured, and unsecured real property net of exemptions.  
(2) Based on total adjusted 2016-17 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento  
Successor Agency Trust Fund  
Principal Property Taxpayers - Railyards  
Current Fiscal Year and Six Years Ago  
(in thousands)**

Assessee	2017			2010 <sup>(1)</sup>		
	Taxable Value <sup>(2)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Downtown Railyards Venture LLC	\$ 18,450	1	26.39%	\$ -	-	-
906 NE WCO LLC	11,158	2	15.96%	-	-	-
1238 Sutter Street LLC	7,400	3	10.59%	-	-	-
Sutter HOJ LP	4,850	4	6.94%	-	-	-
Mercy Housing CA47	4,730	5	6.77%	-	-	-
Sacramento Co Emp Credit Union	4,522	6	6.47%	4,068	5	5.23%
PDRA Company LLC	3,925	7	5.61%	3,537	6	4.54%
PLF Bldg LLC	3,697	8	5.29%	-	-	-
Shrinwaser Michael J/Siva M	3,245	9	4.64%	2,624	7	3.76%
Bowman/Bay Building Joint Venture	2,347	10	3.36%	2,115	8	2.72%
S Thomas Enterprises of Sacramento	-	-	-	17,224	1	22.13%
CCAA Partners LLC/Bruce W. Bell/Etal	-	-	-	14,843	2	19.07%
New Baytree LLC	-	-	-	14,826	3	19.05%
REA Limited Partnership	-	-	-	5,378	4	6.91%
John Morgan/Nelly B Pinaro/Eddie Cuevas	-	-	-	1,556	9	2.00%
Legacy Ventures LLC	-	-	-	1,245	10	1.60%
Sub Total	64,324		92.01%	67,716		87.00%
All Other Taxpayers	5,966		7.99%	10,117		13.00%
Total	\$ 69,910		100.00%	\$ 77,833		100.00%

Notes: (1) Data from Fiscal Year 2010 - Railyards Redevelopment Area was formed in Fiscal Year 2010.  
(2) Based on total adjusted 2016-17 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)

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Debt Coverage
2007-08	\$ 44,436	\$ 456	\$ 1,851	\$ 42,129	\$ 22,119	1,90	NA	NA
2008-09	45,016	400	2,653	45,016	1,536	2,47	NA	NA
2009-10	45,386	450	3,366	45,386	2,176	3,91	NA	NA
2010-11	38,260	580	2,684	32,016	21,776	1,47	NA	NA
2011-12	42,334	726	2,911	38,698	22,130	1,76	6,098	28,128
2012-13	41,304	745	2,555	38,003	22,087	1,72	6,019	28,106
2013-14	42,684	687	3,037	38,960	24,896	1,56	5,123	30,019
2014-15	43,664	649	3,911	39,097	21,937	1,78	9,158	31,095
2015-16	49,142	690	5,766	42,686	11,784	3,62	15,610	27,404
2016-17	53,765	709	1,201	51,855	11,793	4,40	10,171	21,964

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Debt Coverage
2007-08	\$ 26,259	\$ 277	\$ 502	\$ 25,480	\$ 16,541	1,54	NA	NA
2008-09	26,213	380	1,684	23,549	16,090	1,62	NA	NA
2009-10	26,213	380	1,763	27,456	16,072	1,70	NA	NA
2010-11	23,069	587	1,854	21,623	16,021	1,32	NA	NA
2011-12	23,390	416	1,627	22,389	16,264	1,38	2,698	19,962
2012-13	23,390	419	1,652	22,369	16,268	1,17	2,665	19,933
2013-14	23,042	372	580	22,090	16,245	1,36	4,188	20,433
2014-15	23,121	350	1,071	21,700	16,242	1,34	4,980	21,222
2015-16	27,081	372	2,415	24,294	11,395	2,13	146	11,541
2016-17	27,978	376	485	27,117	11,395	2,38	146	11,541

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Debt Coverage
2007-08	4,161	27	357	3,796	1,606	2,36	NA	NA
2008-09	4,079	51	169	3,859	1,625	2,37	NA	NA
2009-10	2,972	37	179	2,857	1,625	1,65	NA	NA
2010-11	2,972	45	322	2,524	1,626	1,56	NA	NA
2011-12	2,551	44	169	2,307	1,769	1,30	1,860	1,52
2012-13	2,559	44	194	2,309	1,684	1,40	240	1,884
2013-14	2,863	44	245	2,564	1,618	1,59	230	1,848
2014-15	3,149	44	337	2,768	1,618	1,71	231	1,849
2015-16	3,190	45	384	2,761	-	-	14	197,21
2016-17	3,524	45	100	3,379	-	-	14	241,36

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.  
 (2) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.  
 (3) Revised to correct total tax increment received.  
 (4) Various senior and subordinate debts were refunded in 2015.

City of Sacramento  
 Successor Agency Trust Fund  
 Debt Coverage Analysis  
 Last Ten Fiscal Years  
 (in thousands)

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Debt Coverage
2007-08	\$ 1,270	\$ 14	\$ 34	\$ 1,223	\$ 619	1,98	NA	NA
2008-09	1,234	17	14	1,203	618	1,95	NA	NA
2009-10	1,253	15	54	1,185	616	1,92	NA	NA
2010-11	1,106	18	68	1,020	619	1,65	NA	NA
2011-12	1,077	18	19	1,039	622	1,67	463	1,085
2012-13	1,049	19	10	1,020	623	1,64	467	1,080
2013-14	1,028	16	9	1,003	612	1,64	461	1,073
2014-15	1,148	16	64	1,068	613	1,74	464	1,077
2015-16	1,111	17	67	1,027	-	-	466	466
2016-17	1,347	17	26	1,304	-	-	469	469

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Debt Coverage
2007-08	\$ 6,255	\$ 73	\$ 409	\$ 5,777	\$ 2,769	2,09	NA	NA
2008-09	5,854	69	381	5,400	2,767	1,95	NA	NA
2009-10	4,213	49	372	3,792	2,757	1,38	NA	NA
2010-11	3,871	60	314	3,498	2,761	1,27	NA	NA
2011-12	3,772	63	150	3,559	2,756	1,29	103	2,859
2012-13	3,641	67	151	3,623	2,794	1,30	183	2,977
2013-14	4,364	67	244	4,053	2,752	1,47	173	2,925
2014-15	4,522	63	365	4,074	2,755	1,48	178	2,933
2015-16	4,915	70	613	4,232	-	-	34	34
2016-17	5,843	75	176	5,592	-	-	34	124,47

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Debt Coverage
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	2,466	1,100	-	494	484
2012-13	1,294	26	227	2,277	1,041	-	654	654
2013-14	1,025	20	259	746	-	-	646	646
2014-15	1,542	23	280	1,239	-	-	642	642
2015-16	1,544	22	288	1,234	-	-	229	229
2016-17	1,633	22	29	1,582	-	-	229	229

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.  
 (2) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.  
 (3) Revised to correct total tax increment received.  
 (4) Various senior and subordinate debts were refunded in 2015.

**City of Sacramento  
Successor Agency Trust Fund  
Debt Coverage Analysis  
Last Ten Fiscal Years**  
(in thousands)

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Coverage
2007-08	\$ 3,542	\$ 38	\$ 198	\$ 3,305	\$ 468	7.06	NA	NA
2008-09	3,787	46	291	3,450	528	6.53	NA	NA
2009-10	3,087	36	237	2,814	530	5.30	NA	NA
2010-11	2,722	45	209	2,468	528	4.68	NA	NA
2011-12	2,439	44	187	2,208	539	4.10	629	1,189
2012-13	2,323	44	165	2,114	537	3.94	779	1,316
2013-14	2,303	38	247	2,018	530	3.85	778	1,302
2014-15	2,689	37	262	2,390	524	4.51	772	1,302
2015-16	2,819	40	282	2,497	218	11.45	375	593
2016-17	2,951	41	-	2,910	218	13.35	374	592

**City of Sacramento  
Successor Agency Trust Fund  
Debt Coverage Analysis  
Last Ten Fiscal Years**  
(in thousands)

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Coverage
2007-08	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
2012-13	2,302	43	452	1,847	-	-	748	748
2013-14	3,200	50	643	2,507	-	-	735	735
2014-15	3,556	50	699	2,807	-	-	739	739
2015-16	3,944	56	847	3,041	-	-	267	267
2016-17	4,579	58	236	4,285	-	-	267	267

**Franklin Boulevard**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Coverage
2007-08	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	2,225	39	184	2,002	-	-	100	100
2011-12	2,354	41	195	2,118	-	-	109	109
2012-13	2,414	38	189	2,187	-	-	99	99
2013-14	952	24	117	811	-	-	99	99
2014-15	1,640	23	116	1,501	-	-	41	41
2015-16	2,050	25	-	2,025	-	-	41	41
2016-17							41	41

**65th Street**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Coverage
2007-08	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
2012-13	834	16	181	726	-	-	523	523
2013-14	1,030	14	185	635	-	-	506	506
2014-15	1,067	14	197	819	-	-	500	500
2015-16	1,540	16	228	823	-	-	388	388
2016-17							388	388

**Stockton Boulevard**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru Revenues	Net Tax Revenues	Senior Debt	Subordinate Debt	Total Debt	Total Coverage
2007-08	\$ 2,930	\$ 31	\$ 350	\$ 2,548	\$ 115	22.20	NA	NA
2008-09	2,849	33	397	1,860	208	8.92	NA	NA
2009-10	1,577	32	189	1,268	181	6.83	NA	NA
2010-11	1,611	26	317	1,063	180	6.02	250	430
2011-12	1,369	26	329	1,015	181	5.32	281	452
2012-13	1,420	24	377	1,019	180	5.66	245	425
2013-14	1,755	24	446	1,285	180	7.14	246	426
2014-15	1,933	28	526	1,379	180	7.66	149	329
2015-16	2,238	28	65	2,145	180	11.92	149	329
2016-17							149	329

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.  
 (2) Revised to correct 2008 B of A, Public Capital Corp Debt.  
 (3) Revised to correct total tax increment received.  
 (4) Various senior and subordinate debts were refunded in 2015.

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.  
 (2) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.  
 (3) Revised to correct total tax increment received.  
 (4) Various senior and subordinate debts were refunded in 2015.

Source: County of Sacramento, Office of Auditor/Controller

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento  
 Full-time Equivalent Employees by Function/Program  
 Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Citywide and Community Support	-	-	-	-	-	23	23	21	5	5
Code Enforcement	92	107	90	-	-	-	-	-	-	-
Community Development	-	-	107	170	166	159	163	166	219 <sup>(1)</sup>	227
Convention and Cultural Services	213	214	206	196	194	133	138	126	120	116
Development Services	246	222	-	-	-	-	-	-	-	-
Economic Development	24	27	22	18	14	11	11	11	11	12
File	651	655	582	611	589	527	642	657	674	678
General Government	419	400	329	319	312	305	320	325	370 <sup>(1)</sup>	431
General Services	287	307	257	247	225	368	367	372	- <sup>(1)</sup>	-
Neighborhood Services	15	15	9	-	-	-	-	-	-	-
Parks and Recreation	925	872	680	648	579	553	577	568	599	683
Planning	33	34	-	-	-	-	-	-	-	-
Police	1,272	1,271	1,091	1,060	900	847	940	973	1,033	1,052
Public Works	356	437	424	409	409	-	395	406	415	725
Transportation	741	741	752	698	698	505	510	522	538	528
Utilities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,273</b>	<b>5,300</b>	<b>4,549</b>	<b>4,374</b>	<b>4,083</b>	<b>3,825</b>	<b>4,095</b>	<b>4,157</b>	<b>4,300</b>	<b>4,458</b>

Notes: (1) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works.

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City of Sacramento  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Adult arrests	22,763	21,230	20,955	19,885	17,058	16,660	16,370	16,113	16,778	14,476
Non-emergency calls to services with officer responses	19,873	173,045	176,157	154,193	168,207	154,233	139,775	141,811	149,275	148,663
<b>Fire</b> <sup>(1)</sup>										
Number of fire incidents	76,509	64,402	59,635	71,111	75,313	74,527	76,500	80,036	85,522	90,108
Number of fire fatalities	444	501	309	380	415	412	384	374	436	475
Number of fire injuries	444	501	309	380	415	412	384	374	436	475
Number of fire property loss	4.8M	4.2M	4.3M	5.1M	4.2M	4.2M	4.6M	4.9M	5.5M	6.2M
<b>General Services</b>										
Number of construction inspection reviews	18,812	17,320	17,004	17,132	17,318	15,918	15,007	8,936	12,016	14,428
Number of animal adoptions issued	4,252	4,025	3,904	2,921	3,750	5,261	6,167	7,447	8,789	9,348
<b>Public Works</b>										
Number of parking citations issued	233,301	1,008	926	712	717	601	906	679	898	1,001
Number of parking citations issued - unenclosed	699	628	453	417	390	378	379	358	408	420
Number of parking citations issued - enclosed	860,759	802,000	763,000	873,527	796,000	645,200	881,250	775,253	744,145	905,233
Community Convention Center event attendance	466,072	467,446	491,452	499,518	509,599	509,901	512,798	549,407	533,888	500,275
<b>Parks and Recreation</b>										
Number of students enrolled in START	8,394	8,095	8,623	7,437	5,725	5,330	5,603	6,897	4,534	4,260
Number of students enrolled in 4R	1,509	2,675	2,805	2,142	1,898	1,849	1,956	2,007	1,863	1,130
Number of students enrolled in other afterschool programs	33,986	197,620	120,226	153,667	42,846	-	-	-	-	-
<b>Community Development</b> <sup>(3)</sup>										
Number of building permits issued	14,349	13,182	11,766	11,474	11,545	12,146	13,300	14,002	17,041	18,701
Building permit valuation (in million of dollars)	862	857	943	397	281	362	544	778	712	1,044
Nonresidential building permits issued	1,378	694	694	429	524	234	343	338	772	1,044
Nonresidential permits issued on housing and nonresidential buildings	319	300	305	250	168	203	154	279	239	206
<b>Water</b>										
Number of accounts	136,665	137,620	139,000	136,812	137,148	135,303	136,900	134,971	136,130	139,228
Water distributed (billion of gallons)	NA	42,726	38,653	37,393	38,662	40,034	34,996	26,597	27,324	29,311
<b>Wastewater</b>										
Number of accounts	76,253	76,802	76,385	76,394	76,477	76,484	76,057	76,471	76,849	77,137
Wastewater distributed (million of gallons)	NA	15,889	14,302	NA	10,695	6,805	10,000	10,005	10,005	10,805
<b>Sewer</b>										
Number of accounts	131,801	132,227	132,558	133,188	133,614	134,051	136,334	136,830	137,754	139,198
Sanitary sewage collected (million of gallons)	NA	27,856	27,288	NA	28,445	17,802	14,985	24,179	20,225	46,894
<b>Solid Waste</b>										
Residential garbage disposed (in Tons)	126,000	104,542	112,203	110,103	100,066	109,141	109,000	111,140	112,497	118,305
Commercial garbage collected (in Tons)	24,894	18,837	17,888	17,868	12,251	1,222	-	-	-	-

Notes: (1) The threshold for investigation of fire has been raised from \$10,000 to \$20,000 in fiscal year 2015.  
(2) Due to a system problem in October 2020, only 11 months of data is available.  
(3) The city has not had any wastewater treatment plants since 2015. The city is currently in the process of upgrading its wastewater treatment plant.  
(4) In FY17, the reason for the significant drop in the number of traffic investigations completed was due to the decrease in calls from the Green Public.  
(5) In FY17, the reason for the significant drop in the number of citations written was due to a) the depressed economy.  
(6) In FY17, there were lower parking enforcement citations, and in the same year budgeted.  
(7) In Sacramento Unified School District to Alta Digital and California State University, Sacramento to Alameda.  
(8) The number of students enrolled in the program has been decreasing since FY10 due to substantial declines in the sub-city-side of enrollment.  
(9) The number of students enrolled in the program has been decreasing since FY10 due to substantial declines in the sub-city-side of enrollment.  
(10) In FY12, the number of vehicles parked in City decreased significantly due to the slow economic conditions which led to people holding onto their vehicles longer as well as people with no money for parking.  
(11) Program which led to decrease in traffic and orders issued on housing and design on buildings.  
(12) The number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(13) In FY13, the number of annual incidents issued declined largely due to economic downturn and orders made through citizens reporting a problem.  
(14) The number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(15) The number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(16) The number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(17) The reduction in tons have not met due to lower construction efforts and reduced stormwater infiltration caused by the below normal rainfall influence on the water table. There was less rainfall in FY13 than in FY12.  
(18) was included in FY13 than in FY12.  
(19) Amount of storm damage debris burned is dependent on rainfall. There was less rainfall in FY14 than in FY13 and FY12.  
(20) The number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(21) In FY18 attendance for the START program decreased due to Elk Grove School District not participating in the program.  
(22) In FY18, the number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(23) In FY18, the number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(24) In FY18, the number of accounts in California and other states resulted in an increase in the number of annual employees in FY13.  
(25) Amount of storm damage debris burned is dependent on rainfall. There was less rainfall in FY17 than in FY16 and FY15.

City of Sacramento  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Number of stations <sup>(1)</sup>	4	4	4	4	4	4	4	4	4	4
Number of patrol units <sup>(2)</sup>	210	210	242	242	242	253	240	258	231	224
Number of vehicles	NA	2	2	2	3	3	3	3	2	2
Number of watercraft	NA	2	2	2	3	3	3	3	2	2
<b>Fire</b> <sup>(3)</sup>										
Number of fire suppression, support or prevention vehicles	23	23	23	23	24	24	24	24	24	24
Number of watercraft	NA	NA	NA	NA	NA	NA	NA	NA	1	1
<b>Public Works</b>										
Miles of streets	3,045	3,044	3,063	3,108	3,108	3,065	3,077	3,059	3,059	3,075
Number of firetrights	40,978	41,131	41,252	41,301	41,879	41,788	42,048	42,225	42,827	42,877
Number of firetrights - truck	8,216	8,216	8,216	8,216	8,216	8,216	8,216	8,216	8,216	8,216
Miles of off-street bikeways	78	78	78	82	82	83	84	84	84	84
<b>Parks and Recreation</b>										
Park acreage <sup>(4)</sup>	206	208	212	213	213	222	222	222	222	227
Number of community centers <sup>(5)</sup>	3,128	3,167	3,171	3,171	3,150(6)	3,161(11)	3,161(11)	3,161(11)	3,161(11)	3,177
Number of swimming pools (including waiting pools)	23	26	26	26	26	26	26	26	26	27
<b>Water</b>										
Miles of water mains and distribution lines <sup>(7)</sup>	1,859	1,720	1,724	1,986	1,986	1,986	1,986	1,986	1,986	1,986
<b>Sewers and storm drainage</b>										
Miles of sanitary sewers and storm drainage <sup>(8)</sup>	1,859	1,893	1,950	1,954	1,951	1,951	1,951	1,951	1,951	1,976
<b>Off-street parking</b>										
Number of City garages and open parking lots	12	10	10	10	10	10	10	10	7	7
<b>Garage</b>										
Number of golf courses	6	6	6	6	6	6	6	6	6	6
<b>Mainten</b>										
Number of fuel tank stops	475 <sup>(9)</sup>	475	475	475	475	475	475	475	475	475

Notes: (1) From FY2008 onwards, police stations refer to stations plus police headquarters.  
(2) From FY2009 onwards, patrol units include cars and motorcycles.  
(3) From FY2009 onwards, City parking garages is defined as only those which are City-owned.  
(4) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to allow the distinction between water mains and distribution lines.  
(5) Does not include neighborhood centers.  
(6) Non-pipe elements may have been included in years prior to FY2008.  
(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 FY2008.  
(9) From FY2008 onwards, reporting categories have been changed to allow the distinction between water mains and distribution lines.  
(10) In FY2012, the City conveyed 22.78 acres to a developer from Grants Regional Park, pursuant to a development agreement, and acquired two parcels adding 1.73 acres to the Sacramento River Parkway.  
(11) In FY2013, the City conveyed 10.78 acres to 6 parcels to the Elvert Platts in the Center City, Benoit Richards Plaza (0.12 ac.), Cemetery Plaza parcels (0.19 ac.), and Kestrel Plaza (0.47 ac.).  
(12) In FY2015, Police Department transfer one of their watercraft to Fire Department.  
(13) The three Plaza garages - Downtown Plaza West, Central, and East were leased to the Kings effective 08/01/14.



**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	
	<b>2017</b> <b>2008</b>	
Number of budgeted positions	4,695	5,273
Area in square miles	67	66
Altitude in feet	20	20
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	4	4
Number of police personnel sworn / civilian (actual)	670/271	804/465
Number of patrol units	234	210
<b>Fire</b>		
Number of stations	24	23
Number of fire personnel sworn / unsworn	622/50	587/42
Number of fire protection, support and prevention vehicles	162	151
<b>Utilities</b>		
Miles of water mains and distribution lines <sup>(1)</sup>	1,604	1,859
Annual water production in gallons	28 billion	N/A
Miles of sanitary sewers and storm drainage <sup>(2)</sup>	1,876	1,842
<b>Public Works</b>		
Miles of streets	3,075	3,045
Number of street lights	42,913	40,406
Number of City managed parking lots / spaces	21 / 3,968	12 / 8,738
Miles of off-street bikeways	57	76
Boat harbor slips <sup>(3)</sup>	475	475
<b>Convention and Cultural Services</b>		
Golf courses	6	6
Zoo animals <sup>(4)</sup>	562	521
Fairytale town attendance for year	247,313	230,548
Crocker Art Museum attendance for year	236,997	103,363
Community Convention Center attendance for year	905,733	863,759
<b>Parks and Recreation</b>		
Parks	227	240
Park acreage <sup>(5)</sup>	3,177	3,160
Camp Sacramento attendance for year	2,869	2,521
Community centers	16	16
Neighborhood centers	5	N/A
Swimming pools	12	23
Baseball fields <sup>(6)</sup>	103	105
Soccer fields	131	129
Ball courts	202	161
<b>Library</b>		
Library branches	12	N/A
Library books and audiovisual recordings in circulation	1,773,495	N/A

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

**DARRELL STEINBERG**  
Mayor

**ANGELIQUE ASHBY**  
Councilmember, District 1

**ALLEN WARREN**  
Councilmember, District 2

**JEFF HARRIS**  
Councilmember, District 3

**STEVE HANSEN**  
Councilmember, District 4

**JAY SCHENIRER**  
Councilmember, District 5

**ERIC GUERRA**  
Councilmember, District 6

**RICK JENNINGS, II**  
Vice Mayor, District 7

**LARRY CARR**  
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 493,025.



[CityofSacramento.org](http://CityofSacramento.org)

**APPENDIX B**  
**REPORT OF THE TOT CONSULTANT**

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**Transient Occupancy  
Tax Forecast**

**City of Sacramento  
Sacramento, California**



**Date of the Report:**  
October 5, 2018

**Prepared for:**  
Mr. Brian Wong  
Debt Manager – Office of the City Treasurer  
City of Sacramento  
Historic City Hall  
915 I Street, 3<sup>rd</sup> Floor  
Sacramento, California 95814

**Prepared By:**  
CBRE Hotels Advisory  
Salesforce Tower  
415 Mission Street, Suite 4600  
San Francisco, California 94105

**18-490SF-0064**



**Chris Kraus**  
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October 5, 2018

Mr. Brian Wong  
Debt Manager – Office of the City Treasurer  
City of Sacramento  
Historic City Hall  
915 I Street, 3<sup>rd</sup> Floor  
Sacramento, California 95814

Re: City of Sacramento  
Transient Occupancy Tax Forecast  
CBRE, Inc. File No. 18-490SF-0064

Dear Mr. Wong:

Pursuant to the terms of our engagement contract, we have developed an annual forecast of future Transient Occupancy Tax (the "TOT") revenues for the City of Sacramento (the "City") under the specific assumption that the Sacramento Convention Center ("SCC") is expanded by +/-68,000 net useable square feet. The purpose of our forecast is to project TOT revenues that will be available for the City of Sacramento over the projection period. Specifically, our projections and supporting report will be utilized by the City of Sacramento and their underwriters and consultants for inclusion in a TOT revenue bond offering used to raise funds for the construction of the Sacramento Convention Center expansion. However, we acknowledge that the City will not rely upon our future forecast of TOT revenues for the bonding capacity as this is determined by the actual TOT revenues received in 2017/18.

Our analysis includes a forecast of TOT revenue, by year, for the 40-year fiscal period (beginning July 1) 2018/19 to 2057/58. The conclusions set forth in this report are based on an analysis of the existing and potential future supply and demand for the City of Sacramento lodging market, as of the completion of our fieldwork in September 2018.

Pursuant to your request, we have provided our forecast for the Downtown Hotels, Primary hotels (excluding the major downtown hotels) and Secondary hotels based on our outlook for future supply, demand, and average daily room rate growth. In addition, due to an ordinance that was

passed in February 2016 that requires Airbnb hosts to register their units, obtain a permit, and pay TOT on rentals lasting fewer than 30 days, we have also provided a forecast of Airbnb rental revenues in the City of Sacramento. While the ordinance was passed in February, the City of Sacramento began collecting TOT receipts on Airbnb rentals in September 2017.

As will be stated later in this report, we have also assumed the TOT rate will remain constant at 12 percent of total hotel room and Airbnb rental revenues throughout the projection period.

Since the future performance of the City of Sacramento lodging market is based on estimates and assumptions that are subject to uncertainty and variation, we do not present them as results that will actually be achieved. However, our analysis has been conscientiously prepared on the basis of information obtained during the course of this assignment and our experience in the industry.

The terms of our engagement are such that we have no obligation to revise our conclusions to reflect events or conditions that occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revisions in view of changes in the economy or market factors impacting the Sacramento lodging market.

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## A. OVERVIEW

CBRE Hotels Advisory was formally retained on September 20, 2018 by the City of Sacramento to develop an annual forecast of transient occupancy tax for the next 40 fiscal years (July to June), or from July 2018/19 through 2057/58. As we understand it, the City of Sacramento is in the final planning stages for an extensive expansion of the convention center (herein referred to as the “SCC Expansion”). In order to fund the expansion, the City of Sacramento, through its underwriters, plans to sell bonds to raise the necessary funds for the project. We understand that while the City has requested a projection of the future transient occupancy tax revenues for the next 40 years, only the actual historical revenues from fiscal year 2017/18 is anticipated to be adequate to repay these bonds.

We have performed our analysis under the assumption that initial construction on the Convention Center expansion project will commence in December 2018, with the center being fully closed between July 2019 and November 2020. With construction completed on the existing building, the SCC will be partially operational by November 2020, with full completion of the West Lobby, Exhibit Halls, Meeting Rooms, and Ballroom in March 2021.

In the following pages, we have provided an overview of our analysis, methodology, and summary of findings, followed by a more in-depth discussion of our projections of transient occupancy tax revenue generated from hotels and Airbnb units located in the City of Sacramento.

## B. METHODOLOGY

In conducting our analysis of TOT revenues for the City of Sacramento, we:

- Worked with the City of Sacramento and Visit Sacramento and utilized our knowledge of the local market to identify the current supply of hotels and motels in the City of Sacramento and categorized these properties into the Downtown, Primary (excluding Downtown) and Secondary markets;
- Reviewed the actual historical annual collection of lodging tax revenues over the last 25 fiscal years (1993/94 to 2017/18) as reported by the City of Sacramento;
- Worked with local planning departments, major hotel companies, and local hotel owners and developers to identify hotels in the City that are in the construction, development, or planning stages in order to identify potential additions to supply over the next +/- five years;
- Through our own market research, reviewed the long run average change in supply, demand, occupancy, average daily room rates (ADR) and revenue per available room (RevPAR) throughout the City of Sacramento and Sacramento MSA over the last 25 years;
- Conducted research with a representative sample of hotel professionals throughout the City of Sacramento;



- Analyzed current economic conditions including airport utilization and convention statistics in the City of Sacramento and Sacramento County to determine the trends' impact on future lodging demand within the market;
- Collected data from representatives of Visit Sacramento to review the historical performance and booking pace of events, attendees, and hotel room nights on the books for the next five years;
- Reviewed a report titled "2016 Conv Calendar Prospects 200k SF Option v021 Ballroom" prepared by Halo Hospitality and then provided to us by the City;
- Based on all the information gathered, we developed a detailed annual forecast of future supply, demand, ADR, the resulting total hotel and Airbnb room revenue for the Sacramento lodging market, and resulting TOT revenues for the City through June 30, 2058.

Several sources were used in compiling the background information and preparing the analyses contained in this report. These sources include CBRE's *Trends® in the Hotel Industry*, data gathered through direct interviews with representatives of local businesses, data provided by sources in the lodging chains with which the competitive properties are affiliated, and data from various local government agencies.

## C. SUMMARY OF FINDINGS

We have reviewed historical TOT revenues generated by hotels throughout the City of Sacramento for the 25-year period 1993/94 through 2017/18, which were provided to us by the City of Sacramento. We then prepared a forecast of TOT revenue for the Downtown Hotel Market, Primary Hotel Market (excluding Downtown), Secondary Hotel Market, Airbnb Market, and the Total Hotel Market, which collectively represents the City of Sacramento lodging market.

Presented in the following table are the historical TOT revenues for the Total Hotel Market, which includes the hotels and motels in the City of Sacramento, from the fiscal year 1993/94 through 2017/18. As noted, TOT revenue is calculated at **12 percent** of the total hotel room revenue.

<b>Table C-1</b>			
<b>City of Sacramento Historical Transient Occupancy Tax</b>			
<b>Fiscal Year 1993/94 - 2017/18</b>			
<b>Fiscal Year</b>	<b>Room Revenue</b>	<b>TOT Revenue</b>	<b>Percent Change</b>
1993/94	\$71,665,300	\$8,599,836	-
1994/95	\$78,975,708	\$9,477,085	10.2%
1995/96	\$81,880,492	\$9,825,659	3.7%
1996/97	\$87,008,767	\$10,441,052	6.3%
1997/98	\$99,503,083	\$11,940,370	14.4%
1998/99	\$106,627,550	\$12,795,306	7.2%
1999/00	\$115,347,950	\$13,841,754	8.2%
2000/01	\$131,548,017	\$15,785,762	14.0%
2001/02	\$131,353,825	\$15,762,459	-0.1%
2002/03	\$134,992,167	\$16,199,060	2.8%
2003/04	\$134,218,292	\$16,106,195	-0.6%
2004/05	\$143,651,117	\$17,238,134	7.0%
2005/06	\$154,126,575	\$18,495,189	7.3%
2006/07	\$171,560,392	\$20,587,247	11.3%
2007/08	\$175,195,425	\$21,023,451	2.1%
2008/09	\$157,912,842	\$18,949,541	-9.9%
2009/10	\$141,531,458	\$16,983,775	-10.4%
2010/11	\$153,596,700	\$18,431,604	8.5%
2011/12	\$156,798,992	\$18,815,879	2.1%
2012/13	\$164,638,992	\$19,756,679	5.0%
2013/14	\$178,703,758	\$21,444,451	8.5%
2014/15	\$198,420,392	\$23,810,447	11.0%
2015/16	\$216,689,067	\$26,002,688	9.2%
2016/17	\$237,524,542	\$28,502,945	9.6%
2017/18	\$266,508,675	\$31,981,041	12.2%
<b>CAGR</b>	<b>5.6%</b>	<b>5.6%</b>	<b>-</b>

CAGR - Compound Annual Growth Rate

Transient Occupancy Tax Rate 12%

Permitted Airbnb Collections began in September 2017 and totaled \$580,796 between September and June 2017/18

**Source: City of Sacramento**

As noted, total room revenue for the Total Hotel Market in the City of Sacramento increased from approximately \$71.7 million in fiscal year 1993/94 to approximately \$266.5 million in fiscal year 2017/18, representing an increase of nearly 272 percent. The TOT revenue for the City of Sacramento increased at a compound annual growth rate ("CAGR") of 5.6 percent over the past 25 years, or from approximately \$8.6 million in fiscal year 1993/94 to approximately \$32 million in fiscal year 2017/18. More specifically, since the last recession that occurred in 2009, the TOT revenue has nearly doubled from \$17.0 million in fiscal year 2009/10 to \$32.0 million in the last fiscal year 2017/18 reflecting the strength of the greater City of Sacramento lodging market during this time period. It should be noted that the City of Sacramento began collecting TOT revenues in

September 2017 on short term (fewer than 30 day) permitted Airbnb rentals and during the 10-month fiscal year 2017/18, these revenues totaled \$580,796.

Over the past 25 years, TOT collections have only declined in four years generally coinciding with national recessions. Additionally, the annual collections have exceeded seven percent annual growth (over prior year) in 14 years, with double digit growth in six years.

As a point of comparison, presented in the following table are the supply growth, demand growth, and annual average occupancy levels, ADR growth, and revenue growth for the Sacramento MSA lodging market as well as the Sacramento Central Business District (“CBD”) lodging market for the past 25 years (1993-2017) as tracked by Smith Travel Research (“STR”) and reported by CBRE Hotels’ Americas Research. It should be noted that the Sacramento MSA, which includes properties outside the City’s limits, represents approximately 24,800 rooms, while the Sacramento CBD represents approximately 4,000 rooms and is most synonymous with the Downtown Lodging Market.

**Table C-2**  
**Historical Annual Average Occupancy and ADR Growth - Sacramento**  
**1993 - 2017**

Market	Supply Growth	Demand Growth	Occupancy	ADR Growth	Revenue Growth
Sacramento MSA	0.8%	1.5%	61.4%	2.8%	4.3%
Sacramento CBD	2.3%	3.2%	66.1%	4.0%	7.5%

**Source: CBRE Hotels Advisory**

As can be noted, demand growth has exceeded supply growth in both the Sacramento MSA as well as the Sacramento CBD from 1993 through 2017. Supply growth in the Sacramento MSA was 0.8 percent versus demand growth of 1.5 percent and supply growth in the Sacramento CBD was 2.3 percent compared to demand growth of 3.2 percent. The Sacramento MSA lodging market achieved a historical annual average occupancy of 61.4 percent with ADR growth of 2.8 percent and revenue growth of 4.3 percent. The Sacramento CBD achieved an annual average occupancy level of 66.1 percent, with considerably stronger average annual ADR growth of 4.0 percent, and revenue growth of 7.5 percent, indicating the strength of downtown Sacramento when compared to the broader MSA.

Based on the historical data summarized in the prior tables and our market research associated with this assignment, we have projected TOT revenue for the Total Hotel Market (including Airbnb) in the City of Sacramento, as summarized in the following table. As noted, we have estimated the annual market supply, demand, ADR, total room revenue, and resulting TOT revenue for the Total Hotel Market (calculated at 12 percent of room revenue) from fiscal year 2018/19 through 2057/58. The actual room revenue and resulting TOT revenue for 2017/18 have been included as a point of comparison, along with our estimates of annual supply, demand, and average daily room rate for the Total Hotel Market.

**Table C-3**  
**Sacramento Transient Occupancy Tax**  
**Total Market**

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	TOT Revenue
2017/18	3,149,343		2,288,972		73%	\$116		\$266,508,000		\$31,981,000
2018/19	3,220,395	2.3%	2,319,734	1.3%	72%	\$120	3.2%	\$278,664,000	4.6%	\$33,441,000
2019/20	3,318,343	3.0%	2,331,484	0.5%	70%	\$122	1.6%	\$284,431,000	2.1%	\$34,131,000
2020/21	3,481,757	4.9%	2,435,343	4.5%	70%	\$126	3.2%	\$306,512,000	7.8%	\$36,782,000
2021/22	3,620,457	4.0%	2,585,019	6.1%	71%	\$133	5.7%	\$343,916,000	12.2%	\$41,270,000
2022/23	3,684,332	1.8%	2,678,729	3.6%	73%	\$139	4.4%	\$371,953,000	8.2%	\$44,634,000
2023/24	3,739,082	1.5%	2,734,970	2.1%	73%	\$144	3.7%	\$393,732,000	5.9%	\$47,248,000
2024/25	3,793,832	1.5%	2,784,650	1.8%	73%	\$149	3.6%	\$415,131,000	5.4%	\$49,815,000
2025/26	3,793,832	0.0%	2,784,650	0.0%	73%	\$153	2.8%	\$426,861,000	2.8%	\$51,224,000
2026/27	3,793,832	0.0%	2,784,650	0.0%	73%	\$158	2.8%	\$438,927,000	2.8%	\$52,671,000
2027/28	3,875,957	2.2%	2,807,585	0.8%	72%	\$162	3.0%	\$455,615,000	3.8%	\$54,673,000
2028/29	3,958,082	2.1%	2,863,234	2.0%	72%	\$167	3.0%	\$478,506,000	5.0%	\$57,421,000
2029/30	3,958,082	0.0%	2,895,360	1.1%	73%	\$172	2.8%	\$497,574,000	4.0%	\$59,710,000
2030/31	3,958,082	0.0%	2,895,360	0.0%	73%	\$177	2.8%	\$511,680,000	2.8%	\$61,402,000
2031/32	3,958,082	0.0%	2,895,360	0.0%	73%	\$182	2.8%	\$526,193,000	2.8%	\$63,143,000
2032/33	3,958,082	0.0%	2,895,360	0.0%	73%	\$187	2.8%	\$541,123,000	2.8%	\$64,935,000
2033/34	3,958,082	0.0%	2,895,360	0.0%	73%	\$192	2.8%	\$556,485,000	2.8%	\$66,777,000
2034/35	3,958,082	0.0%	2,895,360	0.0%	73%	\$198	2.8%	\$572,291,000	2.8%	\$68,675,000
2035/36	3,958,082	0.0%	2,895,360	0.0%	73%	\$203	2.8%	\$588,553,000	2.8%	\$70,626,000
2036/37	3,958,082	0.0%	2,895,360	0.0%	73%	\$209	2.8%	\$605,284,000	2.8%	\$72,633,000
2037/38	4,040,207	2.1%	2,920,481	0.9%	72%	\$215	3.1%	\$629,281,000	4.0%	\$75,514,000
2038/39	4,122,332	2.0%	2,982,975	2.1%	72%	\$222	3.0%	\$662,035,000	5.2%	\$79,444,000
2039/40	4,122,332	0.0%	3,020,813	1.3%	73%	\$228	2.8%	\$689,057,000	4.1%	\$82,687,000
2040/41	4,122,332	0.0%	3,020,813	0.0%	73%	\$235	2.9%	\$708,698,000	2.9%	\$85,044,000
2041/42	4,122,332	0.0%	3,020,813	0.0%	73%	\$241	2.9%	\$728,906,000	2.9%	\$87,469,000
2042/43	4,122,332	0.0%	3,020,813	0.0%	73%	\$248	2.9%	\$749,700,000	2.9%	\$89,964,000
2043/44	4,122,332	0.0%	3,020,813	0.0%	73%	\$255	2.9%	\$771,095,000	2.9%	\$92,532,000
2044/45	4,122,332	0.0%	3,020,813	0.0%	73%	\$263	2.9%	\$793,112,000	2.9%	\$95,173,000
2045/46	4,122,332	0.0%	3,020,813	0.0%	73%	\$270	2.9%	\$815,767,000	2.9%	\$97,892,000
2046/47	4,122,332	0.0%	3,020,813	0.0%	73%	\$278	2.9%	\$839,078,000	2.9%	\$100,689,000
2047/48	4,204,457	2.0%	3,042,609	0.7%	72%	\$286	3.1%	\$871,372,000	3.8%	\$104,564,000
2048/49	4,286,582	2.0%	3,107,900	2.1%	73%	\$295	3.0%	\$916,994,000	5.2%	\$110,040,000
2049/50	4,286,582	0.0%	3,142,898	1.1%	73%	\$304	2.9%	\$953,875,000	4.0%	\$114,465,000
2050/51	4,286,582	0.0%	3,142,898	0.0%	73%	\$312	2.9%	\$981,202,000	2.9%	\$117,745,000
2051/52	4,286,582	0.0%	3,142,898	0.0%	73%	\$321	2.9%	\$1,009,323,000	2.9%	\$121,119,000
2052/53	4,286,582	0.0%	3,142,898	0.0%	73%	\$330	2.9%	\$1,038,261,000	2.9%	\$124,591,000
2053/54	4,286,582	0.0%	3,142,898	0.0%	73%	\$340	2.9%	\$1,068,042,000	2.9%	\$128,166,000
2054/55	4,286,582	0.0%	3,142,898	0.0%	73%	\$350	2.9%	\$1,098,687,000	2.9%	\$131,843,000
2055/56	4,286,582	0.0%	3,142,898	0.0%	73%	\$360	2.9%	\$1,130,224,000	2.9%	\$135,627,000
2056/57	4,286,582	0.0%	3,142,898	0.0%	73%	\$370	2.9%	\$1,162,679,000	2.9%	\$139,522,000
2057/58	4,368,707	1.9%	3,184,340	1.3%	73%	\$381	3.0%	\$1,212,884,000	4.3%	\$145,546,000
<b>CAGR</b>	<b>0.8%</b>		<b>0.8%</b>			<b>3.0%</b>		<b>3.8%</b>		<b>3.8%</b>

Source: CBRE Hotels Advisory

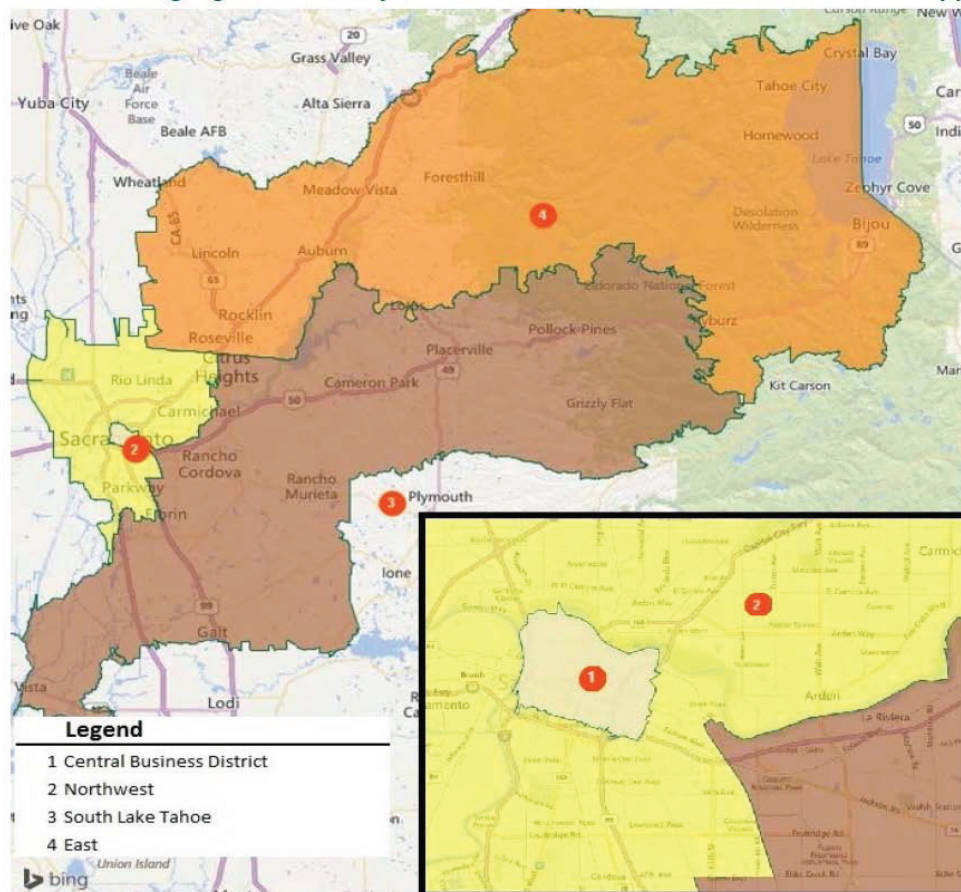
## D. SACRAMENTO LODGING MARKET

### 1. OVERVIEW OF LODGING SUPPLY

The overall Sacramento MSA lodging market incorporates downtown Sacramento, as well as areas extending north along Interstate 5 to Natomas and the Sacramento International Airport (SMF); east along Highways 50 and 80 to Roseville, Rancho Cordova, and Folsom; west along Highway 80 to Davis; and south along Interstate 5 and Highway 99 to Laguna and Elk Grove. Lodging facilities represented in the sample include first class/convention (Hyatt Regency and Sheraton Grand), mid-market (Embassy Suites Hotel and Courtyard Midtown), and extended-stay hotels (Residence Inn), as well as a number of value-oriented motels.

**Sacramento MSA Lodging Market Map**

**Total Room Supply: 24,790**



Source: CBRE EA, Q2 2018

For the purpose of our analysis, we have broken the City of Sacramento lodging market down into four subsets consisting of the Downtown Hotel Market, Primary Hotel Market (excluding Downtown), Secondary Hotel Market, and Airbnb Market.

The Downtown Hotel Market represents the major full-service and investment grade hotels located in downtown Sacramento generally consisting of upscale, upper-upscale, and luxury hotels. The hotels included in the Downtown Hotel Market contain 2,391 rooms and represent 27.4 percent of the Total Hotel Market as of September 2018. The following table summarizes the Downtown Hotel Market, listed from the newest hotel to the oldest hotel.

Hotel Name	Year Open	Number of Rooms
Kimpton Sawyer Hotel	Oct 2017	250
Citizen Hotel -Autograph Collection	Nov 2008	196
Westin Sacramento	Feb 2008	101
Residence Inn at Capitol Park	Jul 2007	235
Embassy Suites	Jun 2002	242
Sheraton Grand	Apr 2001	503
Hyatt Regency	Apr 1988	505
Holiday Inn Capital Plaza	Aug 1979	359
<b>Total</b>		<b>2,391</b>

Based on information provided by the City of Sacramento and our own research, the Primary Hotel Market includes 16 hotels totaling 2,656 rooms and 30.4 percent of the Total Hotel Market. The following table summarizes the hotels comprising the Primary Hotel Market, listed from the newest hotel to the oldest hotel, excluding the Downtown Hotel Market.

Hotel Name	Year Open	Number of Rooms
Hampton Inn & Suites Sacramento @ CSUS	Jan 2018	116
Homewood Suites Sacramento Airport Natomas	Nov 2008	123
Staybridge Suites Sacramento Airport Natomas	Nov 2007	117
Four Points by Sheraton Sacramento International Airport	Sep 2007	100
Courtyard Sacramento Cal Expo	Nov 2006	152
Holiday Inn Express & Suites Sacramento Airport Natomas	Nov 2006	100
Hampton Inn Suites Sacramento North Natomas	May 2006	100
Springhill Suites Sacramento Airport Natomas	Apr 2005	95
Holiday Inn Express Sacramento Convention Center	Jan 2003	132
Courtyard Sacramento Midtown	Jan 2001	139
Hilton Garden Inn Sacramento South Natomas	May 1999	153
Residence Inn Sacramento Airport Natomas	Jun 1992	126
Courtyard Sacramento South Natomas	Feb 1990	149
Hawthorn Suites by Wyndham Sacramento	Jun 1988	271
Hilton Sacramento Arden West	Sep 1985	335
Doubletree Sacramento	Jun 1977	448
<b>Total</b>		<b>2,656</b>

The Secondary Hotel Market represents the balance of the City of Sacramento's hotel lodging supply and is primarily comprised of midscale and economy hotels and motels, both nationally affiliated and independent. The Secondary Hotel market contains a total of 3,428 hotel rooms representing approximately 39.2 percent of the Total Hotel Market. The following table presents the hotels in the Secondary Hotel Market, listed in alphabetical order.

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Table D-3

City of Sacramento - Secondary Hotel Market		Hotel Name	Year Open	Number of Rooms	Hotel Name	Year Open	Number of Rooms
Amber House B & B	N/A	10	Johnson's Greenbrier	N/A	44		
American Inn	N/A	20	La Quinta Inn	Jun 1970	165		
America's Best Value Inn - 16th St	Jan 2007	35	Med Park Inn & Suites	Jul 2009	32		
America's Best Value Inn - 18 Massie Ct	Jan 2008	60	Motel Six - 0013 Downtown	Jan 1965	94		
America's Best Value Inn - Jibbom	Sep 1988	28	Motel Six - 1005 Central (G6 Hospitality)	Jun 1976	118		
Best Budget Inn	N/A	11	Motel Six - 1305 Old Sac (G6 Hospitality)	Jan 1973	105		
Best Six Motel	N/A	19	National Corp Housing	N/A	N/A*		
Capitol Park Hotel	N/A	36	Quality Inn - 15th St	Jun 1960	126		
Comfort Inn & Suites	May 2002	68	Red Lion Inn (fka EconoLodge Midtown)	Jun 1957	86		
Comfort Suites	Sep 1999	49	Red Roof Inn	Jun 1984	55		
Congress Hotel	N/A	30	Riverboat Delta King	Jun 1927	44		
Days Inn	Jun 1974	70	Rodeway Inn	Jan 1991	31		
Deville Motel	Jun 1990	21	Royal 8 Inn	N/A	50		
Econolodge Downtown	Nov 2000	45	Sacramento Hostel	N/A	34		
Econolodge Natomas (fka Quality Inn)	Nov 1986	132	Sandman Motel	Jun 1973	110		
Economy Inn	N/A	14	Sands Motel	N/A	20		
Executive Inn & Suites - Bannon	N/A	122	Sky Riders Motel	Jun 1996	29		
Extended Stay America - 936	Aug 1997	120	Stardust Motel	N/A	20		
Extended Stay America - 939	Nov 1998	144	Sterling Hotel	1894	16		
Extended Stay America #9608	Mar 1997	120	SureStay (fka The Hub)	Jun 1965	152		
Fairfield Inn	Jun 2006	75	Suffer House	Jun 1974	95		
Good Nite Inn	Aug 1990	102	TownePlace Suites	Jul 2007	118		
Governors Inn	Oct 1990	134	Travelodge (fka Inn at Capitol)	Sep 2016	42		
Greens Hotel	May 2008	27	Vagabond Inn - 244 Old Town	Jun 1975	108		
Inn and Spa at Parkside	N/A	12	Vizcaya - Elite Event Centre	N/A	8		
Inn Off Capitol Park	Jun 2000	37	Woodsprings	Oct 2009	124		
John Jay Inn	May 1995	58	J Neely Johnson House	N/A	3		
			<b>Total</b>		<b>3,428</b>		

\*Third-party booking site for furnished apartments



Based on the Hotel Horizons Airbnb Insights publication, we understand that there was an average of 260 web-based units, 3 percent of the Total Hotel Market located within the City of Sacramento for period July 2017 through June 2018. However, as presented below, the supply of these units fluctuates drastically between months given the ease of adding or removing your unit from the site. As such, we have projected a fluctuation in the supply of the Airbnb units over the first three years of our projections followed by a stabilization of supply.

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## Sacramento - All

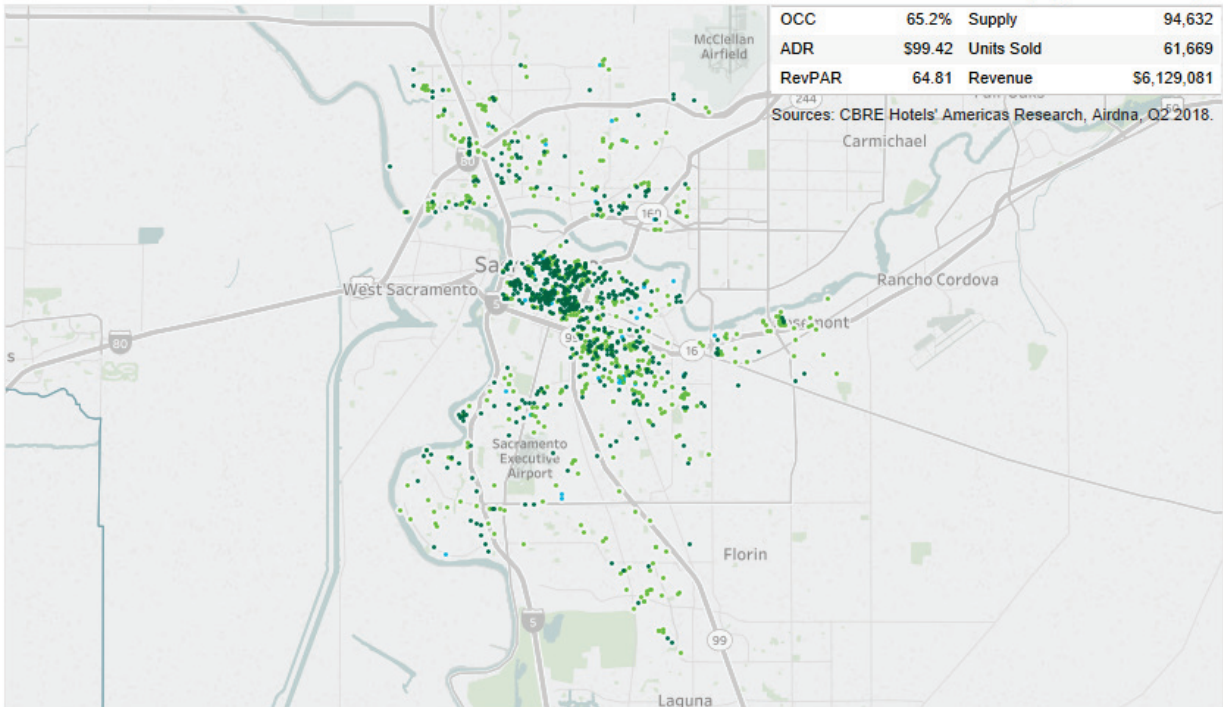


Table 1: Airbnb Unit Performance (July 2017 - June 2018)

OCC	65.2%	Supply	94,632
ADR	\$99.42	Units Sold	61,669
RevPAR	64.81	Revenue	\$6,129,081

Sources: CBRE Hotels' Americas Research, Airdna, Q2 2018.

Table 2: Airbnb Average Daily Performance by Month

		OCC	Δ OCC	ADR	Δ ADR	RevPAR	Δ RevPAR	ACTIVE UNITS	Δ ACTIVE..	SUPPLY	Δ SUPPLY	DEMAN..	Δ DEMAN..	REVEN..	Δ REVE NU
2017	Jan	58.9%	18.1%	\$93.19	15.2%	\$54.86	36.1%	252	53.7%	203	63.4%	120	92.9%	11,159	122.3%
	Feb	65.4%	14.6%	\$89.71	8.2%	\$58.65	24.0%	214	32.9%	176	34.9%	115	54.5%	10,345	67.2%
	Mar	63.9%	3.3%	\$92.51	19.8%	\$59.07	23.7%	227	28.2%	176	22.4%	112	26.4%	10,376	51.4%
	Apr	63.3%	2.3%	\$91.28	18.0%	\$57.82	20.7%	228	28.1%	187	37.1%	118	40.3%	10,795	65.6%
	May	61.6%	-3.5%	\$92.84	4.6%	\$57.15	0.9%	297	51.5%	229	50.9%	141	45.7%	13,078	52.4%
	Jun	71.2%	11.4%	\$98.58	8.7%	\$70.23	21.1%	291	45.5%	226	47.1%	161	63.9%	15,898	78.2%
	Jul	68.1%	6.3%	\$98.38	7.3%	\$67.03	14.1%	293	40.2%	229	40.0%	156	48.8%	15,321	59.7%
	Aug	68.4%	5.1%	\$94.64	5.2%	\$64.77	10.6%	303	42.9%	239	45.1%	164	52.6%	15,487	60.5%
	Sep	68.2%	3.7%	\$95.25	6.2%	\$64.95	10.1%	299	37.2%	236	37.5%	161	42.5%	15,326	51.3%
	Oct	62.2%	7.1%	\$96.58	6.5%	\$60.10	14.1%	340	49.1%	267	42.0%	166	52.1%	16,032	62.0%
	Nov	62.3%	4.0%	\$98.64	8.1%	\$61.43	12.5%	320	46.1%	251	39.3%	156	44.9%	15,414	56.7%
	Dec	60.5%	1.1%	\$97.76	6.4%	\$59.12	7.5%	334	40.9%	273	41.0%	165	42.5%	16,128	51.7%
2018	Jan	62.9%	6.8%	\$94.40	1.3%	\$59.34	8.2%	328	30.2%	257	26.2%	161	34.8%	15,238	36.6%
	Feb	65.8%	0.6%	\$99.45	10.9%	\$65.40	11.5%	320	49.5%	253	43.4%	166	44.2%	16,541	59.9%
	Mar	64.9%	1.6%	\$95.90	3.7%	\$62.24	5.4%	347	52.9%	277	57.6%	180	60.2%	17,231	66.1%
	Apr	65.7%	3.7%	\$103.74	13.7%	\$68.18	17.9%	336	47.4%	269	44.0%	177	49.4%	18,331	69.8%
	May	63.2%	2.6%	\$105.35	13.5%	\$66.55	16.5%	369	24.2%	291	27.3%	184	30.6%	19,389	48.2%
	Jun	71.2%	0.0%	\$110.18	11.8%	\$78.49	11.8%	332	14.1%	269	19.0%	192	19.0%	21,141	33.0%

Sources: CBRE Hotels' Americas Research, Airdna, Q2 2018.

As of the date of our research in September 2018, the Total Lodging Market consists of 8,735 rooms (including Airbnb), as summarized in the following table. We have also included the total TOT revenues contributed by each sector as of fiscal year-end 2017/18.

**Table D-4**  
**Summary of Supply and TOT Receipts - FY 2017/18**

Market	Properties	Rooms	% of Total Rooms	FY 2017/18 TOT Rev	% of Total TOT
Downtown	8	2,391	27.4%	\$13,399,373	41.9%
Primary (Excluding Downtown)	16	2,656	30.4%	\$10,418,810	32.6%
Secondary	54	3,428	39.2%	\$7,582,062	23.7%
<b>Subtotal</b>	<b>78</b>	<b>8,475</b>	<b>97.0%</b>	<b>\$31,400,245</b>	<b>98.2%</b>
Airbnb (Sep '17 to Jun '18)	N/A	260*	3.0%	\$580,796**	1.8%
<b>Total</b>	<b>78</b>	<b>8,735</b>	<b>100.0%</b>	<b>\$31,981,041</b>	<b>100.0%</b>

\*Based on Horizons Airbnb Insights Publication

\*\*Based on permitted Airbnb units

Presented in the following paragraphs is a summary of the historical performance of the overall Sacramento lodging market.

## 2. HISTORICAL AND PROJECTED MARKET PERFORMANCE OF SACRAMENTO AREA HOTELS

Presented in the following chart are the historical occupancy and ADR levels for the overall Sacramento MSA lodging market since 2013, which includes hotels both in the City and surrounding market areas and represents a sample size of 24,790 rooms. Additionally, we have included CBRE Hotels Americas Research performance projections for years 2018 through 2022.

### Sacramento MSA Forecast Summary

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2013	60.3%	4.2%	\$93.22	3.6%	\$56.20	8.0%
2014	62.4%	3.5%	\$98.64	5.8%	\$61.53	9.5%
2015	66.7%	6.9%	\$104.08	5.5%	\$69.41	12.8%
2016	69.0%	3.5%	\$110.71	6.4%	\$76.44	10.1%
2017	71.6%	3.7%	\$117.38	6.0%	\$84.01	9.9%
2018F	70.8%	-1.1%	\$122.91	4.7%	\$87.00	3.6%
2019F	69.9%	-1.3%	\$127.20	3.5%	\$88.90	2.2%
2020F	68.6%	-1.8%	\$128.87	1.3%	\$88.46	-0.5%
2021F	68.1%	-0.8%	\$130.23	1.1%	\$88.71	0.3%
2022F	69.2%	1.6%	\$132.34	1.6%	\$91.55	3.2%

Source: CBRE Hotels' Americas Research, STR, Q2 2018

Occupancy has steadily increased from 2013 to 2017 as the Sacramento lodging market has rebounded from the most recent recession. During this five-year period, occupancy has increased from 60.3 percent in 2013 to a record high of 71.6 percent in 2017, well above the long run average of 61.4 percent as presented earlier in this report. Occupancy is projected to remain in the high 60 percent range over the next five years, with a modest drop to 68.1 percent in 2021 as supply growth throughout the MSA is absorbed into the market.

As demand for hotels rooms has remained strong in the Sacramento region, ADR growth rates have been extremely strong, increasing between 3.6 and 6.4 percent annually over the last five years, or at a compound annual growth rate of 5.9 percent. This average annual growth rate has exceeded both the national average annual ADR growth rate of 3.5 percent, as well as that achieved by the San Francisco MSA of 5.1 percent, during the same time period.

Furthermore, as a point of comparison, the hotels comprising the Sacramento CBD lodging sub-market of Sacramento, most synonymous with the Downtown Hotel Market, achieved an occupancy level ranging from 68 to 75 percent over the last five years with an average of nearly 72 percent, and these hotels finished 2017 with an ADR of approximately \$136, nearly \$20 above the overall Sacramento MSA.

### 3. MARKET SEGMENTATION

The demand captured by the Sacramento lodging market is oriented predominately towards the commercial market segment with the leisure and group market segments generating the balance. The estimated market mix for the City of Sacramento lodging market is presented in the following table.

<b>Submarket</b>	<b>Commercial</b>		<b>Leisure</b>		<b>Group</b>		<b>Total</b>	
Downtown	70%	1,674	15%	359	15%	359	2,391	100%
Primary	45%	1,195	15%	398	40%	1062	2,656	100%
Secondary	65%	2,228	25%	857	10%	343	3,428	100%
<b>Total</b>	<b>60%</b>	<b>5,097</b>	<b>19%</b>	<b>1,614</b>	<b>21%</b>	<b>1,764</b>	<b>8,475</b>	<b>100%</b>

The transient commercial market is comprised of government-related travelers, managers, sales representatives, lawyers, investors, potential employees, and other travelers visiting local companies based in Sacramento.

The transient leisure market is comprised of visitors from around the state and region visiting nearby attractions and local events. The transient leisure market is also driven by visitors to residents in the local area and tends to peak during the summer months.

The group market segment consists primarily of demand generated from citywide conventions and self-contained conventions; corporate group meetings; social, military, educational, religious, and fraternal groups ("SMERF"); special events such as weddings; and tour and airline crew contracts.

Combined, the mix of the Total Lodging Market consists of approximately 79 percent transient demand and 21 percent group demand.

## E. SACRAMENTO AREA REVIEW

**Overview:** The Sacramento region is the largest metropolitan statistical area ("MSA") in Central California. The valley continues to attract thousands of new residents every year based on a strategic location, which combines a high quality of living with low housing costs (relative to the San Francisco Bay Area) and expanding job opportunities. Sacramento is a major stop along both Interstate 5 ("I-5") and Highway 99, the two freeways that service Central Valley cities, as well as Interstate 80 ("I-80") and Highway 50, which provide important east-west accessibility.

**Population:** According to the California Department of Finance, Sacramento County had an estimated population of 1,530,000 people as of 2018. The county's population has grown at a compounded annual growth rate ("CAGR") of 1.2 percent since 2000. Sacramento is the largest city in Sacramento County with an estimated 2018 population of approximately 501,300, which has grown at a CAGR of 1.1 percent since 2000.

**Economy:** While government activity is a major contributor to the local economy, the manufacturing and service industries have become increasingly important. Economic growth is further supported by proximity to relatively inexpensive land, housing, and development costs. Sacramento County's unemployment rate has historically fallen near statewide averages. According to the Bureau of Labor Statistics, Sacramento County had an unemployment rate of 3.9 percent as of July 2018, slightly below statewide figures of 4.2 percent for the same time period.

Amazon.com is bringing 1,000 warehouse jobs to Sacramento. The 855,000-square-foot customer fulfillment center is located at Metro Air Park, adjacent to the Sacramento International Airport. The center will help diversify the region, which is still heavily dependent on state workers. Metro Air Park is an 1,800-acre development shelved during the latest recession and a longstanding building moratorium in the Natomas basin because of flooding concerns raised by FEMA officials. The moratorium ended in 2015.

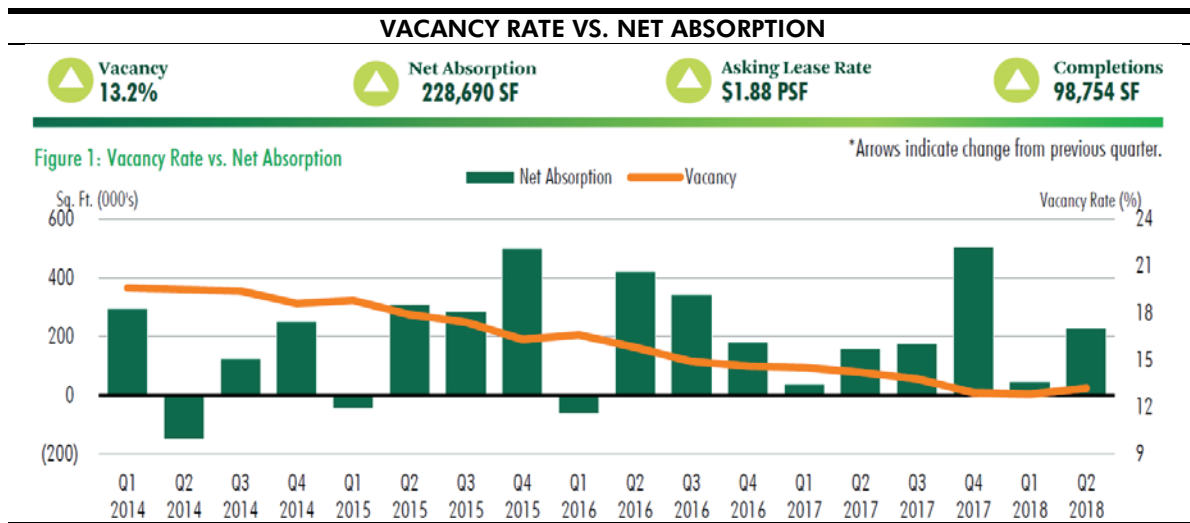
**Government:** Due to Sacramento's designation as the State Capitol, the government sector plays a prominent role in Sacramento's economy and is a large, consistent generator of room

nights for the local hotel market. However, the per diem government expense has a limiting effect on the city’s average daily rate growth. In addition to numerous state departments, other sources of government activity include the State Legislature, which typically convenes during the spring and fall, the State Supreme and U.S. Federal Courts, and county government offices.

**Commercial Office Market:** Sacramento’s office market continued the trend of steady activity by closing Q2 2018 with just over 228,000 square feet of positive net absorption. Asking rental rates experienced growth across all submarkets, and the Sacramento overall average increased by \$0.02 per square foot from the previous quarter. Q2 2018 set a new post-recession high of \$1.88 per square foot/month, and although still below 2007’s pre-recession high of \$1.95 per square foot, Sacramento’s current vacancy rate of 13.2 percent is below 2007 levels.

With the office market continuing to perform at a high level, no new speculative office buildings breaking ground and Sacramento becoming an increasingly popular destination for those wanting to escape higher prices markets and/or more congested environments, we expect the market to finish 2018 with more positive net absorption, record sale prices and steady rent growth.

A chart depicting the trend in net absorption and vacancy over the last four years is presented below.



Source: CBRE Research, Q2 2018

**Sacramento Convention Center:** The Sacramento Convention Center hosts over 600 events and one million visitors annually, and enhances the economic and cultural vitality of the Sacramento community. Originally opening its doors in 1974, the complex underwent a significant expansion in March 1996 which tripled the size of its facilities and contributed to a

significant increase in attendants. The complex now features 134,000 square feet of exhibit space with convertible arena seating for 6,500 persons, 31 meeting rooms, and an elegant 25,000-square foot ballroom. Attendance increased again with the opening of the Sheraton Grand Sacramento Hotel in April 2001, which has attracted major convention groups due to the hotel's high quality and proximity to the convention center.

**Sacramento Convention Center Statistics:** Presented in the following table are the actual and projected room night bookings throughout the City of Sacramento based on convention activity booked by Visit Sacramento. It should be noted that Visit Sacramento books groups for Sacramento Convention Center as well as self-contained meetings at various hotels.

Calendar Year	Definite Room Night Bookings	Pace Target*	Pace %
2005	141,221	-	-
2006	160,017	-	-
2007	161,448	-	-
2008	149,553	-	-
2009	141,205	-	-
2010	158,987	-	-
2011	150,247	-	-
2012	154,800	-	-
2013	200,206	-	-
2014	250,601	-	-
2015	279,787	-	-
2016	270,236	-	-
2017	288,226	-	-
2018	238,309	220,730	108%
2019	160,801	126,017	128%
2020	85,526	58,116	147%
2021	42,580	29,168	146%
2022	32,885	12,497	263%
2023	21,097	4,294	491%

\*Historical pace targets not relevant  
**Source: Visit Sacramento, Period Ending July 31, 2018**

For the period ending July 31, 2018, convention center definite room nights exceeded the pace target by approximately 14,700 and are expected to exceed the pace target by approximately 17,600 by year-end 2018 and 34,800 in 2019. It should be noted that since Pace targets change each month (for future years), historical Pace targets are not applicable to review.

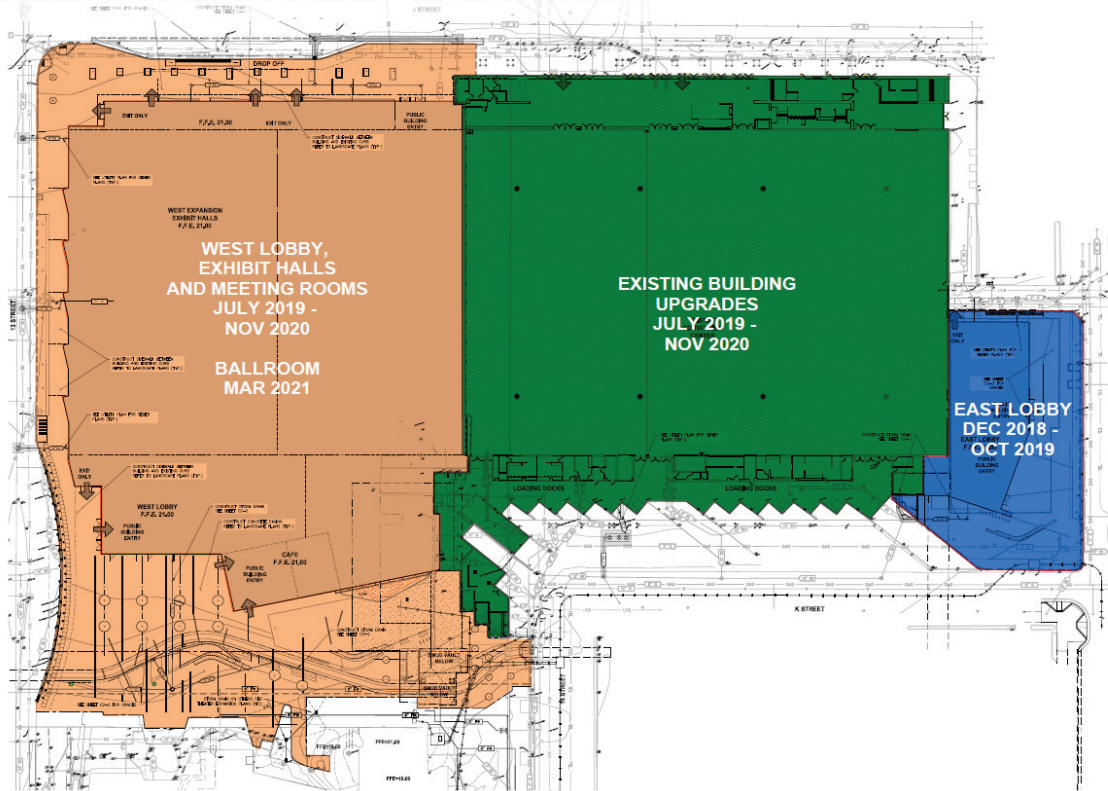
**Sacramento Convention Center Expansion:** In May of 2017, in order to keep Sacramento competitive in the convention industry, the City of Sacramento approved an expansion and renovation to the existing convention facilities. To ensure funding was available, Visit Sacramento and the Sacramento Hotel Association agreed to help finance the ballroom with an additional assessment on hotel overnight stays by creating the Sacramento Tourism Infrastructure District (“STID”). The STID has not yet been formed and may not be formed, in which case, the ballroom project would be postponed. In June 2018, City Council unanimously approved the design, planning and entitlements, and the environmental impact report for the expansion and renovation. Also approved were the design and entitlements for the Sacramento Convention Center Renovation and Expansion Project and Community Center Theater Renovation Project.

The expansion is part of a three-project renovation and modernization that also includes the Memorial Auditorium. The project will increase the rentable function space in the Convention Center from approximately 159,000 to 226,000 square feet. Upon completion, the facilities will feature a 160,000-square-foot of exhibit space, a 40,000-square-foot ballroom (if the STID is formed), and 22,000 square feet of new meeting space. According to Visit Sacramento, construction on the Memorial Auditorium began in June 2018 and construction on the Convention Center will begin in December 2018 with a staged completion between November 2020 and March 2021. The Convention Center is expected to be fully closed from July 2019 through November 2020.

Renderings and floor plans with schedules of the project are presented on the following page.



### Sacramento Convention Center - Area Schedule



### Sacramento Convention Center & Theater Overview



In estimating the decline in room night demand and subsequent “ramp-up” in room night demand associated with the expansion of the Convention Center (only events at the Convention Center), we have relied upon the following analysis prepared by Halo Hospitality and Visit Sacramento. Since the City runs on fiscal years, we have converted Halo Hospitality’s finding to fiscal years.

**Table E-2**  
**Summary of Sacramento Convention Center Expansion Projections**

Year	Citywide Groups	Projected Room Nights	Fiscal Year	Citywide Groups	Projected Room Nights
2015	35	162,500	2015/16	36	164,125
2016	36	165,750	2016/17	37	167,408
2017	37	169,065	2017/18	38	170,756
2018	38	172,446	2018/19	32	166,381
2019	25	160,315	2019/20	19	149,690
2020	13	139,065	2020/21	23	184,065
2021	33	229,065	2021/22	43	274,065
2022	53	319,065	2022/23	58	344,065
2023	63	369,065	2023/24	68	394,065
2024	73	419,065	2024/25	75	429,065
2025	77	439,065			
<b>Change from 2019 - 2025</b>		<b>278,750</b>	<b>Change from 2019/20 - 2024/25</b>		<b>279,375</b>

All figures are projections, actual performance from 2015-2018 not presented

**Source: Halo Hospitality**

In preparing our forecast for future demand growth, we have relied upon the analysis presented above as it relates to the convention group demand in the Downtown Market. However, we also acknowledge that Visit Sacramento is actively trying to relocate groups to other venues in Sacramento that would otherwise use the convention center during the expansion project.

**Tourism:** According to the Sacramento Convention and Visitor Bureau, the city attracts approximately 15 million visitors annually. Large annual events include the California State Fair, and historical commemorative events. Area attractions include the Golden 1 Center, the State Railroad Museum, the Sacramento Zoo, the State Capitol building, and the Crocker Art Museum, among other points of interest. Hiking and biking are found in the 5,000-acre American River Parkway, and many amateur sports teams and their families travel to the Capitol annually to compete for state titles. Local professional teams include the National Basketball Association’s Sacramento Kings and a Triple-A baseball team, the Sacramento River Cats.

**The Railyards**, which encompasses more than 240 acres, is located immediately north of downtown Sacramento and south of the River District and once served as the western terminus of the 1860s Transcontinental Railroad. As the nation's largest infill development project, the Railyards plans to transform the historically significant land into a thriving, mixed-use community that will function as an employment center, a cultural and entertainment destination, and a vibrant place to live. Current anticipated projects include a Major League Soccer stadium, Kaiser Permanente Hospital, Central Shops district, up to 1,100 hotel rooms, and a mixed-use residential housing project. The Major League Soccer stadium will accommodate approximately 20,000 sport or concert attendees. The Kaiser Permanente Hospital will add approximately 1.2 million square feet of state-of-the-art medical space with a target opening date in the year 2024. The Central Shops will consist of eight historic buildings that will be adaptively reused as a home to over 500,000 square feet of eateries, entertainment venues, art galleries, museums, and distinctive retail shops. The mixed-use residential housing project will consist of 277 residential rental units with another 5,000 square feet of ground floor retail space, and will become a modern interpretation of the historical elements inspired by the site.

**Downtown Commons** ("DoCo"), formerly known as the Westfield Downtown Plaza, is a two-level outdoor mixed-use entertainment and shopping complex operated by JMA Ventures, LLC, located along K Street in downtown Sacramento, California near the State Capitol building. The complex is bordered by J Street to the north, L Street to the south, 7th Street to the east and 4th Street to the west. The majority of the site is being redeveloped, centering on the Golden 1 Center, which opened in October 2016 and is home of the NBA's Sacramento Kings. The section between 5th and 7th Streets was demolished in 2014 to make room for the Golden 1 Center, as well as a mixed-use residential, office, retail and hotel complex which includes the 250-room Sawyer Hotel operated by Kimpton Hotels. As will be discussed, the Kimpton Sawyer Hotel opened in October 2017 and represents the most recent addition to the downtown Sacramento lodging market.

**Sutter Medical Center:** The 592-room Sutter Medical Center recently completed an \$812 million renovation in 2016. The center spans more than two full city blocks and includes the Ose Adams Medical Pavilion (281 beds), the Anderson Lucchetti Women's and Children's Center (242 beds), and the Sutter Center for Psychiatry (69 beds). The Ose Adams hospital provides emergency services, acute medical/surgical care as well as advanced services for cancer, orthopedics, spine, neurology and neurosurgery. The Anderson Lucchetti Women's and Children's Center specializes in pediatrics and women's services including labor and delivery.

The Sutter Medical Center received eight top-50 awards amongst 25 total adult specialty categories in the most recent national review by the U.S. News & World Report. Only 3.0 percent of the 4,500 U.S. hospitals ranked nationally received a top-50 recognition in at least one adult specialty.

**UC Davis Medical Center:** The 631-bed hospital, which is ranked among the top 50 in North America, serves a 65,000-square-mile area that includes 33 counties and six million residents. Further, it is the primary teaching hospital affiliated with the UC Davis School of Medicine, and operates the only level one trauma center in inland Northern California. Specialty centers within the hospital include the UC Davis Comprehensive Cancer Center, the UC Davis Vascular Center, the UC Davis MIND Institute, the UC Davis Stem Cell Program, and the UC Davis Children's Hospital. UC Davis Health employs more than 12,800 people.

The UC Davis Chancellor, Gary May, is pushing for rapid development of the Aggie Square research and innovation center in Sacramento, which is positioned to make a tremendous economic impact on the region. Plans for the proposed research park, slated to be developed on approximately 25 acres next to UC Davis Medical Center, call for mid-rise, mixed-use buildings along Stockton Boulevard, which would replace parking lots, empty lots and old buildings. The center, a mix of research labs, office space, and residential areas for academics and graduate students, will foster collaboration between the university, established private industry and entrepreneurs. The development will also feature retail, art, and entertainment venues. Construction on the first phase of the development could commence at the end of 2019; the first phase could eventually represent a 2.0 million square-foot development.

**Mercy General Hospital:** Mercy General Hospital is a nationally recognized not-for-profit private community hospital located in the East Sacramento neighborhood. The hospital has 342 beds and over 2,000 clinical staff, and serves as the Major Cardiac Surgery referral center for the Greater Sacramento Service Area Dignity Hospitals, as well as for Kaiser Permanente. The Mercy Heart Institute and the Mercy Stroke Center are key features of the hospital. Mercy General Hospital is a member of the Dignity Health network.

**California State University, Sacramento ("Sacramento State University" or "CSUS"):** This 300-acre public university is located approximately six miles east of Downtown Sacramento. As of Fall 2017, enrollment was approximately 28,100 undergraduates, 2,600 graduate students and 2,750 administrative and academic staff were employed. The university offers 151 Bachelor's degrees, 69 Master's degrees, and two Doctoral degrees in addition to 21 intercollegiate sports.

**Sutter's Fort:** Sutter's Fort State Historic Park is located at 2701 L Street. Sutter's Fort was a 19<sup>th</sup>-century agricultural and trade colony in the Mexican Alta California province. It was built

in 1839 and originally called New Helvetia by its builder John Sutter. The fort was the first non-indigenous community in the California Central Valley and is famous for its association with the Donner Party, the California Gold Rush, and the formation of Sacramento. It is notable for its proximity to the end of the California Trail and Siskiyou Trails, which served as a waystation. After gold was discovered at Sutter's Mill in Coloma, the fort was abandoned. The adobe structure has been restored to its original condition and is now administered by the California Department of Parks and Recreation. It was designated a National Historic Landmark in 1961.

**Transportation:** The Sacramento region is served by I-5 and 80, US-50, and State Route 99. The Sacramento MSA is also serviced by the Sacramento International Airport. This airport offers more than 155 daily nonstop flights on 12 domestic and international carriers to 36 destinations. Airline carriers include Alaska, Delta, Southwest Airlines, American Airlines, Air Canada, United Airlines, Frontier, Hawaiian Airlines, Horizon, JetBlue, AeroMexico, and Volaris. The Airport recently underwent an extensive modernization plan focused primarily on a new Terminal B modernization project. This project has the capacity to accommodate 16 million passengers and includes the new 740,000-square-foot Terminal, 19-gate airside concourse, a landside terminal totaling 424,000 square feet, and more than 42,000 square feet of concessions. The development is LEED Silver certified. In 2017, the Sacramento International Airport accommodated approximately 10.9 million passengers, an increase of 7.8 percent over prior year levels. Through year-to-date ("YTD") August 2018, passenger volume has increased 11.4 percent over prior year levels.

**Conclusion:** After review of the general economic and demographic information for the City of Sacramento, it can be concluded that the market is performing very strongly due to the presence of strong corporate, government and leisure demand generators in the local market. Owing to the strength and anticipated growth of the Sacramento market, we are of the opinion that the market is poised for long-term success.

## **F. FORECAST OF FUTURE TOT REVENUE**

### **1. INTRODUCTION**

In forecasting future TOT revenue for the City of Sacramento, we reviewed the historical performance of the Sacramento lodging market with regard to supply, demand, ADR, occupancy, and the resulting room revenue. We then projected hotel supply, demand and ADR growth for the Downtown, Primary, Secondary, and Airbnb Markets based on our analysis of economic growth indicators and discussions with hotel representatives.

## 2. DOWNTOWN HOTEL MARKET

As presented previously, the Downtown Hotel Market consists of eight hotels, containing 2,391 guestrooms as of September 2018. The market contributed approximately \$13.4 million to the fiscal year 2017/18 City of Sacramento TOT collections. We have projected the annual supply, demand, ADR, and resulting lodging revenues for the Downtown Hotel Market from 2018/19 through 2057/58. Based on these projections, we have estimated the future TOT revenue for the next 40 years to be collected from the downtown market. A discussion of the assumptions used in analyzing this segment is provided in the following text.

**Additions to Supply:** For the Downtown Hotel Market, we have accounted for the annualized additions of the following hotels:

- Kimpton Sawyer Hotel: 250-room hotel located at 500 J Street, which opened October 2017.
- Tapestry Hotel Midtown: 105-room hotel located at 1308 28<sup>th</sup> Street, scheduled to open February 2020.
- Hyatt Centric: 162-room hotel located at 1122 7<sup>th</sup> Street, scheduled to open March 2020.
- California Fruit Hotel: 100-room hotel located at 1006 4<sup>th</sup> Street, scheduled to open August 2020.
- 10K Hotel: 205-room hotel located at 930 K Street, scheduled to open July 2021.
- Convention Center Hotel: 350-room hotel located at 1418 K Street, scheduled to open January 2022.
- Railyards Hotel: While the Railyards are entitled for up to 1,100 guestrooms, we have accounted for the opening of 300 guestrooms in January 2024.

A summary of these supply additions is presented in the following table.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Beginning Supply</b>	2,141	2,329	2,391	2,488	2,758	3,138	3,313	3,463
Additions:								
Assumed addition of 250-room Kimpton Hotel (10/17)	188	62						
Assumed addition of 105-room Tapestry Hotel (2/20)			44	61				
Assumed addition of 162-room Hyatt Centric (3/20)			54	108				
Assumed addition of 100-room California Fruit Hotel (8/20)				100				
Assumed addition of 205-room 10K Hotel (7/21)					205			
Assumed addition of 350-room Convention Hotel (1/22)					175	175		
Assumed addition of 300-room Railyards Hotel (1/24)							150	150
Cumulative Number of Additional Rooms	188	62	98	269	380	175	150	150
Percent Change From Prior Year	8.8%	2.7%	4.1%	10.8%	13.8%	5.6%	4.5%	4.3%
<b>Ending Supply</b>	2,329	2,391	2,488	2,758	3,138	3,313	3,463	3,613

Beginning on January 1, 2028 we have accounted for the addition of 200 rooms in the Downtown Hotel Market every ten years. We have subsequently accounted for an additional 200-rooms in this market on January 1, 2038, 2048, and 2058. It should be noted that these periodic additions have been annualized and are, therefore, reflected in 2027/28 and 2028/29, 2037/38 and 2038/39, 2047/48 and 2048/49, and 2057/58. These supply additions will add 2,172 new hotel rooms to the Downtown Market, resulting in a compounded annual growth rate of 1.5 percent over the 40-year period. This growth rate is slightly below the long-term growth rate of the CBD of 2.3 percent presented previously.

**Demand:** Demand for the Downtown Hotel Market is projected to increase at a compounded annual growth rate of 1.5 percent from the fiscal year 2018/19 to 2057/58. During the first seven years of the projection period, demand is expected to fluctuate given the anticipated supply additions and construction at the Convention Center. We estimate that during this time, the Downtown Hotel Market will decrease to a low occupancy of 74 percent followed by a “ramp-up” to a stabilized level of 78 percent occupancy.

**Room Rate Growth:** Based on discussions with hotel representatives and Visit Sacramento, we project ADR for the Downtown Market to increase throughout the projection period. However, during the construction at the Convention Center we project ADR to increase at 2.0 percent annually, slightly below inflationary levels of 3.0 percent, given the shift in focus to reduce room rates in order to maintain relationships with groups during the renovation and increase discounted transient business to fill hotels while the Convention Center is closed. Following the completion of the renovation, we project a rate increase of 5.0 percent in 2021/22 and 4.0 percent in 2022/23. Thereafter, ADR is projected to increase at approximately 3.0 percent per a year for the remainder of the projection period.

**Transient Occupancy Tax Rate:** We have assumed that all hotel and lodging properties will be subject to a uniform 12.0 percent tax rate throughout the analysis period.

Presented in the following table are our projections of TOT revenues generated by the Downtown Hotel Market in the City of Sacramento.

**Table F-2**  
**Sacramento Transient Occupancy Tax**  
**Downtown Hotel Market**

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	TOT Revenue
2017/18	849,903		675,186		79%	\$165		\$111,661,000		\$13,399,000
2018/19	872,715	2.7%	681,938	1.0%	78%	\$172	4.0%	\$117,289,000	5.0%	\$14,075,000
2019/20	908,394	4.1%	668,299	-2.0%	74%	\$175	2.0%	\$117,242,000	0.0%	\$14,069,000
2020/21	1,006,670	10.8%	741,812	11.0%	74%	\$179	2.0%	\$132,742,000	13.2%	\$15,929,000
2021/22	1,145,370	13.8%	867,920	17.0%	76%	\$188	5.0%	\$163,073,000	22.8%	\$19,569,000
2022/23	1,209,245	5.6%	937,353	8.0%	78%	\$195	4.0%	\$183,164,000	12.3%	\$21,980,000
2023/24	1,263,995	4.5%	993,595	6.0%	79%	\$201	3.0%	\$199,978,000	9.2%	\$23,997,000
2024/25	1,318,745	4.3%	1,043,274	5.0%	79%	\$207	3.0%	\$216,276,000	8.1%	\$25,953,000
2025/26	1,318,745	0.0%	1,043,274	0.0%	79%	\$214	3.0%	\$222,765,000	3.0%	\$26,732,000
2026/27	1,318,745	0.0%	1,043,274	0.0%	79%	\$220	3.0%	\$229,448,000	3.0%	\$27,534,000
2027/28	1,355,245	2.8%	1,053,707	1.0%	78%	\$227	3.0%	\$238,694,000	4.0%	\$28,643,000
2028/29	1,391,745	2.7%	1,080,050	2.5%	78%	\$233	3.0%	\$252,002,000	5.6%	\$30,240,000
2029/30	1,391,745	0.0%	1,090,850	1.0%	78%	\$240	3.0%	\$262,157,000	4.0%	\$31,459,000
2030/31	1,391,745	0.0%	1,090,850	0.0%	78%	\$248	3.0%	\$270,022,000	3.0%	\$32,403,000
2031/32	1,391,745	0.0%	1,090,850	0.0%	78%	\$255	3.0%	\$278,123,000	3.0%	\$33,375,000
2032/33	1,391,745	0.0%	1,090,850	0.0%	78%	\$263	3.0%	\$286,466,000	3.0%	\$34,376,000
2033/34	1,391,745	0.0%	1,090,850	0.0%	78%	\$270	3.0%	\$295,060,000	3.0%	\$35,407,000
2034/35	1,391,745	0.0%	1,090,850	0.0%	78%	\$279	3.0%	\$303,912,000	3.0%	\$36,469,000
2035/36	1,391,745	0.0%	1,090,850	0.0%	78%	\$287	3.0%	\$313,030,000	3.0%	\$37,564,000
2036/37	1,391,745	0.0%	1,090,850	0.0%	78%	\$296	3.0%	\$322,420,000	3.0%	\$38,690,000
2037/38	1,428,245	2.6%	1,107,213	1.5%	78%	\$304	3.0%	\$337,074,000	4.5%	\$40,449,000
2038/39	1,464,745	2.6%	1,134,893	2.5%	77%	\$314	3.0%	\$355,866,000	5.6%	\$42,704,000
2039/40	1,464,745	0.0%	1,146,242	1.0%	78%	\$323	3.0%	\$370,208,000	4.0%	\$44,425,000
2040/41	1,464,745	0.0%	1,146,242	0.0%	78%	\$333	3.0%	\$381,314,000	3.0%	\$45,758,000
2041/42	1,464,745	0.0%	1,146,242	0.0%	78%	\$343	3.0%	\$392,753,000	3.0%	\$47,130,000
2042/43	1,464,745	0.0%	1,146,242	0.0%	78%	\$353	3.0%	\$404,536,000	3.0%	\$48,544,000
2043/44	1,464,745	0.0%	1,146,242	0.0%	78%	\$364	3.0%	\$416,672,000	3.0%	\$50,001,000
2044/45	1,464,745	0.0%	1,146,242	0.0%	78%	\$374	3.0%	\$429,172,000	3.0%	\$51,501,000
2045/46	1,464,745	0.0%	1,146,242	0.0%	78%	\$386	3.0%	\$442,047,000	3.0%	\$53,046,000
2046/47	1,464,745	0.0%	1,146,242	0.0%	78%	\$397	3.0%	\$455,309,000	3.0%	\$54,637,000
2047/48	1,501,245	2.5%	1,163,436	1.5%	77%	\$409	3.0%	\$476,003,000	4.5%	\$57,120,000
2048/49	1,537,745	2.4%	1,192,522	2.5%	78%	\$421	3.0%	\$502,540,000	5.6%	\$60,305,000
2049/50	1,537,745	0.0%	1,204,447	1.0%	78%	\$434	3.0%	\$522,792,000	4.0%	\$62,735,000
2050/51	1,537,745	0.0%	1,204,447	0.0%	78%	\$447	3.0%	\$538,476,000	3.0%	\$64,617,000
2051/52	1,537,745	0.0%	1,204,447	0.0%	78%	\$460	3.0%	\$554,630,000	3.0%	\$66,556,000
2052/53	1,537,745	0.0%	1,204,447	0.0%	78%	\$474	3.0%	\$571,269,000	3.0%	\$68,552,000
2053/54	1,537,745	0.0%	1,204,447	0.0%	78%	\$489	3.0%	\$588,407,000	3.0%	\$70,609,000
2054/55	1,537,745	0.0%	1,204,447	0.0%	78%	\$503	3.0%	\$606,059,000	3.0%	\$72,727,000
2055/56	1,537,745	0.0%	1,204,447	0.0%	78%	\$518	3.0%	\$624,241,000	3.0%	\$74,909,000
2056/57	1,537,745	0.0%	1,204,447	0.0%	78%	\$534	3.0%	\$642,968,000	3.0%	\$77,156,000
2057/58	1,574,245	2.4%	1,222,514	1.5%	78%	\$550	3.0%	\$672,191,000	4.5%	\$80,663,000
<b>CAGR</b>	<b>1.5%</b>		<b>1.5%</b>			<b>3.0%</b>		<b>4.6%</b>		<b>4.6%</b>

Source: CBRE Hotels Advisory

### 3. PRIMARY HOTEL MARKET (EXCLUDING DOWNTOWN)

As presented previously, the Primary Hotel Market, excluding the eight Downtown hotels, consists of 16 hotels, containing 2,656 guestrooms as of September 2018. The market contributed approximately \$10.4 million to the fiscal year 2017/18 City of Sacramento TOT collections. We have projected the annual supply, demand, ADR, and resulting lodging



revenues for the Primary Hotel Market from 2018/19 through 2057/58. Based on these projections, we have estimated the future TOT revenue for the next 40 years to be collected from the Primary Market. A discussion of the assumptions used in analyzing this segment is provided in the following text.

**Additions to Supply:** For the Primary Hotel Market, we have accounted for the annualized additions of the following hotels:

- Hilton Garden Inn Natomas: 124-room hotel located at 20 Advantage Court, scheduled to open January 2019.
- Element Airport: 120-room hotel located at 3681 North Freeway Boulevard, scheduled to open October 2019.
- Home2 Suites CSUS: 107-room hotel located at 1865 65<sup>th</sup> Street, scheduled to open June 2020.

A summary of these supply additions is presented in the following table.

	2017/18	2018/19	2019/20	2020/21
<b>Beginning Supply</b>	2,656	2,656	2,718	2,860
Additions:				
Assumed addition of 124-room Hilton Garden Inn (1/19)		62	62	
Assumed addition of 120-room Element Airport (10/19)			80	40
Assumed addition of 107-room Home2 Suites (6/20)				107
Cumulative Number of Additional Rooms	0	62	142	147
Percent Change From Prior Year	0.0%	2.3%	5.2%	5.1%
<b>Ending Supply</b>	2,656	2,718	2,860	3,007

Beginning on January 1, 2028 we have accounted for the addition of 150 rooms in the Primary Hotel Market every ten years. We have subsequently accounted for an additional 150 rooms in this market on January 1, 2038, 2048, and 2058. It should be noted that these additions have been annualized and are, therefore, reflected in 2027/28 and 2028/29, 2037/38 and 2038/39, 2047/48 and 2048/49, and 2057/58. These supply additions will add 876 new hotel rooms to the Primary Hotel Market, excluding Downtown, resulting in a compounded annual growth rate of 0.7 percent over the 40-year period.

**Demand:** Demand for the Primary Hotel Market is projected to increase at a compounded annual growth rate of 0.7 percent from the fiscal year 2018/19 to 2057/58. Similar to the Downtown Market, during the first five years of the projection period, demand is expected to fluctuate given the anticipated supply additions and construction at the Convention Center. We estimate that during this time, the market will decrease to a low occupancy of 72 percent followed by a “ramp-up” to a stabilized level of 76 percent occupancy.

**Room Rate Growth:** Based on discussions with hotel representatives and Visit Sacramento, we project ADR for the Primary Market to increase throughout the projection period. However, during the construction at the Convention Center we project ADR to increase at 1.5 percent annually, below inflationary levels of 3.0 percent, given the increased competition in the Downtown Market during the construction at the Convention Center. Following the completion of the renovation, we project a rate increase of 2.5 percent in 2021/22. Thereafter, ADR is projected to increase at approximately 3.0 percent per a year for the remainder of the projection period.

**Transient Occupancy Tax Rate:** We have assumed that all hotel and lodging properties will be subject to a uniform 12.0 percent tax rate throughout the analysis period.

Presented in the following table are our projections of TOT revenues generated by the Primary Hotel Market Excluding Downtown in the City of Sacramento.

**Table F-4**  
**Sacramento Transient Occupancy Tax**  
**Primary Hotel Market (Excluding Downtown)**

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	TOT Revenue
2017/18	969,440		736,774		76%	\$118		\$86,823,000		\$10,419,000
2018/19	992,070	2.3%	744,142	1.0%	75%	\$121	3.0%	\$90,322,000	4.0%	\$10,839,000
2019/20	1,043,900	5.2%	762,746	2.5%	73%	\$123	1.5%	\$93,969,000	4.0%	\$11,276,000
2020/21	1,097,555	5.1%	785,628	3.0%	72%	\$125	1.5%	\$98,240,000	4.5%	\$11,789,000
2021/22	1,097,555	0.0%	809,197	3.0%	74%	\$128	2.5%	\$103,717,000	5.6%	\$12,446,000
2022/23	1,097,555	0.0%	833,473	3.0%	76%	\$132	3.0%	\$110,033,000	6.1%	\$13,204,000
2023/24	1,097,555	0.0%	833,473	0.0%	76%	\$136	3.0%	\$113,334,000	3.0%	\$13,600,000
2024/25	1,097,555	0.0%	833,473	0.0%	76%	\$140	3.0%	\$116,734,000	3.0%	\$14,008,000
2025/26	1,097,555	0.0%	833,473	0.0%	76%	\$144	3.0%	\$120,236,000	3.0%	\$14,428,000
2026/27	1,097,555	0.0%	833,473	0.0%	76%	\$149	3.0%	\$123,843,000	3.0%	\$14,861,000
2027/28	1,124,930	2.5%	845,975	1.5%	75%	\$153	3.0%	\$129,472,000	4.5%	\$15,537,000
2028/29	1,152,305	2.4%	862,894	2.0%	75%	\$158	3.0%	\$136,023,000	5.1%	\$16,323,000
2029/30	1,152,305	0.0%	875,838	1.5%	76%	\$162	3.0%	\$142,206,000	4.5%	\$17,065,000
2030/31	1,152,305	0.0%	875,838	0.0%	76%	\$167	3.0%	\$146,472,000	3.0%	\$17,577,000
2031/32	1,152,305	0.0%	875,838	0.0%	76%	\$172	3.0%	\$150,866,000	3.0%	\$18,104,000
2032/33	1,152,305	0.0%	875,838	0.0%	76%	\$177	3.0%	\$155,392,000	3.0%	\$18,647,000
2033/34	1,152,305	0.0%	875,838	0.0%	76%	\$183	3.0%	\$160,054,000	3.0%	\$19,206,000
2034/35	1,152,305	0.0%	875,838	0.0%	76%	\$188	3.0%	\$164,855,000	3.0%	\$19,783,000
2035/36	1,152,305	0.0%	875,838	0.0%	76%	\$194	3.0%	\$169,801,000	3.0%	\$20,376,000
2036/37	1,152,305	0.0%	875,838	0.0%	76%	\$200	3.0%	\$174,895,000	3.0%	\$20,987,000
2037/38	1,179,680	2.4%	884,596	1.0%	75%	\$206	3.0%	\$181,943,000	4.0%	\$21,833,000
2038/39	1,207,055	2.3%	906,711	2.5%	75%	\$212	3.0%	\$192,087,000	5.6%	\$23,050,000
2039/40	1,207,055	0.0%	920,312	1.5%	76%	\$218	3.0%	\$200,817,000	4.5%	\$24,098,000
2040/41	1,207,055	0.0%	920,312	0.0%	76%	\$225	3.0%	\$206,842,000	3.0%	\$24,821,000
2041/42	1,207,055	0.0%	920,312	0.0%	76%	\$231	3.0%	\$213,047,000	3.0%	\$25,566,000
2042/43	1,207,055	0.0%	920,312	0.0%	76%	\$238	3.0%	\$219,438,000	3.0%	\$26,333,000
2043/44	1,207,055	0.0%	920,312	0.0%	76%	\$246	3.0%	\$226,021,000	3.0%	\$27,123,000
2044/45	1,207,055	0.0%	920,312	0.0%	76%	\$253	3.0%	\$232,802,000	3.0%	\$27,936,000
2045/46	1,207,055	0.0%	920,312	0.0%	76%	\$261	3.0%	\$239,786,000	3.0%	\$28,774,000
2046/47	1,207,055	0.0%	920,312	0.0%	76%	\$268	3.0%	\$246,980,000	3.0%	\$29,638,000
2047/48	1,234,430	2.3%	924,913	0.5%	75%	\$276	3.0%	\$255,661,000	3.5%	\$30,679,000
2048/49	1,261,805	2.2%	948,036	2.5%	75%	\$285	3.0%	\$269,914,000	5.6%	\$32,390,000
2049/50	1,261,805	0.0%	962,257	1.5%	76%	\$293	3.0%	\$282,182,000	4.5%	\$33,862,000
2050/51	1,261,805	0.0%	962,257	0.0%	76%	\$302	3.0%	\$290,647,000	3.0%	\$34,878,000
2051/52	1,261,805	0.0%	962,257	0.0%	76%	\$311	3.0%	\$299,366,000	3.0%	\$35,924,000
2052/53	1,261,805	0.0%	962,257	0.0%	76%	\$320	3.0%	\$308,347,000	3.0%	\$37,002,000
2053/54	1,261,805	0.0%	962,257	0.0%	76%	\$330	3.0%	\$317,598,000	3.0%	\$38,112,000
2054/55	1,261,805	0.0%	962,257	0.0%	76%	\$340	3.0%	\$327,126,000	3.0%	\$39,255,000
2055/56	1,261,805	0.0%	962,257	0.0%	76%	\$350	3.0%	\$336,940,000	3.0%	\$40,433,000
2056/57	1,261,805	0.0%	962,257	0.0%	76%	\$361	3.0%	\$347,048,000	3.0%	\$41,646,000
2057/58	1,289,180	2.2%	976,691	1.5%	76%	\$371	3.0%	\$362,821,000	4.5%	\$43,539,000
<b>CAGR</b>	<b>0.7%</b>		<b>0.7%</b>			<b>2.9%</b>		<b>3.6%</b>		<b>3.6%</b>

Source: CBRE Hotels Advisory

### 3. SECONDARY HOTEL MARKET

As presented previously, the Secondary Hotel Market, consists of 54 hotels, containing 3,428 guestrooms as of September 2018. The market contributed approximately \$7.6 million to the

fiscal year 2017/18 City of Sacramento TOT collections. We have projected the annual supply, demand, ADR, and resulting lodging revenues for the Secondary Hotel Market from 2018/19 through 2057/58. Based on these projections, we have estimated the future TOT revenue for the next 40 years to be collected from the Secondary Market. A discussion of the assumptions used in analyzing this segment is provided in the following text.

**Additions to Supply:** Given the quality level and nature of this sample of properties in the City, there are no existing future supply additions in the development pipeline. Further, it is unlikely that there will be many new properties in this category over the projection period; however, beginning on January 1, 2028 we have accounted for the addition of 100 rooms in the Secondary Hotel Market. We have subsequently accounted for an additional 100 rooms in this market on January 1, 2038, 2048, and 2058. It should be noted that these additions have been annualized and are, therefore, reflected in 2027/28 and 2028/29, 2037/38 and 2038/39, 2047/48 and 2048/49, and 2057/58. These supply additions will add 350 new hotel rooms to the Secondary Hotel Market, resulting in a compounded annual growth rate of 0.2 percent over the 40-year period.

**Demand:** Demand for the Secondary Hotel Market is projected to increase at a compounded annual growth rate of 0.2 percent from the fiscal year 2018/19 to 2057/58. Based on our understanding of this market, we estimate the market will remain at approximately 66 percent occupancy throughout the projection period, with minor fluctuations as new hotels open.

**Room Rate Growth:** We have estimated that ADR in the Secondary Hotel Market will increase at 2.0 percent throughout the projection period, slightly below the long-term average of 2.8 percent presented previously for the MSA.

**Transient Occupancy Tax Rate:** We have assumed that all hotel and lodging properties will be subject to a uniform 12.0 percent tax rate throughout the analysis period.

Presented in the following table are our projections of TOT revenues generated by the Secondary Hotel Market in the City of Sacramento.

**Table F-5**  
**Sacramento Transient Occupancy Tax**  
**Secondary Hotel Market**

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	TOT Revenue
2017/18	1,251,220		825,805		66%	\$77		\$63,184,000		\$7,582,000
2018/19	1,251,220	0.0%	825,805	0.0%	66%	\$78	2.0%	\$64,448,000	2.0%	\$7,734,000
2019/20	1,251,220	0.0%	825,805	0.0%	66%	\$80	2.0%	\$65,736,000	2.0%	\$7,888,000
2020/21	1,251,220	0.0%	825,805	0.0%	66%	\$81	2.0%	\$67,051,000	2.0%	\$8,046,000
2021/22	1,251,220	0.0%	825,805	0.0%	66%	\$83	2.0%	\$68,392,000	2.0%	\$8,207,000
2022/23	1,251,220	0.0%	825,805	0.0%	66%	\$84	2.0%	\$69,760,000	2.0%	\$8,371,000
2023/24	1,251,220	0.0%	825,805	0.0%	66%	\$86	2.0%	\$71,155,000	2.0%	\$8,539,000
2024/25	1,251,220	0.0%	825,805	0.0%	66%	\$88	2.0%	\$72,578,000	2.0%	\$8,709,000
2025/26	1,251,220	0.0%	825,805	0.0%	66%	\$90	2.0%	\$74,030,000	2.0%	\$8,884,000
2026/27	1,251,220	0.0%	825,805	0.0%	66%	\$91	2.0%	\$75,511,000	2.0%	\$9,061,000
2027/28	1,269,470	1.5%	825,805	0.0%	65%	\$93	2.0%	\$77,021,000	2.0%	\$9,242,000
2028/29	1,287,720	1.4%	838,192	1.5%	65%	\$95	2.0%	\$79,740,000	3.5%	\$9,569,000
2029/30	1,287,720	0.0%	846,574	1.0%	66%	\$97	2.0%	\$82,148,000	3.0%	\$9,858,000
2030/31	1,287,720	0.0%	846,574	0.0%	66%	\$99	2.0%	\$83,791,000	2.0%	\$10,055,000
2031/32	1,287,720	0.0%	846,574	0.0%	66%	\$101	2.0%	\$85,467,000	2.0%	\$10,256,000
2032/33	1,287,720	0.0%	846,574	0.0%	66%	\$103	2.0%	\$87,176,000	2.0%	\$10,461,000
2033/34	1,287,720	0.0%	846,574	0.0%	66%	\$105	2.0%	\$88,919,000	2.0%	\$10,670,000
2034/35	1,287,720	0.0%	846,574	0.0%	66%	\$107	2.0%	\$90,698,000	2.0%	\$10,884,000
2035/36	1,287,720	0.0%	846,574	0.0%	66%	\$109	2.0%	\$92,512,000	2.0%	\$11,101,000
2036/37	1,287,720	0.0%	846,574	0.0%	66%	\$111	2.0%	\$94,362,000	2.0%	\$11,323,000
2037/38	1,305,970	1.4%	846,574	0.0%	65%	\$114	2.0%	\$96,249,000	2.0%	\$11,550,000
2038/39	1,324,220	1.4%	859,273	1.5%	65%	\$116	2.0%	\$99,647,000	3.5%	\$11,958,000
2039/40	1,324,220	0.0%	872,162	1.5%	66%	\$118	2.0%	\$103,164,000	3.5%	\$12,380,000
2040/41	1,324,220	0.0%	872,162	0.0%	66%	\$121	2.0%	\$105,228,000	2.0%	\$12,627,000
2041/42	1,324,220	0.0%	872,162	0.0%	66%	\$123	2.0%	\$107,332,000	2.0%	\$12,880,000
2042/43	1,324,220	0.0%	872,162	0.0%	66%	\$126	2.0%	\$109,479,000	2.0%	\$13,137,000
2043/44	1,324,220	0.0%	872,162	0.0%	66%	\$128	2.0%	\$111,668,000	2.0%	\$13,400,000
2044/45	1,324,220	0.0%	872,162	0.0%	66%	\$131	2.0%	\$113,902,000	2.0%	\$13,668,000
2045/46	1,324,220	0.0%	872,162	0.0%	66%	\$133	2.0%	\$116,180,000	2.0%	\$13,942,000
2046/47	1,324,220	0.0%	872,162	0.0%	66%	\$136	2.0%	\$118,503,000	2.0%	\$14,220,000
2047/48	1,342,470	1.4%	872,162	0.0%	65%	\$139	2.0%	\$120,873,000	2.0%	\$14,505,000
2048/49	1,360,720	1.4%	885,244	1.5%	65%	\$141	2.0%	\$125,140,000	3.5%	\$15,017,000
2049/50	1,360,720	0.0%	894,097	1.0%	66%	\$144	2.0%	\$128,919,000	3.0%	\$15,470,000
2050/51	1,360,720	0.0%	894,097	0.0%	66%	\$147	2.0%	\$131,498,000	2.0%	\$15,780,000
2051/52	1,360,720	0.0%	894,097	0.0%	66%	\$150	2.0%	\$134,128,000	2.0%	\$16,095,000
2052/53	1,360,720	0.0%	894,097	0.0%	66%	\$153	2.0%	\$136,810,000	2.0%	\$16,417,000
2053/54	1,360,720	0.0%	894,097	0.0%	66%	\$156	2.0%	\$139,547,000	2.0%	\$16,746,000
2054/55	1,360,720	0.0%	894,097	0.0%	66%	\$159	2.0%	\$142,338,000	2.0%	\$17,081,000
2055/56	1,360,720	0.0%	894,097	0.0%	66%	\$162	2.0%	\$145,184,000	2.0%	\$17,422,000
2056/57	1,360,720	0.0%	894,097	0.0%	66%	\$166	2.0%	\$148,088,000	2.0%	\$17,771,000
2057/58	1,378,970	1.3%	903,038	1.0%	65%	\$169	2.0%	\$152,560,000	3.0%	\$18,307,000
<b>CAGR</b>	<b>0.2%</b>		<b>0.2%</b>			<b>2.0%</b>		<b>2.2%</b>		<b>2.2%</b>

Source: CBRE Hotels Advisory

#### 4. AIRBNB MARKET

As presented previously, we have estimated there were 260 permitted Airbnb rooms available as of July 2018. The market contributed approximately \$581,000 to the fiscal year 2017/18 City of Sacramento TOT collections. However, the City only started collecting TOT from permitted Airbnb units in September 2017, reflecting 10 months of the fiscal year 2017/18.

We have projected the annual supply, demand, ADR, and resulting lodging revenues for the permitted Airbnb Market from 2018/19 through 2057/58. Based on these projections, we have estimated the future TOT revenue for the next 40 years to be collected from the permitted Airbnb Market. A discussion of the assumptions used in analyzing the permitted Airbnb Market is provided in the following text.

**Additions to Supply:** As mentioned previously, the supply of Airbnb units varies drastically each month, with increases over 20 percent for the last 18 months. However, given the uncertainty surrounding the future of the Airbnb platform and the ease for owners to add and remove their units from the platform, we have projected a conservative increase in supply of 10 percent for the first three fiscal years of the projection period. It should be noted that the first fiscal year presents a supply increase of 32.5 percent due to 2018/19 being the first full year that the City of Sacramento will collect TOT revenues from this segment, as well as accounting for a 10 percent increase in supply. These supply additions over the first 3 years will add 86 new permitted Airbnb rooms to the market, resulting in a compounded annual growth rate of 0.5 percent over the 40-year period.

**Demand:** Demand for the permitted Airbnb Market is projected to increase at a compounded annual growth rate of 0.5 percent from the fiscal year 2018/19 to 2057/58, in-line with the growth in supply. Based on our understanding of this market, we estimate the market will remain at 65 percent occupancy throughout the projection period.

**Room Rate Growth:** We have estimated that ADR in the permitted Airbnb Market will increase at 3.0 percent throughout the projection period.

**Transient Occupancy Tax Rate:** We have assumed that all hotel and lodging properties will be subject to a uniform 12.0 percent tax rate throughout the analysis period.

Presented in the following table are our projections of TOT revenues generated by the permitted Airbnb Market in the City of Sacramento.

**Table F-6**  
**Sacramento Transient Occupancy Tax**  
**Airbnb Market**

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	TOT Revenue
2017/18	78,780		51,207		65%	\$95		\$4,840,000		\$581,000
2018/19	104,390	32.5%	67,849	32.5%	65%	\$97	3.0%	\$6,605,000	36.5%	\$793,000
2019/20	114,829	10.0%	74,634	10.0%	65%	\$100	3.0%	\$7,484,000	13.3%	\$898,000
2020/21	126,312	10.0%	82,098	10.0%	65%	\$103	3.0%	\$8,479,000	13.3%	\$1,018,000
2021/22	126,312	0.0%	82,098	0.0%	65%	\$106	3.0%	\$8,734,000	3.0%	\$1,048,000
2022/23	126,312	0.0%	82,098	0.0%	65%	\$110	3.0%	\$8,996,000	3.0%	\$1,079,000
2023/24	126,312	0.0%	82,098	0.0%	65%	\$113	3.0%	\$9,265,000	3.0%	\$1,112,000
2024/25	126,312	0.0%	82,098	0.0%	65%	\$116	3.0%	\$9,543,000	3.0%	\$1,145,000
2025/26	126,312	0.0%	82,098	0.0%	65%	\$120	3.0%	\$9,830,000	3.0%	\$1,180,000
2026/27	126,312	0.0%	82,098	0.0%	65%	\$123	3.0%	\$10,125,000	3.0%	\$1,215,000
2027/28	126,312	0.0%	82,098	0.0%	65%	\$127	3.0%	\$10,428,000	3.0%	\$1,251,000
2028/29	126,312	0.0%	82,098	0.0%	65%	\$131	3.0%	\$10,741,000	3.0%	\$1,289,000
2029/30	126,312	0.0%	82,098	0.0%	65%	\$135	3.0%	\$11,063,000	3.0%	\$1,328,000
2030/31	126,312	0.0%	82,098	0.0%	65%	\$139	3.0%	\$11,395,000	3.0%	\$1,367,000
2031/32	126,312	0.0%	82,098	0.0%	65%	\$143	3.0%	\$11,737,000	3.0%	\$1,408,000
2032/33	126,312	0.0%	82,098	0.0%	65%	\$147	3.0%	\$12,089,000	3.0%	\$1,451,000
2033/34	126,312	0.0%	82,098	0.0%	65%	\$152	3.0%	\$12,452,000	3.0%	\$1,494,000
2034/35	126,312	0.0%	82,098	0.0%	65%	\$156	3.0%	\$12,826,000	3.0%	\$1,539,000
2035/36	126,312	0.0%	82,098	0.0%	65%	\$161	3.0%	\$13,210,000	3.0%	\$1,585,000
2036/37	126,312	0.0%	82,098	0.0%	65%	\$166	3.0%	\$13,607,000	3.0%	\$1,633,000
2037/38	126,312	0.0%	82,098	0.0%	65%	\$171	3.0%	\$14,015,000	3.0%	\$1,682,000
2038/39	126,312	0.0%	82,098	0.0%	65%	\$176	3.0%	\$14,435,000	3.0%	\$1,732,000
2039/40	126,312	0.0%	82,098	0.0%	65%	\$181	3.0%	\$14,868,000	3.0%	\$1,784,000
2040/41	126,312	0.0%	82,098	0.0%	65%	\$187	3.0%	\$15,314,000	3.0%	\$1,838,000
2041/42	126,312	0.0%	82,098	0.0%	65%	\$192	3.0%	\$15,774,000	3.0%	\$1,893,000
2042/43	126,312	0.0%	82,098	0.0%	65%	\$198	3.0%	\$16,247,000	3.0%	\$1,950,000
2043/44	126,312	0.0%	82,098	0.0%	65%	\$204	3.0%	\$16,734,000	3.0%	\$2,008,000
2044/45	126,312	0.0%	82,098	0.0%	65%	\$210	3.0%	\$17,236,000	3.0%	\$2,068,000
2045/46	126,312	0.0%	82,098	0.0%	65%	\$216	3.0%	\$17,754,000	3.0%	\$2,130,000
2046/47	126,312	0.0%	82,098	0.0%	65%	\$223	3.0%	\$18,286,000	3.0%	\$2,194,000
2047/48	126,312	0.0%	82,098	0.0%	65%	\$229	3.0%	\$18,835,000	3.0%	\$2,260,000
2048/49	126,312	0.0%	82,098	0.0%	65%	\$236	3.0%	\$19,400,000	3.0%	\$2,328,000
2049/50	126,312	0.0%	82,098	0.0%	65%	\$243	3.0%	\$19,982,000	3.0%	\$2,398,000
2050/51	126,312	0.0%	82,098	0.0%	65%	\$251	3.0%	\$20,581,000	3.0%	\$2,470,000
2051/52	126,312	0.0%	82,098	0.0%	65%	\$258	3.0%	\$21,199,000	3.0%	\$2,544,000
2052/53	126,312	0.0%	82,098	0.0%	65%	\$266	3.0%	\$21,835,000	3.0%	\$2,620,000
2053/54	126,312	0.0%	82,098	0.0%	65%	\$274	3.0%	\$22,490,000	3.0%	\$2,699,000
2054/55	126,312	0.0%	82,098	0.0%	65%	\$282	3.0%	\$23,164,000	3.0%	\$2,780,000
2055/56	126,312	0.0%	82,098	0.0%	65%	\$291	3.0%	\$23,859,000	3.0%	\$2,863,000
2056/57	126,312	0.0%	82,098	0.0%	65%	\$299	3.0%	\$24,575,000	3.0%	\$2,949,000
2057/58	126,312	0.0%	82,098	0.0%	65%	\$308	3.0%	\$25,312,000	3.0%	\$3,037,000
CAGR	0.5%		0.5%			3.0%		3.5%		3.5%

Source: CBRE Hotels Advisory

## 5. TOTAL MARKET

Based on the previously presented projections for each market within the City of Sacramento lodging market, we have estimated the supply, demand, ADR, total room revenue, and

resulting TOT revenue for the total lodging market in the City of Sacramento for the 40-year projection period from 2018/19 through 2057/58. Presented in the following table are our projections of TOT revenues generated by the Total Market. The actual revenues from 2017/18 have been included as a point of comparison. As presented below, we have estimated TOT revenues for the City to increase by a CAGR of 3.8 percent over the 40-year projection period, below the 5.6 percent CAGR achieved over the previous 25 years.

**Table F-7**  
**Sacramento Transient Occupancy Tax**  
**Total Market**

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	TOT Revenue
2017/18	3,149,343		2,288,972		73%	\$116		\$266,508,000		\$31,981,000
2018/19	3,220,395	2.3%	2,319,734	1.3%	72%	\$120	3.2%	\$278,664,000	4.6%	\$33,441,000
2019/20	3,318,343	3.0%	2,331,484	0.5%	70%	\$122	1.6%	\$284,431,000	2.1%	\$34,131,000
2020/21	3,481,757	4.9%	2,435,343	4.5%	70%	\$126	3.2%	\$306,512,000	7.8%	\$36,782,000
2021/22	3,620,457	4.0%	2,585,019	6.1%	71%	\$133	5.7%	\$343,916,000	12.2%	\$41,270,000
2022/23	3,684,332	1.8%	2,678,729	3.6%	73%	\$139	4.4%	\$371,953,000	8.2%	\$44,634,000
2023/24	3,739,082	1.5%	2,734,970	2.1%	73%	\$144	3.7%	\$393,732,000	5.9%	\$47,248,000
2024/25	3,793,832	1.5%	2,784,650	1.8%	73%	\$149	3.6%	\$415,131,000	5.4%	\$49,815,000
2025/26	3,793,832	0.0%	2,784,650	0.0%	73%	\$153	2.8%	\$426,861,000	2.8%	\$51,224,000
2026/27	3,793,832	0.0%	2,784,650	0.0%	73%	\$158	2.8%	\$438,927,000	2.8%	\$52,671,000
2027/28	3,875,957	2.2%	2,807,585	0.8%	72%	\$162	3.0%	\$455,615,000	3.8%	\$54,673,000
2028/29	3,958,082	2.1%	2,863,234	2.0%	72%	\$167	3.0%	\$478,506,000	5.0%	\$57,421,000
2029/30	3,958,082	0.0%	2,895,360	1.1%	73%	\$172	2.8%	\$497,574,000	4.0%	\$59,710,000
2030/31	3,958,082	0.0%	2,895,360	0.0%	73%	\$177	2.8%	\$511,680,000	2.8%	\$61,402,000
2031/32	3,958,082	0.0%	2,895,360	0.0%	73%	\$182	2.8%	\$526,193,000	2.8%	\$63,143,000
2032/33	3,958,082	0.0%	2,895,360	0.0%	73%	\$187	2.8%	\$541,123,000	2.8%	\$64,935,000
2033/34	3,958,082	0.0%	2,895,360	0.0%	73%	\$192	2.8%	\$556,485,000	2.8%	\$66,777,000
2034/35	3,958,082	0.0%	2,895,360	0.0%	73%	\$198	2.8%	\$572,291,000	2.8%	\$68,675,000
2035/36	3,958,082	0.0%	2,895,360	0.0%	73%	\$203	2.8%	\$588,553,000	2.8%	\$70,626,000
2036/37	3,958,082	0.0%	2,895,360	0.0%	73%	\$209	2.8%	\$605,284,000	2.8%	\$72,633,000
2037/38	4,040,207	2.1%	2,920,481	0.9%	72%	\$215	3.1%	\$629,281,000	4.0%	\$75,514,000
2038/39	4,122,332	2.0%	2,982,975	2.1%	72%	\$222	3.0%	\$662,035,000	5.2%	\$79,444,000
2039/40	4,122,332	0.0%	3,020,813	1.3%	73%	\$228	2.8%	\$689,057,000	4.1%	\$82,687,000
2040/41	4,122,332	0.0%	3,020,813	0.0%	73%	\$235	2.9%	\$708,698,000	2.9%	\$85,044,000
2041/42	4,122,332	0.0%	3,020,813	0.0%	73%	\$241	2.9%	\$728,906,000	2.9%	\$87,469,000
2042/43	4,122,332	0.0%	3,020,813	0.0%	73%	\$248	2.9%	\$749,700,000	2.9%	\$89,964,000
2043/44	4,122,332	0.0%	3,020,813	0.0%	73%	\$255	2.9%	\$771,095,000	2.9%	\$92,532,000
2044/45	4,122,332	0.0%	3,020,813	0.0%	73%	\$263	2.9%	\$793,112,000	2.9%	\$95,173,000
2045/46	4,122,332	0.0%	3,020,813	0.0%	73%	\$270	2.9%	\$815,767,000	2.9%	\$97,892,000
2046/47	4,122,332	0.0%	3,020,813	0.0%	73%	\$278	2.9%	\$839,078,000	2.9%	\$100,689,000
2047/48	4,204,457	2.0%	3,042,609	0.7%	72%	\$286	3.1%	\$871,372,000	3.8%	\$104,564,000
2048/49	4,286,582	2.0%	3,107,900	2.1%	73%	\$295	3.0%	\$916,994,000	5.2%	\$110,040,000
2049/50	4,286,582	0.0%	3,142,898	1.1%	73%	\$304	2.9%	\$953,875,000	4.0%	\$114,465,000
2050/51	4,286,582	0.0%	3,142,898	0.0%	73%	\$312	2.9%	\$981,202,000	2.9%	\$117,745,000
2051/52	4,286,582	0.0%	3,142,898	0.0%	73%	\$321	2.9%	\$1,009,323,000	2.9%	\$121,119,000
2052/53	4,286,582	0.0%	3,142,898	0.0%	73%	\$330	2.9%	\$1,038,261,000	2.9%	\$124,591,000
2053/54	4,286,582	0.0%	3,142,898	0.0%	73%	\$340	2.9%	\$1,068,042,000	2.9%	\$128,166,000
2054/55	4,286,582	0.0%	3,142,898	0.0%	73%	\$350	2.9%	\$1,098,687,000	2.9%	\$131,843,000
2055/56	4,286,582	0.0%	3,142,898	0.0%	73%	\$360	2.9%	\$1,130,224,000	2.9%	\$135,627,000
2056/57	4,286,582	0.0%	3,142,898	0.0%	73%	\$370	2.9%	\$1,162,679,000	2.9%	\$139,522,000
2057/58	4,368,707	1.9%	3,184,340	1.3%	73%	\$381	3.0%	\$1,212,884,000	4.3%	\$145,546,000
<b>CAGR</b>	<b>0.8%</b>		<b>0.8%</b>			<b>3.0%</b>		<b>3.8%</b>		<b>3.8%</b>

Source: CBRE Hotels Advisory



This completes our forecast of Transient Occupancy Tax (TOT) revenue for the City of Sacramento. It has a pleasure working with you on this interesting assignment. After you have had an opportunity to review this letter, please feel free to contact us with any questions or comments.

Yours sincerely,

**CBRE Hotels Advisory**



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## APPENDIX C

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO

#### 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 was 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.

## Population

A comparison of the City's population growth to that of the County of Sacramento (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<sup>(1)</sup>  
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO  
AND THE STATE OF CALIFORNIA  
FOR SELECTED CALENDAR YEARS 2010 THROUGH 2018**

<b>Year<sup>(2)</sup></b>	<b>City of Sacramento</b>	<b>Average Annual % Change</b>	<b>County of Sacramento</b>	<b>Average Annual % Change</b>	<b>State of California</b>	<b>Average Annual % Change</b>
2010	466,488	-	1,420,434	-	37,309,382	-
2015	482,714	0.68%	1,482,542	0.85%	38,915,880	0.84%
2016	486,111	0.70	1,496,619	0.94	39,189,035	0.70
2017	493,025	1.42	1,514,770	1.21	39,523,613	0.90
2018	501,344	1.40	1,529,501	1.10	39,809,693	0.80

<sup>(1)</sup> Totals are estimates and may not add due to rounding.

<sup>(2)</sup> The population estimates incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

## 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 the supply of skilled labor have drawn a number of technology, financial services, and healthcare employers.

Set forth below are data reflecting the civilian labor force, employment, and unemployment for the Sacramento Metropolitan Statistical Area, which includes El Dorado, Placer, Sacramento, and Yolo Counties. These figures might not accurately reflect employment trends in the City.

**SACRAMENTO METROPOLITAN STATISTICAL AREA  
CIVILIAN LABOR FORCE, EMPLOYMENT, AND  
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY  
FOR YEARS 2013 THROUGH 2017**

<b>LABOR FORCE:</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Labor force <sup>(1)</sup>	1,046,500	1,046,700	1,055,800	1,073,300	1,080,900
Employment	955,900	972,200	994,200	1,017,300	1,032,000
Unemployment	90,600	74,500	61,600	56,000	48,900
Unemployment Rate	8.7%	7.1%	5.8%	5.2%	4.5%
<b>EMPLOYMENT INDUSTRY:</b>					
Total All Industries <sup>(2)</sup>	878,200	898,800	927,200	958,700	977,700
Total Farm	8,900	9,200	9,400	9,700	9,200
Total Non-farm	869,300	889,600	917,800	949,000	968,500
Mining & Logging	400	400	400	400	500
Construction	43,300	45,500	50,200	54,900	58,600
Manufacturing	34,100	35,400	36,400	36,200	35,500
Trade, Transportation & Utilities	141,700	143,400	147,200	152,100	154,400
Information	14,800	13,900	14,100	13,800	12,500
Financial Activities	49,400	48,900	50,800	51,700	52,100
Professional & Business Services	114,600	118,200	120,200	128,000	130,500
Education & Health Services	130,700	134,300	140,100	145,600	152,200
Leisure & Hospitality	88,700	91,800	95,400	99,800	103,400
Other Services	29,000	30,200	30,900	31,700	32,300
Total Government	222,500	227,800	232,000	234,700	236,600
Federal Government	13,500	13,600	13,700	14,000	14,200
State and Local Government	209,100	214,200	218,200	220,600	222,500

<sup>(1)</sup> Labor-force data are by place of residence and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work and excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: Labor Market Information Division of the California State Employment Development Department.

The table below identifies the major private-sector employers and the major public-sector employers for the greater Sacramento area (Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties). Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail, and financial services. Major public-sector employers include the State and the County. The data provided are through December 2017 and may not reflect subsequent changes in work force.

**SACRAMENTO COUNTY  
MAJOR PRIVATE AND PUBLIC SECTOR EMPLOYERS IN 2017**

<b>Company</b>	<b>Type of Business</b>	<b>No. of Full-Time Employees</b>
State of California	Government	74,462 <sup>(1)</sup>
Sacramento County	County Government	12,514
Kaiser Permanente	Healthcare	10,517
UC Davis Health System	Health Care	10,467
U.S. Government	Government	10,322
Sutter Health	Healthcare	9,911
Dignity Health	Healthcare	8,039
Intel Corp.	Semiconductor Manufacturer	6,000
Apple Inc.	Research and Development	5,000 <sup>(2)</sup>
Elk Grove Unified School District	School District	4,620
City of Sacramento	Municipal Government	4,458
Sacramento City Unified School District	Public School District	4,200
San Juan Unified School District	Public School District	4,156
Los Rios Community College District	Two-year Community College	3,223
Raley's	Grocery Store Chain	3,147
Health Net	Healthcare	3,000
VSP Global	Vision Care	2,927
California State University College	University	2,516
Sacramento Municipal Utility District	Municipal Electric Company	2,022
Wells Fargo & Company	Financial Services	1,804

<sup>(1)</sup> Includes contract employees.

Source: Sacramento Business Journal, 2017 Book of Lists, December, 2017.

## Commercial Activity

The following table summarizes taxable sales within the City during calendar years 2012 through 2016.

**CITY OF SACRAMENTO  
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS  
FOR YEARS 2012 THROUGH 2016  
(\$ in Thousands)**

<u>Type of Business</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Motor Vehicle and Parts Dealers	\$338,082	\$388,898	\$397,302	\$494,138	\$592,960
Home Furnishings & Appliance Stores	203,543	203,675	254,332	319,599	312,443
Building Materials	258,469	303,311	296,075	321,595	358,733
Food & Beverage	295,149	299,456	320,301	330,704	335,385
Gasoline Stations	612,199	599,365	578,764	500,134	459,365
Clothing & Accessories	339,108	340,610	329,495	349,842	354,274
General Merchandise	504,732	513,841	505,521	468,938	456,208
Food & Drinking	762,531	796,733	848,980	934,198	1,005,781
Other Retail	487,314	506,059	505,414	531,045	571,602
Total Retail & Food Services	3,801,126	3,951,948	4,036,184	4,250,197	4,446,755
All Other Outlets	1,670,192	1,752,173	1,827,038	1,933,227	1,998,709
TOTAL:	<u>\$5,471,319</u>	<u>\$5,704,121</u>	<u>\$5,863,222</u>	<u>\$6,183,425</u>	<u>\$6,445,464</u>

Note: Detail may not compute to total due to rounding.  
Source: State Board of Equalization

## Sacramento International Airport Enplaned Passengers

The following table shows enplaned passengers at Sacramento International Airport.

### Historical Enplaned Passengers International Airport Fiscal Years Ended June 30

<b>Fiscal Year</b>	<b>Domestic</b>	<b>International Flights</b>	<b>Total</b>	<b>Percent Change From Prior Year</b>
2007	5,246,380	60,909	5,307,289	3.0%
2008	5,210,409	84,328	5,294,737	(0.2)
2009	4,640,030	64,828	4,704,858	(11.1)
2010	4,491,300	58,609	4,549,909	(3.3)
2011	4,462,616	17,125	4,479,741	(1.5)
2012	4,432,762	47,241	4,480,003	0.0
2013	4,373,066	46,479	4,419,545	(1.3)
2014	4,311,133	65,104	4,376,237	(1.0)
2015	4,546,641	81,956	4,628,597	5.8
2016	4,846,744	96,441	4,943,185	6.8
2017	5,079,011	119,173	5,198,184	5.2
2018	5,648,522	113,064	5,761,586	10.8

Source: Sacramento County

## APPENDIX D

### SUMMARY OF THE INDENTURE

*The following is a brief summary of certain provisions of the Indenture which are not described elsewhere in this Official Statement. This summary is not intended to be definitive, and reference is made to the complete copy of the Indenture for the terms thereof.*

#### **Certain Definitions**

**“Annual Debt Service”** means, with respect to any Outstanding Bonds or Parity Obligations, the amount of Debt Service coming due with respect to the applicable Outstanding Bonds or Parity Obligations during the current or any future Bond Year.

**“Balloon Indebtedness”** means, with respect to any Bond or Parity Obligation 25% of more of the principal or other face amount of which matures or becomes due on the same date or within a 12-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of such Bond or Parity Obligation which matures or becomes due on such date or within such 12-month period.

**“Bond Counsel”** means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

**“Bond Year”** means any twelve-month period beginning on June 2 in any year and extending to the next succeeding June 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on June 1, 2019.

**“Bonds”** means, collectively, (a) the 2018 Bonds, and (b) any other series of Senior Bonds, Subordinate Bonds or Third Lien Bonds issued under the Indenture.

**“Business Day”** means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

**“Certificate of the City”** means a certificate in writing signed by the Mayor, City Manager or City Treasurer of the City, or any other person designated as an authorized officer of the City by a written certificate executed by the City Manager and filed with the Trustee.

**“Closing Date”** means, with respect to any series of Bonds, the date on which the Bonds are delivered by the City to the Original Purchaser thereof.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; premiums payable for a municipal bond insurance policy or a reserve policy insurance policy; and any other cost, charge or fee in connection with the original issuance of the Bonds.

**“Debt Service,”** when used with respect to any Bond or Parity Obligation, means, as of any date of calculation, and with respect to any applicable period, the sum of (a) the interest due on such Bond or Parity Obligation during such period, (b) the principal (including mandatory sinking fund payments) due on such Bond



or Parity Obligation during such period, and (c) any other regularly scheduled payments due on such Bond or Parity Obligation (e.g., annual fees); provided, however, that for purposes of such calculation:

(i) Balloon Indebtedness may, at the City's option, be treated as if it were to be amortized in substantially equal annual installments over a term of up to 30 years (which period shall be designated by the City), commencing in the year of incurrence by the City of such Balloon Indebtedness, and the interest rate used for such calculation shall be assumed by the City to be equal to either (1) a fixed rate equal to the average Revenue Bond Index during the calendar quarter preceding the calendar quarter in which the calculation is made, or if that index is no longer published, an interest rate equal to 80% of the yield (as of the close on the Business Day immediately preceding the date of calculation) for outstanding United States Treasury bonds having a maturity of ten years or (2) such interest rate as shall be specified in a written statement from an investment banking or financial advisory firm selected by the City;

(ii) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Bond or Parity Obligation;

(iii) if such Bond or Parity Obligation bears, or any proposed Bond or Parity Obligation will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Bond or Parity Obligation for periods when the actual interest rate cannot be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five years preceding such date of calculation, or if that index is no longer published, the interest rate on such Bond or Parity Obligation shall be calculated based upon the index that, following consultation with the City's municipal advisor and the remarketing agent, if any, for the applicable series of Bonds or Parity Obligations, the City determines most closely approximates the SIFMA Swap Index as designated in writing by the City to the Trustee;

(iv) if such Bond or Parity Obligation bears, or any proposed Bond or Parity Obligation will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Bond or Parity Obligation shall be calculated at an interest rate equal to 100% of the average one-month LIBOR rate for deposits in U.S. dollars during the five years preceding such date of calculation or such higher rate as the City shall designate in writing to the Trustee, or if that index is no longer published, the interest rate on such Bond or Parity Obligation shall be calculated based upon the index that, following consultation with the City's municipal advisor and the remarketing agent, if any, for the applicable series of Bonds or Parity Obligations, the City determines most closely approximates LIBOR as designated in writing by the City to the Trustee; and

(v) if such Bond or Parity Obligation bears, or any proposed Bond or Parity Obligation will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a synthetic fixed interest rate to maturity or for a specific term, the interest rate on such Bond or Parity Obligation shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term.

**"Depository"** means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under the Indenture.

**"Depository System Participant"** means any participant in the Depository's book-entry system.

**"DTC"** means The Depository Trust Company, and its successors and assigns.

**"Federal Securities"** means (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and

(b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

**“Fiscal Year”** means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

**“Include”** and its variants are terms of enlargement rather than of limitation. For example, “includes” means “includes but not limited to,” and “including” means “including but not limited to.”

**“Indenture”** means the Indenture of Trust between the City and the Trustee, as amended or supplemented from time to time under any Supplemental Indenture entered into under the provisions thereof.

**“Independent Accountant”** means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

**“Information Services”** means “EMMA” or the “Electronic Municipal Market Access” system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in a Certificate of the City delivered to the Trustee.

**“Interest Rate Swap Agreement”** means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement, or security, however denominated, entered into between the City and a counterparty, in connection with or incidental to the issuance, incurrence, or carrying of a Bond or Parity Obligation, including an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement, or security entered into in advance of the issuance or incurrence of a Bond or Parity Obligation.

**“Maximum Annual Debt Service”** means, with respect to any Outstanding Bond or Parity Obligation, the maximum amount of Debt Service coming due with respect to such Bond or Parity Obligation during the current or any future Bond Year in which any Debt Service for such Bond or Parity Obligation is due.

**“Moody’s”** means Moody’s Investors Services, and its successors.

**“Nominee”** means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under the Indenture.

**“Office”** means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in the Indenture, or at such other or additional offices as may be specified by the Trustee in writing to the City; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

**“Original Purchaser”** means, with respect to any series of Bonds, the original purchaser(s) of such Bonds from the City.

**“Outstanding,”** when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture;

and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the City thereunder.

“**Owner**” means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

“**Parity Obligation**” means any Senior Parity Obligation, Subordinate Parity Obligation and/or Third Lien Parity Obligation, as the context requires.

“**Participating Senior Bonds**” means (a) the 2018 Senior Bonds and (b) any other Senior Bonds which, pursuant to the terms of a Supplemental Indenture, are secured by amounts in the Senior Bonds Reserve Account.

“**Participating Subordinate Bonds**” means (a) the 2018 Subordinate Bonds and (b) any other Subordinate Bonds which, pursuant to the terms of a Supplemental Indenture, are secured by amounts in the Subordinate Bonds Reserve Account.

“**Participating Third Lien Bonds**” means any Third Lien Bonds which, pursuant to the terms of a Supplemental Indenture, are secured by amounts in the Third Lien Bonds Reserve Account.

“**Permitted Investments**” means any of the following:

- (a) Federal Securities.
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated “A-1+” or better by S&P.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (g) Obligations the interest on which is excludable from gross income under Section 103 of the Tax Code, and which are either (i) rated A or better by S&P, or (ii) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (i) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial

investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee if such rating at any time falls below A.

(k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

**“Project”** means, collectively, the acquisition, construction, completion, operation, repair and maintenance of capital improvements authorized by Section 3.28.180 of the Sacramento City Code, which are anticipated to consist of construction and repair projects for the Memorial Auditorium, the Community Center Theater, and the Convention Center as well as the acquisition or construction of other capital improvements eligible for TOT funding.

**“Project Costs”** means all costs of payment of, or reimbursement for, the engineering, design, acquisition, installation, provision and financing of the Project, including but not limited to, engineering and installation management costs, administrative costs and capital expenditures relating to financing payments, costs of accounting, feasibility, environmental and other reports, interest during the period of acquisition and installation of the Project, insurance costs, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, escrow fees, financing discounts, legal fees and charges, financial and other professional consultant fees and charges in connection with the foregoing.

**“Project Fund”** means the fund by that name established and held by the City under the Indenture.

**“Qualified Reserve Account Credit Instrument”** means (a) the 2018 Senior Bonds Reserve Policy, (b) the 2018 Subordinate Bonds Reserve Policy, or (c) any other irrevocable surety bond, bond insurance policy or other credit instrument issued by a commercial bank or insurance company and deposited with the Trustee under the Indenture, provided that all of the following requirements are met as of the date such instrument is deposited with the Trustee: (1) at the time of issuance the long-term credit rating or claims-paying ability, as the case may be, of such bank or insurance company is in one of the two highest rating categories (without regard to qualifiers) by S&P or Moody’s, or the claims paying ability of such insurance company is rated in one of the two highest rating categories (without regard to qualifiers) by A.M. Best & Company; (2) such surety bond, bond insurance policy or other credit instrument has a term of at least 12 months; (3) such surety bond, bond insurance policy or other credit instrument has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released under the Indenture, or the amount of the Reserve Requirement for which such surety bond, bond insurance policy or other credit instrument is being deposited in lieu of cash in connection with an initial issuance of Bonds; and (4) the Trustee is authorized under the terms of such surety bond, bond insurance policy or other credit instrument to draw thereunder an amount equal to any deficiencies which may exist from time to time in the applicable interest account or principal account held by the Trustee under the Indenture for the benefit of any series of Bonds covered thereby.

**“Redemption Fund”** means the fund by that name established and held by the Trustee under the Indenture.

**“Registration Books”** means the records maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

**“Request of the City”** means a request in writing signed by the Mayor, City Manager or City Treasurer of the City, or any other person designated as an authorized officer of the City by a written certificate executed by the City Manager and filed with the Trustee.

**“S&P”** means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors.

**“Sacramento Convention and Visitors Bureau”** means the Sacramento Convention and Visitors Bureau, also known as “Visit Sacramento,” as recipient of a portion of the transient occupancy taxes levied pursuant to Section 3.28.040 of the Sacramento City Code, or any successor thereto.

**“Securities Depositories”** means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

**“Senior Bonds”** means the 2018 Senior Bonds and, if the context requires, any Senior Parity Obligation issued under the Indenture pursuant to a Supplemental Indenture.

**“Senior Bonds Capitalized Interest Subaccount”** means the subaccount by that name established and held by the Trustee within the Senior Bonds Interest Account under the Indenture.

**“Senior Bonds Debt Service Fund”** means the fund by that name established and held by the Trustee under the Indenture.

**“Senior Bonds Interest Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Senior Bonds Principal Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Senior Bonds Reserve Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Senior Parity Obligation”** means any bonds, notes, loans, advances or other indebtedness issued or incurred by the City which are secured by a pledge of and lien on the TOT Revenues on a parity with the 2018 Senior Bonds pursuant to the Indenture.

**“State Loan”** means any Senior Parity Obligation, Subordinate Parity Obligation or Third Lien Parity Obligation with the State of California Department of Water Resources, the California Infrastructure Economic Development Bank or similar entity.

**“Subordinate Bonds”** means the 2018 Subordinate Bonds and, if the context requires, any Subordinate Parity Obligation issued under the Indenture pursuant to a Supplemental Indenture.

**“Subordinate Bonds Capitalized Interest Subaccount”** means the subaccount by that name established and held by the Trustee within the Subordinate Bonds Interest Account under the Indenture.

**“Subordinate Bonds Debt Service Fund”** means the fund by that name established and held by the Trustee under the Indenture.

**“Subordinate Bonds Interest Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Subordinate Bonds Principal Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Subordinate Bonds Reserve Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Subordinate Parity Obligations”** means any bonds, notes, loans, advances or other indebtedness issued or incurred by the City which are secured by a pledge of and lien on the TOT Revenues on a parity with the 2018 Subordinate Bonds pursuant to the Indenture.

**“Supplemental Indenture”** means any indenture, agreement or other instrument which amends, supplements or modifies the Indenture and which has been duly entered into between the City and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

**“Termination Payment”** means, with respect to any Interest Rate Swap Agreement, the amount payable by the City as a result of the termination of such Interest Rate Swap Agreement before its scheduled expiration date, including any fees and expenses related thereto.

**“Third Lien Bonds”** means any Third Lien Parity Obligation issued under the Indenture pursuant to a Supplemental Indenture and designated therein as “Third Lien Bonds”.

**“Third Lien Bonds Capitalized Interest Subaccount”** means the subaccount by that name established and held by the Trustee within the Third Lien Bonds Interest Account under the Indenture.

**“Third Lien Bonds Debt Service Fund”** means the fund by that name established and held by the Trustee under the Indenture.

**“Third Lien Bonds Interest Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Third Lien Bonds Principal Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Third Lien Bonds Reserve Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Third Lien Parity Obligation”** means any bonds, notes, or other obligations issued or incurred by the City pursuant to the Indenture secured by a pledge of, and lien on, the TOT Revenues on a basis subordinate to the Subordinate Bonds.

**“TOT Revenue Account”** means the account to be established and held by the City for the deposit by the TOT Revenues pursuant to the Indenture.

**“TOT Revenue Bond Law”** means Section 3.154 of the Sacramento City Code, which was enacted by Ordinance No. 2018-0041 adopted by the City Council on August 21, 2018.

**“TOT Revenues Surplus Account”** means the account by that name established and held by the Trustee under the Indenture.

**“Transient Occupancy Tax Account”** means the Transient Occupancy Tax Account within the Community Center Fund previously established and held by the City for the deposit by the assessor-collector of transient occupancy taxes pursuant to Section 3.28.180 of the Sacramento City Code.

**“2018 Senior Bonds Late Payment Rate”** has the meaning given it in the Indenture.

**“2018 Senior Bonds Policy Costs”** has the meaning given it in the Indenture.

**“2018 Senior Bonds Reserve Account Agreement”** means the Debt Service Reserve Agreement, dated the Closing Date with respect to the 2018 Senior Bonds, by and between the City and the 2018 Senior Bonds Reserve Insurer.

**“2018 Senior Bonds Reserve Insurer”** means Assured Guaranty Municipal Corp., as issuer of the 2018 Senior Bonds Reserve Policy, or any successor thereto.

**“2018 Senior Bonds Reserve Policy”** means the Municipal Bond Debt Service Reserve Insurance Policy issued by the 2018 Senior Bonds Reserve Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2018 Senior Bonds and any Participating Senior Bonds, as provided in such policy and in the 2018 Senior Bonds Reserve Account Agreement.

**“2018 Subordinate Bonds Late Payment Rate”** has the meaning given it in the Indenture.

**“2018 Subordinate Bonds Policy Costs”** has the meaning given it in the Indenture.

**“2018 Subordinate Bonds Reserve Account Agreement”** means the Debt Service Reserve Agreement, dated the Closing Date with respect to the 2018 Subordinate Bonds, by and between the City and the 2018 Subordinate Bonds Reserve Insurer.

**“2018 Subordinate Bonds Reserve Insurer”** means Assured Guaranty Municipal Corp., as issuer of the 2018 Subordinate Bonds Reserve Policy, or any successor thereto.

**“2018 Subordinate Bonds Reserve Policy”** means the Municipal Bond Debt Service Reserve Insurance Policy issued by the 2018 Subordinate Bonds Reserve Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2018 Subordinate Bonds and any Participating Subordinate Bonds, as provided in such policy and in the 2018 Subordinate Bonds Reserve Account Agreement.

**“2018 Tax-Exempt Bonds Account of the Costs of Issuance Fund”** means the account by that name established and held by the Trustee under the Indenture.

**“2018 Tax-Exempt Bonds Account of the Project Fund”** means the account by that name established and held by the City under the Indenture.

**“2018 Taxable Bonds Account of the Costs of Issuance Fund”** means the account by that name established and held by the Trustee under the Indenture.

**“2018 Taxable Bonds Account of the Project Fund”** means the account by that name established and held by the Trustee under the Indenture.

### **General Provisions of Bonds; Redemption**

General provisions of the 2018 Bonds, including terms of payment and redemption, are set forth in the main body of the Official Statement.

In lieu of redemption of 2018 Bonds under the Indenture, the Trustee may purchase Outstanding 2018 Bonds, as directed by the City in a Request of the City, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Request of the City may provide, but in no event may 2018 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2018 Bonds were to be redeemed in accordance with the Indenture.

## **Transfer and Exchange of Bonds**

A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under the Indenture. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of Bonds. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

No transfers or exchanges of Bonds shall be required to be made (i) 15 days before the date established by the Trustee for selection of Bonds for redemption; (ii) with respect to a Bond, after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

## **Registration Books**

The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the City. The Trustee will register the ownership and transfer of the Bonds on the Registration Books under such reasonable regulations as it may prescribe.

## **Bonds Mutilated, Lost, Destroyed or Stolen**

If a Bond is mutilated, the City, at the expense of the Owner of that Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to or upon the order of the City. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if indemnity satisfactory to the Trustee is given, the City, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under these provisions in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and are equally and proportionately entitled to the benefits of the Indenture with all other Bonds issued under the Indenture. Notwithstanding the foregoing, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

## **Establishment and Application of Costs of Issuance Fund**

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund," and within such fund the "2018 Tax-Exempt Bonds Account of the Costs of Issuance Fund" and the "2018 Taxable Bonds Account of the Costs of Issuance Fund," into which the Trustee shall deposit a portion of the proceeds of sale of the 2018 Bonds under the Indenture. The Trustee shall disburse amounts in the 2018 Tax-Exempt Bonds Account of the Costs of Issuance Fund from time to time to pay the Costs of



Issuance of the 2018 Tax-Exempt Bonds upon submission of a Request of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account. The Trustee shall disburse amounts in the 2018 Taxable Bonds Account of the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the 2018 Taxable Senior Bonds, upon submission of a Request of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account. The Trustee may conclusively rely on such Requests of the City and shall be fully protected in relying thereon. On May 1, 2019, or upon the earlier Request of the City, the Trustee shall transfer (a) all amounts remaining in the 2018 Tax-Exempt Bonds Account of the Costs of Issuance Fund to the City for deposit in the 2018 Tax-Exempt Bonds Account of the Project Fund and (b) all amounts remaining in the 2018 Taxable Bonds Account of the Costs of Issuance Fund to the City for deposit in the 2018 Taxable Bonds Account of the Project Fund. After making such transfers, the Trustee shall close the 2018 Bonds Tax-Exempt Account of the Costs of Issuance Fund and the 2018 Bonds Taxable Account of the Costs of Issuance Fund.

### **Establishment and Application of Project Fund**

The City shall establish, maintain and hold in trust a separate fund designated as the “Project Fund,” and within such fund the “2018 Tax-Exempt Bonds Account of the Project Fund” and the “2018 Taxable Bonds Account of the Project Fund,” into which the City shall deposit the portion of the proceeds of sale of the 2018 Bonds transferred to the City under the Indenture. The City shall disburse amounts in the 2018 Tax-Exempt Bonds Account of the Project Fund and 2018 Taxable Bonds Account of the Project Fund from time to time to pay Project Costs. The City shall keep, or cause to be kept, proper books of record and accounts, in which complete and correct entries are made of all transactions relating to the Project Fund. Upon the determination by the City that the Project has been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, the City shall withdraw all amounts remaining on deposit in the Project Fund, if any, and transfer such amounts to the Trustee for the payment of Debt Service on the Bonds, in accordance with a Certificate of the City related thereto. After making such transfer, the City shall close the Project Fund.

### **Issuance of Parity Obligations**

Provisions regarding the issuance of Senior Parity Obligations, Subordinate Parity Obligations and Parity Obligations issued on a basis that is subordinate to Subordinate Parity Obligations are set forth in the main body of the Official Statement.

### **Security for the Bonds; Flow of Funds**

Provisions regarding the security for the Bonds and the flow of funds under the Indenture are set forth in the main body of the Official Statement.

The City has previously established the Transient Occupancy Tax Account, which the City will continue to hold and maintain for the purpose of depositing all transient occupancy taxes collected by the City. Promptly upon receipt, the City shall set aside amounts collected pursuant to Section 3.28.040 of the City Code that are required to fund the Sacramento Convention and Visitors Bureau in accordance with said section, which amounts are not pledged to the Senior Bonds, Senior Parity Obligations, Subordinate Bonds, Subordinate Parity Obligations, Third Lien Bonds or Third Lien Parity Obligations. On the first business day of each January, April, July and October, or such other dates as determined by the City, the City shall transfer from the Transient Occupancy Tax Account, one-quarter of the amount required to fund the Sacramento Convention and Visitors Bureau pursuant to Section 3.28.040 of the City Code.

## **Redemption Fund**

Upon the determination by the City to optionally redeem any Bonds under the Indenture, the Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit the funds received, in accordance with a Request of the City, which amounts shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be optionally redeemed. At any time before the selection of Bonds for optional redemption, the Trustee may apply such amounts to the purchase of such Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the applicable Interest Account) as shall be directed under a Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the optional redemption price then applicable to the Bonds to be optionally redeemed. The Trustee is entitled to conclusively rely on any Request of the City received under the Indenture and is fully protected in relying thereon.

## **Investment of Moneys in Funds**

The Trustee shall invest moneys in the funds and accounts established and held by it under the Indenture in Permitted Investments specified in a Request of the City (which Request of the City will be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in advance of the making of such investments. If and to the extent set forth in a Request of the City filed with the Trustee, the City may designate an investment advisor or investment advisory firm that is authorized to act on its behalf for purposes of directing the investment of amounts in any of the funds and accounts established under the Indenture and held by the Trustee. In the absence of any direction from the City concerning the investment of amounts held by the Trustee under the Indenture, the Trustee shall invest any such amounts solely in Permitted Investments described in subsection (f) of the definition thereof.

Moneys held in the TOT Revenues Surplus Account shall be invested at a yield not in excess of the yield on the 2018 Tax-Exempt Bonds or yield reduction payments under section 148 of the Tax Code shall be made to the federal government.

The City shall invest amounts held by it under the Indenture in any obligations or securities in which the City is legally authorized to invest funds within its control under the laws of the State of California.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. Whenever in the Indenture the City is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture will be retained in the respective fund or account from which such investment was made; except that the Trustee shall deposit all interest or gain from the investment of amounts in (i) the Senior Bonds Reserve Account into the Senior Bonds Interest Account, (ii) the Subordinate Bonds Reserve Account into the Subordinate Bonds Interest Account, and (iii) the Third Lien Bonds Reserve Account into the Third Lien Bonds Interest Account, in each case, to the extent not required to cause the balance in the applicable reserve account to equal the Reserve Requirement for the Bonds covered thereby. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made.

## **Valuation and Disposition of Investments**

Except as otherwise provided in the following paragraph, the City covenants that all investments of amounts deposited in any fund or account created by or under the Indenture, or otherwise containing gross proceeds of the 2018 Tax-Exempt Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Indenture or the Tax Code) at Fair Market Value as such term is defined below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the City in any Certificate or Request of the City.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the City shall inform the Trustee which funds are subject to a yield restriction, and shall provide the Trustee with any necessary valuation criteria or formulae.

Except as provided in the preceding paragraph, for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the City in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom.

The term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

#### **Qualified Reserve Account Credit Instruments**

The City may at any time tender to the Trustee a Qualified Reserve Account Credit Instrument in replacement for all a portion of the funds then on deposit in any reserve account established for any Series of Bonds, including the Senior Bonds Reserve Account, Subordinate Bonds Reserve Account or Third Lien Bonds Reserve Account. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as required to receive payments thereunder if, and to the extent, required to make any payment when and as required under the Indenture. Upon the expiration of any Qualified Reserve Account Credit Instrument, the City will either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the amount of the Reserve Requirement for the applicable series of Bonds covered thereby, to be derived from the first available TOT Revenues and/or other revenues pledged to the applicable series of Bonds. The City shall be under no obligation to replace a Qualified Reserve Account Credit Instrument or deposit cash to any reserve account established for any series of Bonds if the provider of a Qualified Reserve Account Credit Instrument deposited therein receives a rating downgrade or fails to perform, or for any other reason not specified in the immediately preceding sentence.

If a Qualified Reserve Account Credit Instrument is delivered at any time to meet the entirety of the Reserve Requirement with respect to one or more series of Bonds (that is, no cash is being deposited or will remain deposited in the applicable reserve account with respect to those series of Bonds), then, notwithstanding the foregoing, the Reserve Requirement will, with respect to those series of Bonds, be determined only at the time of the delivery of the Qualified Reserve Account Credit Instrument and will not be subject to increase or decrease at a later date.

The 2018 Senior Bonds Reserve Policy and the 2018 Subordinate Bonds Reserve Policy each constitute a Qualified Reserve Account Credit Instrument.

## **Provisions Relating to 2018 Senior Bonds Reserve Policy**

Notwithstanding anything to the contrary in the Indenture, the following provisions shall apply with respect to the 2018 Senior Bonds Reserve Policy:

(a) Amounts drawn under the 2018 Senior Bonds Reserve Policy shall be available only for the payment of scheduled principal and interest on the 2018 Senior Bonds and any Participating Senior Bonds when due. The prior written consent of the 2018 Senior Bonds Reserve Insurer shall be a condition precedent to the deposit of any Qualified Reserve Account Credit Instrument credited to the Senior Bonds Reserve Account in lieu of a cash deposit thereto or in substitution of a cash deposit therein.

(b) The City shall repay any draws under the 2018 Senior Bonds Reserve Policy and pay all related reasonable expenses incurred by the 2018 Senior Bonds Reserve Insurer and shall pay interest thereon from the date of payment by the 2018 Senior Bonds Reserve Insurer at the 2018 Senior Bonds Late Payment Rate. "2018 Senior Bonds Late Payment Rate" means the lesser of (x) 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 change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the 2018 Senior Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The 2018 Senior Bonds 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 national bank as the 2018 Senior Bonds Reserve Insurer shall specify. If the interest provisions of this clause (b) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the 2018 Senior Bonds Reserve Insurer, with the same force and effect as if the City had specifically designated such extra sums to be so applied and the 2018 Senior Bonds Reserve Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(c) Repayment of draws and payment of expenses and accrued interest thereon at the 2018 Senior Bonds Late Payment Rate (collectively, "2018 Senior Bonds 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 2018 Senior Bonds Policy Costs related to such draw.

(d) Amounts in respect of 2018 Senior Bonds Policy Costs paid to the 2018 Senior Bonds Reserve Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2018 Senior Bonds Reserve Insurer on account of principal due, the coverage under the 2018 Senior Bonds Reserve Policy will be increased by a like amount, subject to the terms of the 2018 Senior Bonds Reserve Policy. The obligation to pay 2018 Senior Bonds Policy Costs shall be secured by a valid lien on, and payable solely from, the TOT Revenues and other amounts pledged as security for the 2018 Senior Bonds (subject only to the priority of payment provisions set forth in the Indenture).

(e) All cash and investments in the Senior Bonds Reserve Account shall be transferred to the Senior Bonds Debt Service Fund for payment of debt service on the 2018 Senior Bonds and any Participating Senior Bonds before any drawing may be made on the 2018 Senior Bonds Reserve Policy or any other Qualified Reserve Account Credit Instrument credited to the Senior Bonds Reserve Account in lieu of cash. Payment of any 2018

Senior Bonds Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Qualified Reserve Account Credit Instruments deposited to the Senior Bonds Reserve Account (including the 2018 Senior Bonds Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Senior Bonds Reserve Account. Payment of 2018 Senior Bonds Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Senior Bonds Reserve Account. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the 2018 Senior Bonds Reserve Policy and the terms of any other Qualified Reserve Account Credit Instrument on deposit in the Senior Bonds Reserve Account, without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(f) Upon a failure to pay 2018 Senior Bonds Policy Costs when due or any other breach of the terms of the Indenture, the 2018 Senior Bonds Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the 2018 Senior Bonds or (ii) remedies which would adversely affect owners of the 2018 Senior Bonds.

(g) The Indenture shall not be discharged until all 2018 Senior Bonds Policy Costs owing to the 2018 Senior Bonds Reserve Insurer shall have been paid in full. The City’s obligation to pay such amounts shall expressly survive payment in full of the 2018 Senior Bonds.

(h) The City shall include any 2018 Senior Bonds Policy Costs then due and owing to the 2018 Senior Bonds Reserve Insurer in the calculation for the issuance of Senior Parity Obligations in the Indenture.

(i) The Trustee shall ascertain the necessity for a claim upon the 2018 Senior Bonds Reserve Policy in accordance with the provisions of clause (b) and to provide notice to the 2018 Senior Bonds Reserve Insurer in accordance with the terms of the 2018 Senior Bonds Reserve Policy at least five business days prior to each date upon which interest or principal is due on the 2018 Senior Bonds. So long as deposits are required to be made by the City to the Trustee to the Senior Bonds Debt Service Fund more often than semi-annually, the Trustee shall give notice to the 2018 Senior Bonds Reserve Insurer of any failure of the City to make timely payment in full of such deposits within two business days of the date due.

(j) The City will pay or reimburse the 2018 Senior Bonds Reserve Insurer any and all charges, fees, costs, losses, liabilities and expenses which the 2018 Senior Bonds Reserve Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the 2018 Senior Bonds Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or the 2018 Senior Bonds Reserve Account Agreement, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City) relating to the Indenture or the 2018 Senior Bonds Reserve Account Agreement, any party to the Indenture or the 2018 Senior Bonds Reserve Account Agreement or the transactions contemplated thereby, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or the 2018 Senior Bonds Reserve Account Agreement, if any, or the pursuit of any remedies under the Indenture or the 2018 Senior Bonds Reserve Account Agreement, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to the Indenture, the 2018 Senior Bonds Reserve Policy or the 2018 Senior Bonds Reserve Account Agreement, whether or not executed or completed, or (v) any action taken by the 2018 Senior Bonds Reserve Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture or the 2018 Senior Bonds Reserve Account Agreement. Costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2018 Senior Bonds Reserve Insurer spent in connection with the actions described in clauses (ii) through (v) above. The 2018 Senior Bonds Reserve

Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the 2018 Senior Bonds Reserve Account Agreement. Amounts payable by the City under the Indenture shall bear interest at the 2018 Senior Bonds Late Payment Rate from the date such amount is paid or incurred by the 2018 Senior Bonds Reserve Insurer until the date the 2018 Senior Bonds Reserve Insurer is paid in full.

(k) The obligation of the City to pay all amounts due to the 2018 Senior Bonds Reserve Insurer shall be an absolute and unconditional obligation of the City and will be paid or performed strictly in accordance with the provisions of the Indenture, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to, the 2018 Senior Bonds, the Indenture or the 2018 Senior Bonds Reserve Account Agreement; (ii) any amendment or other modification of, or waiver with respect to the 2018 Senior Bonds Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in the TOT Revenues and other amounts securing the 2018 Senior Bonds, the Indenture or the 2018 Senior Bonds Reserve Account Agreement; (iv) whether or not the 2018 Senior Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the 2018 Senior Bonds Reserve Policy, the Indenture or the 2018 Senior Bonds Reserve Account Agreement; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the City may have at any time against the Trustee or any other person or entity other than the 2018 Senior Bonds Reserve Insurer, whether in connection with the transactions contemplated herein or the 2018 Senior Bonds Reserve Account Agreement or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the 2018 Senior Bonds Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the 2018 Senior Bonds Reserve Insurer under the 2018 Senior Bonds Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the 2018 Senior Bonds Reserve Policy.

(l) The City shall fully observe, perform, and fulfill each of the provisions (as each of those provisions may be amended, supplemented, modified or waived with the prior written consent of the 2018 Senior Bonds Reserve Insurer) of the Indenture applicable to it, each of the provisions thereof being expressly incorporated herein by reference solely for the benefit of the 2018 Senior Bonds Reserve Insurer as if set forth directly herein. No provision of the Indenture or the 2018 Senior Bonds Reserve Account Agreement shall be amended, supplemented, modified or waived, without the prior written consent of the 2018 Senior Bonds Reserve Insurer, in any material respect or otherwise in a manner that could adversely affect the payment obligations of the City to the 2018 Senior Bonds Reserve Insurer, or the priority accorded to the reimbursement of 2018 Senior Bonds Policy Costs, under the Indenture.

(m) The 2018 Senior Bonds Reserve Insurer is expressly made a third party beneficiary of the Indenture.

(n) The City covenants to provide to the 2018 Senior Bonds Reserve Insurer, promptly upon request, any information regarding the 2018 Senior Bonds or the financial condition and operations of the City as reasonably requested by the 2018 Senior Bonds Reserve Insurer. The City will permit the 2018 Senior Bonds Reserve Insurer to discuss the affairs, finances and accounts of the City or any information the 2018 Senior Bonds Reserve Insurer may reasonably request regarding the security for the 2018 Senior Bonds with appropriate officers of the City, and will use commercially reasonable efforts to enable the 2018 Senior Bonds Reserve Insurer to have access to the facilities, books and records of the City on any Business Day, upon reasonable prior notice.

## **Provisions Relating to 2018 Subordinate Bonds Reserve Policy**

Notwithstanding anything to the contrary in the Indenture, the following provisions shall apply with respect to the 2018 Subordinate Bonds Reserve Policy:

(a) Amounts drawn under the 2018 Subordinate Bonds Reserve Policy shall be available only for the payment of scheduled principal and interest on the 2018 Subordinate Bonds and any Participating Subordinate Bonds when due. The prior written consent of the 2018 Subordinate Bonds Reserve Insurer shall be a condition precedent to the deposit of any Qualified Reserve Account Credit Instrument credited to the Subordinate Bonds Reserve Account in lieu of a cash deposit thereto or in substitution of a cash deposit therein.

(b) The City shall repay any draws under the 2018 Subordinate Bonds Reserve Policy and pay all related reasonable expenses incurred by the 2018 Subordinate Bonds Reserve Insurer and shall pay interest thereon from the date of payment by the 2018 Subordinate Bonds Reserve Insurer at the 2018 Subordinate Bonds Late Payment Rate. "2018 Subordinate Bonds Late Payment Rate" means the lesser of (x) 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 change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the 2018 Subordinate Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The 2018 Subordinate Bonds 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 national bank as the 2018 Subordinate Bonds Reserve Insurer shall specify. If the interest provisions of this clause (b) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the 2018 Subordinate Bonds Reserve Insurer, with the same force and effect as if the City had specifically designated such extra sums to be so applied and the 2018 Subordinate Bonds Reserve Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(c) Repayment of draws and payment of expenses and accrued interest thereon at the 2018 Subordinate Bonds Late Payment Rate (collectively, "2018 Subordinate Bonds 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 2018 Subordinate Bonds Policy Costs related to such draw.

(d) Amounts in respect of 2018 Subordinate Bonds Policy Costs paid to the 2018 Subordinate Bonds Reserve Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2018 Subordinate Bonds Reserve Insurer on account of principal due, the coverage under the 2018 Subordinate Bonds Reserve Policy will be increased by a like amount, subject to the terms of the 2018 Subordinate Bonds Reserve Policy. The obligation to pay 2018 Subordinate Bonds Policy Costs shall be secured by a valid lien on, and payable solely from, the TOT Revenues and other amounts pledged as security for the 2018 Subordinate Bonds (subject only to the priority of payment provisions set forth in the Indenture).

(e) All cash and investments in the Subordinate Bonds Reserve Account shall be transferred to the Subordinate Bonds Debt Service Fund for payment of debt service on the 2018 Subordinate Bonds and any Participating Subordinate Bonds before any drawing may be made on the 2018 Subordinate Bonds Reserve

Policy or any other Qualified Reserve Account Credit Instrument credited to the Subordinate Bonds Reserve Account in lieu of cash. Payment of any 2018 Subordinate Bonds Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Qualified Reserve Account Credit Instruments deposited to the Subordinate Bonds Reserve Account (including the 2018 Subordinate Bonds Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Subordinate Bonds Reserve Account. Payment of 2018 Subordinate Bonds Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Subordinate Bonds Reserve Account. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the 2018 Subordinate Bonds Reserve Policy and the terms of any other Qualified Reserve Account Credit Instrument on deposit in the Subordinate Bonds Reserve Account, without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(f) Upon a failure to pay 2018 Subordinate Bonds Policy Costs when due or any other breach of the terms of the Indenture, the 2018 Subordinate Bonds Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the 2018 Subordinate Bonds or (ii) remedies which would adversely affect owners of the 2018 Subordinate Bonds.

(g) The Indenture shall not be discharged until all 2018 Subordinate Bonds Policy Costs owing to the 2018 Subordinate Bonds Reserve Insurer shall have been paid in full. The City’s obligation to pay such amounts shall expressly survive payment in full of the 2018 Subordinate Bonds.

(h) The City shall include any 2018 Subordinate Bonds Policy Costs then due and owing to the 2018 Subordinate Bonds Reserve Insurer in the calculation for the issuance of Subordinate Parity Obligations in the Indenture.

(i) The Trustee shall ascertain the necessity for a claim upon the 2018 Subordinate Bonds Reserve Policy in accordance with the provisions of clause (b) and to provide notice to the 2018 Subordinate Bonds Reserve Insurer in accordance with the terms of the 2018 Subordinate Bonds Reserve Policy at least five business days prior to each date upon which interest or principal is due on the 2018 Subordinate Bonds. So long as deposits are required to be made by the City to the Trustee to the Subordinate Bonds Debt Service Fund more often than semi-annually, the Trustee shall give notice to the 2018 Subordinate Bonds Reserve Insurer of any failure of the City to make timely payment in full of such deposits within two business days of the date due.

(j) The City will pay or reimburse the 2018 Subordinate Bonds Reserve Insurer any and all charges, fees, costs, losses, liabilities and expenses which the 2018 Subordinate Bonds Reserve Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the 2018 Subordinate Bonds Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City) relating to the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement, any party to the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement or the transactions contemplated thereby, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement, if any, or the pursuit of any remedies under the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to the Indenture, the 2018 Subordinate Bonds Reserve Policy or the 2018 Subordinate Bonds Reserve Account Agreement, whether or not executed or completed, or (v) any action taken by the 2018 Subordinate Bonds Reserve Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture or the 2018 Subordinate Bonds



Reserve Account Agreement. Costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2018 Subordinate Bonds Reserve Insurer spent in connection with the actions described in clauses (ii) through (v) above. The 2018 Subordinate Bonds Reserve Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement. Amounts payable by the City under the Indenture shall bear interest at the 2018 Subordinate Bonds Late Payment Rate from the date such amount is paid or incurred by the 2018 Subordinate Bonds Reserve Insurer until the date the 2018 Subordinate Bonds Reserve Insurer is paid in full.

(k) The obligation of the City to pay all amounts due to the 2018 Subordinate Bonds Reserve Insurer shall be an absolute and unconditional obligation of the City and will be paid or performed strictly in accordance with the provisions of the Indenture, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to, the 2018 Subordinate Bonds, the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement; (ii) any amendment or other modification of, or waiver with respect to the 2018 Subordinate Bonds Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in the TOT Revenues and other amounts securing the 2018 Subordinate Bonds, the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement; (iv) whether or not the 2018 Subordinate Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the 2018 Subordinate Bonds Reserve Policy, the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the City may have at any time against the Trustee or any other person or entity other than the 2018 Subordinate Bonds Reserve Insurer, whether in connection with the transactions contemplated herein or the 2018 Subordinate Bonds Reserve Account Agreement or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the 2018 Subordinate Bonds Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the 2018 Subordinate Bonds Reserve Insurer under the 2018 Subordinate Bonds Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the 2018 Subordinate Bonds Reserve Policy.

(l) The City shall fully observe, perform, and fulfill each of the provisions (as each of those provisions may be amended, supplemented, modified or waived with the prior written consent of the 2018 Subordinate Bonds Reserve Insurer) of the Indenture applicable to it, each of the provisions thereof being expressly incorporated herein by reference solely for the benefit of the 2018 Subordinate Bonds Reserve Insurer as if set forth directly herein. No provision of the Indenture or the 2018 Subordinate Bonds Reserve Account Agreement shall be amended, supplemented, modified or waived, without the prior written consent of the 2018 Subordinate Bonds Reserve Insurer, in any material respect or otherwise in a manner that could adversely affect the payment obligations of the City to the 2018 Subordinate Bonds Reserve Insurer, or the priority accorded to the reimbursement of 2018 Subordinate Bonds Policy Costs, under the Indenture.

(m) The 2018 Subordinate Bonds Reserve Insurer is expressly made a third party beneficiary of the Indenture.

(n) The City covenants to provide to the 2018 Subordinate Bonds Reserve Insurer, promptly upon request, any information regarding the 2018 Subordinate Bonds or the financial condition and operations of the City as reasonably requested by the 2018 Subordinate Bonds Reserve Insurer. The City will permit the 2018 Subordinate Bonds Reserve Insurer to discuss the affairs, finances and accounts of the City or any information the 2018 Subordinate Bonds Reserve Insurer may reasonably request regarding the security for the 2018 Subordinate Bonds with appropriate officers of the City, and will use commercially reasonable efforts to enable the 2018 Subordinate Bonds Reserve Insurer to have access to the facilities, books and records of the City on any Business Day, upon reasonable prior notice.

## **Certain Covenants of the City**

Certain covenants of the City are set forth in the main body of the Official Statement.

***Payment of Claims.*** The City will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the TOT Revenues or any other revenues pledged to any series of Bonds or any part thereof, or upon any funds held by the Trustee under the Indenture, or which might impair the security of the Bonds. Nothing herein requires the City to make any such payment so long as the City in good faith contests the validity of said claims.

***Compliance with Parity Obligation Documents.*** The City will faithfully observe and perform all of the conditions, covenants and requirements of the documents authorizing the issuance of any Parity Obligation. The City shall not take any action, or omit to take any action within its control, which constitutes or which with the passage of time if not cured would constitute, an Event of Default under the Indenture of an event of default under and within the meaning of the documents authorizing the issuance of any Parity Obligation.

***Books and Accounts.*** The City shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries are made of all transactions relating to the TOT Revenues. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect) and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

***Protection of Rights of Security Holders.*** The City shall preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the City shall not contest the validity or enforceability of the Bonds or the Indenture.

***Maintenance of Priority of Pledges.*** Except as set forth in the Indenture, the City shall not create any pledge, lien, or security interest in any of the TOT Revenues having priority over the pledge, lien and security interest granted in favor of the Senior Bonds. The City shall not create any pledge, lien or security interest in any of the TOT Revenues having priority over the Subordinate Bonds, except as set forth in the Indenture and except for the pledge, lien and security interest granted in favor of the Senior Bonds and Senior Parity Obligations. The City shall not create any pledge, lien or security interest in any of the TOT Revenues having priority over the Third Lien Bonds, except as set forth in the Indenture and except for the pledge, lien and security interest granted in favor of the Senior Bonds, Senior Parity Obligations, Subordinate Bonds and Subordinate Parity Obligations.

***City Actions.*** If the TOT Revenue Bond Law or any other law pursuant to which the Indenture is entered into, the Bonds are issued or the TOT Revenues or any other revenues pledged to any series of Bonds are levied or collected shall ever be held to be invalid or unenforceable, the City shall take any action which is legally available to the City to comply with the obligations of the City under the Indenture.

***Further Assurances.*** The City shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Bond Owners the rights and benefits provided in the Indenture.

## **Tax Covenants Relating to 2018 Tax-Exempt Bonds**

***Generally.*** The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the 2018 Tax-Exempt Bonds to become includable in gross income for federal income tax purposes.

***Private Activity Bond Limitation.*** The City shall assure that the proceeds of the 2018 Tax-Exempt Bonds are not used in a manner which would cause the 2018 Tax-Exempt Bonds to become “private activity bonds” within the meaning of section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

***Federal Guarantee Prohibition.*** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2018 Tax-Exempt Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

***No Arbitrage.*** The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the 2018 Tax-Exempt Bonds proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the 2018 Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

***Rebate of Excess Investment Earnings.*** The City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the 2018 Tax-Exempt Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The City shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the 2018 Tax-Exempt Bonds, records of the determinations made under this subsection.

#### **Duties, Immunities and Liabilities of Trustee**

The Trustee shall, before the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or duties will be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

The City may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time (A) the Trustee ceases to be eligible in accordance with the Indenture, (B) becomes incapable of acting, (C) is adjudged a bankrupt or insolvent, (D) a receiver of the Trustee or its property is appointed, or (E) any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The City may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the City will appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the City, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the City, or any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the City and

to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City will mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall: (i) be a company or bank having trust powers, (ii) have a corporate trust office in the State of California, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and (iv) be subject to supervision or examination by federal or state authority.

If such bank or company 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 the Indenture the combined capital and surplus of such bank or company is deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

The City shall maintain a Trustee qualified under the provisions of the foregoing provisions, so long as any Bonds are Outstanding.

### **Merger or Consolidation of Trustee**

Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

### **Liability of Trustee**

The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor does it make any representations as to the validity or sufficiency of the Indenture or of the Bonds nor does it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by

it with due care. The Trustee may become the Owner of Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in any financial or other transaction with the City.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of a series of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture with respect to such series of the Bonds. The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty.

The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default under the Indenture or thereunder. The Trustee shall not be responsible for the City's payment of principal and interest on the Bonds, the City's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under the Indenture and may rely conclusively on the Certificate of the City accompanying such financial statements to establish the City's compliance with its covenants under the Indenture, including, without limitation, its covenants regarding the deposit and investment of amounts under the Indenture (other than its covenants to transfer such moneys to the Trustee when due under the Indenture).

No provision in the Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture. The Trustee is entitled to receive interest on any moneys advanced by it under the Indenture, at the maximum rate permitted by law. The Trustee may establish additional accounts or subaccounts of the funds established under the Indenture as the Trustee deems necessary or prudent in furtherance of its duties under the Indenture. The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

Before taking any action under the Indenture, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur under the Indenture. The immunities extended to the Trustee also extend to its directors, officers, employees and agents. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty. The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

The Trustee will not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine

restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

### **Trustee Right to Rely on Documents**

The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in accordance therewith. The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee. Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established before taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the City.

### **Trustee Preservation and Inspection of Documents**

The Trustee shall retain in its possession all documents received by it under the provisions of the Indenture, which are subject during normal business hours, and upon reasonable prior written notice, to the inspection of the City and any Owner, and their agents and representatives duly authorized in writing.

### **Trustee Compensation and Indemnification**

Absent any agreement to the contrary, the City shall pay to the Trustee from time to time compensation for all services rendered under the Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee has a first lien on revenues pledged to any series of Bonds under the Indenture and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture. Any such expenses incurred by the Trustee will be deemed to constitute a substantial contribution to the trust estate which secures the Bonds.

The City further covenants to indemnify the Trustee and its officers, directors, agents and employees, from and against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability and of enforcing any remedies under the Indenture and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the City under the Indenture shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

## **Trustee Accounting Records and Financial Statements**

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under the Indenture. Such books of record and account shall be available for inspection by the City at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the City, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under the Indenture.

## **Amendment with Bond Owner Consent**

The Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City and the Trustee upon Request of the City at any time by the execution of a Supplemental Indenture, with the written consent of the Requisite Percentage of Bond Owners, exclusive of Bonds disqualified as provided in the Indenture. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may:

- (i) extend the maturity of a Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond;
- (ii) permit the creation by the City of any pledge, lien or security interest in the TOT Revenues superior to or on a parity with the pledge and lien created for the benefit of any series of Bonds (except as expressly permitted by the Indenture), or reduce the Requisite Percentage of Bond Owners required for an amendment or modification; or
- (iii) modify any of the rights or obligations of the Trustee without its written consent.

As used herein, “Requisite Percentage of Bond Owners” means (1) with respect to a modification or amendment relating solely to the rights or obligations of the Owners of the Senior Bonds, a majority in aggregate principal amount of the Senior Bonds then Outstanding; (2) with respect to a modification or amendment relating solely to the rights or obligations of the Owners of the Subordinate Bonds, a majority in aggregate principal amount of the Subordinate Bonds then Outstanding; (3) with respect to a modification or amendment relating solely to the rights or obligations of the Owners of the Third Lien Bonds, a majority in aggregate principal amount of the Third Lien Bonds then Outstanding; and (4) with respect to a modification or amendment relating to the rights or obligations of the Owners of all Bonds, a majority in aggregate principal amount of the Bonds then Outstanding.

## **Amendment Without Bond Owner Consent**

The Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(ii) to provide additional security for any series of Bonds; provided, that such modifications or amendments do not materially adversely affect the interests of the Owners of any other series of Bonds in the opinion of Bond Counsel filed with the City and the Trustee;

(iii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the City deems necessary or desirable, including to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on any series of Bonds intended to be exempt for federal income tax purposes (including the 2018 Tax-Exempt Bonds); provided, that such modifications or amendments do not materially adversely affect the interests of the Owners of any series of Bonds in the opinion of Bond Counsel filed with the City and the Trustee;

(iv) to provide for the issuance or incurrence of Parity Obligation or any other bonds, notes or obligations under the Indenture, and to provide the terms and conditions under which such Parity Obligation or other bonds, notes or obligations may be issued or incurred, including but not limited to the establishment of funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the applicable provisions of the Indenture; or

(v) to provide for the issuance of a Qualified Reserve Account Credit Instrument under the Indenture, including but not limited to provisions securing such Qualified Reserve Account Credit Instrument and providing for the repayment of any draws made thereunder.

#### **Effect of Supplemental Indenture**

From and after the time any Supplemental Indenture becomes effective under the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

#### **Endorsement or Replacement of Bonds After Amendment**

After the effective date of any amendment or modification hereof under the Indenture, the City may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the City, as to such amendment or modification and in that case upon demand of the City the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the City may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the City the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

#### **Amendment by Mutual Consent**

The provisions of the Indenture do not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

#### **Events of Default**

The following events shall constitute Events of Default under the Indenture:

(a) if default shall be made by the City in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein



expressed, by declaration or otherwise, provided that if such default only relates to the payment of the principal of and interest on the Subordinate Bonds or Third Lien Bonds, such Event of Default shall relate only to the Subordinate Bonds or Third Lien Bonds, as applicable;

(b) if default shall be made by the City in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds, or any instrument pursuant to which Senior Parity Obligation, Subordinate Parity Obligation or Third Lien Parity Obligation is issued or incurred, other than a default described in the preceding clause (a), and such default shall have continued for a period of 60 days following receipt by the City of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an Event of Default if corrective action is instituted by the City within such 60-day period and the City thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) if the City files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction approves a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the City by telephone promptly confirmed in writing.

If an Event of Default with respect to the Senior Bonds has occurred and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Senior Bonds then Outstanding, the Trustee shall (i) subject to the provisions of the Indenture, exercise any remedies available to the Trustee and the Owners of the Senior Bonds in law or at equity; and (ii) not take any action that could materially adversely affect the interests of the Owners of the Senior Bonds and such Owners shall have the right to control all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture as set forth in the Indenture.

If an Event of Default with respect to the Subordinate Bonds (but not affecting the Senior Bonds) has occurred and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Subordinate Bonds then Outstanding, the Trustee shall, subject to the provisions of the Indenture, exercise any remedies available to the Trustee and the Subordinate Bond Owners in law or at equity. Upon the occurrence and during the continuance of such an Event of Default, the Trustee shall not take any action that could materially adversely affect the interest of the Owners of the Senior Bonds.

If an Event of Default relating solely to the Third Lien Bonds has occurred and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Third Lien Bonds then Outstanding, the Trustee shall, subject to the provisions of the Indenture, exercise any remedies available to the Trustee and the Third Lien Bond Owners in law or at equity. Upon the occurrence and during the continuance of such an Event of Default, the Trustee shall not take any action that could materially adversely affect the interest of the Owners of the Senior Bonds or Subordinate Bonds.

### **Application of Funds After Event of Default**

All of the TOT Revenues and other revenues pledged to any series of Bonds and all sums in the funds and accounts established and held by the Trustee under the Indenture, and all sums thereafter received by the Trustee under the Indenture pursuant to any right given or action taken by the Trustee under the provisions of

the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

*First*, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, costs and expenses of the Trustee;

*Second*, to the payment of the whole amount then owing and unpaid upon the Senior Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Senior Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Senior Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest;

*Third*, to the payment of any amounts due to any provider of a Qualified Reserve Account Credit Instrument with respect to the Senior Bonds, including the 2018 Senior Bonds Reserve Insurer.

*Fourth*, to the payment of the whole amount then owing and unpaid upon the Subordinate Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Subordinate Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Subordinate Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

*Fifth*, to the payment of any amounts due to any provider of a Qualified Reserve Account Credit Instrument with respect to the Subordinate Bonds, including the 2018 Subordinate Bonds Reserve Insurer.

*Sixth*, to the payment of the whole amount then owing and unpaid upon the Third Lien Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Third Lien Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Third Lien Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

*Seventh*, to the payment of any amounts due to any provider of a Qualified Reserve Account Credit Instrument with respect to the Third Lien Bonds.

*Eighth*, to the payment of any amounts due with respect to any other obligations secured by, or payable from, the TOT Revenues and/or any other revenues pledged to any series of Bonds, including any Termination Payments.

### **Power of Trustee to Control Proceedings**

Subject to the Indenture, if the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the applicable Series of Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of such Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other

disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the applicable series of Bonds Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

### **Limitation on Owner's Right to Sue**

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the applicable series of Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds; *provided, however*, that (i) the rights of the Owners of the Senior Bonds to receive such payments as shall then be due and owing shall be prior and superior in all cases to the rights of the Owners of the Subordinate Bonds to receive such payments, and (ii) the rights of the Owners of the Subordinate Bonds to receive such payments as shall then be due and owing shall be prior and superior in all cases to the rights of the Owners of the Third Lien Bonds to receive such payments.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

### **Non-Waiver**

Nothing in the Indenture or in any other provision of the Indenture or in the Bonds, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay from the TOT Revenues and other amounts pledged under the Indenture, the principal of and interest on the Senior Bonds, the Subordinate Bonds and the Third Lien Bonds, to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by any applicable law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the City, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

### **Actions by Trustee as Attorney-in-Fact**

Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; *provided, however*, the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees, costs and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

### **Remedies Not Exclusive**

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter 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 law.

### **Owner Control of Proceedings**

Upon the occurrence and during the continuance of an Event of Default affecting the Senior Bonds, the Owners of a majority of the principal amount of the then-Outstanding Senior Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for any other proceedings under the Indenture; but such direction shall not be otherwise than in accordance with the provisions of law and the Indenture and shall not relate to an Event of Default relating solely to the Subordinate Bonds or the Third Lien Bonds.

Upon the occurrence and during the continuance of an Event of Default affecting the Subordinate Bonds, the Owners of a majority of the then-Outstanding principal amount of the Subordinate Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for any other proceedings under the Indenture; but such direction shall not be otherwise than in accordance with the provisions of law and the Indenture. No action taken by the Trustee at the direction of the Owners of Subordinate Bonds upon the occurrence and during the continuance of an Event of Default affecting the Subordinate Bonds shall adversely affect the interests of the Owners of the Senior Bonds.

Upon the occurrence and during the continuance of an Event of Default affecting the Third Lien Bonds, the Owners of a majority of the then-Outstanding principal amount of the Third Lien Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for any other proceedings under the Indenture; but such direction shall not be otherwise than in accordance with the provisions of law and the Indenture. No action taken by the Trustee at the direction of the Owners of Third Lien Bonds upon the occurrence and during the continuance of an Event of Default affecting the Third Lien Bonds shall adversely affect the interests of the Owners of the Senior Bonds or the Subordinate Bonds.

### **Benefits Limited to Parties**

Nothing in the Indenture, expressed or implied, gives any person other than the City, the Trustee and the Owners, any right, remedy, claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the City are for the sole and exclusive benefit of the Trustee and the Owners.

### **Successor is Deemed Included in All References to Predecessor**

Whenever in the Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the City or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

### **Defeasance of Bonds**

If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or an escrow bank, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under the Indenture, is fully sufficient to pay such Bonds (including all principal thereof and interest thereon);

(c) by irrevocably depositing with the Trustee or an escrow bank, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay such Bonds (including all principal thereof and interest thereon) at or before maturity; or

(d) by purchasing such Bonds before maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the TOT Revenues (and any other revenues pledged to any series of Bonds, as applicable) and other funds provided for in the Indenture and all other obligations of the Trustee and the City under the Indenture with respect to such Bonds shall cease and terminate, except only (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Trustee under the Indenture, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest from gross income for federal income tax purposes on the Bonds intended to be excluded from gross income for federal income tax purposes (including the 2018 Tax-Exempt Bonds).

The City shall file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City. In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with the Indenture, the Trustee shall pay all amounts held by it in any funds or accounts under the Indenture, which are not required for said purpose or for payment of amounts due the Trustee under the Indenture, to the City.

## **Execution of Documents and Proof of Ownership by Owners**

Any request, consent, declaration or other instrument which the Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

## **Disqualified Bonds**

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the City unless the Trustee has received written notice to that effect.

## **Waiver of Personal Liability**

No member, officer, agent or employee of the City is individually or personally liable for the payment of the principal of or interest or any premium on the Bonds. However, nothing contained herein relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

## **Partial Invalidity**

If any Section, paragraph, sentence, clause or phrase of the Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of the Indenture. The City and the Trustee hereby declare that they would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of the Indenture may be held illegal, invalid or unenforceable.

## **Unclaimed Moneys**

Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal of and interest on such Bonds.

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**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**



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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Sacramento (the “**City**”) in connection with the issuance of its 2018 TOT Revenue Bonds, Senior Series A (Convention Center Complex); its 2018 TOT Revenue Bonds, Senior Series B (Convention Center Complex) (Federally Taxable); and its 2018 TOT Revenue Bonds, Subordinate Series C (Convention Center Complex), all of which are referred to collectively as the “**Series 2018 Bonds**.” The Series 2018 Bonds are being issued under an Indenture, dated as of November 1, 2018, between the City and U.S. Bank National Association, as trustee. In connection therewith, the City covenants and agrees as follows:

1. **Purpose of this Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2018 Bonds and to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (“**SEC**”).
2. **Definitions.** In addition to the definitions set forth above or in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this section, the following capitalized terms have the following meanings:

“**Annual Report**” means any Annual Report provided by the City under, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Beneficial Owner**” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018 Bonds (including persons holding Series 2018 Bonds through nominees, depositories, or other intermediaries).

“**EMMA System**” means the MSRB’s Electronic Municipal Market Access system or other similar electronic system designated by the MSRB.

“**Listed Event**” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**Participating Underwriter**” means the underwriter of the Series 2018 Bonds listed on the cover page of the official statement required to comply with the Rule in connection with an offering of the Series 2018 Bonds.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

“**State**” means the State of California.

3. **Provision of Annual Reports.**
  - (a) The City shall provide to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The City shall do this not later than the end of the ninth month following the end of the

City's Fiscal Year (currently June 30), commencing with the report for the 2017-18 Fiscal Year. The Annual Report may be submitted as a single document or as separate documents composing a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, except that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, then the City shall give notice of the change in the same manner as notice for a Listed Event under Section 5(c).

- (b) If the City is unable to provide to the MSRB an Annual Report by the date required in Section 3(a), then the City shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

4. **Content of Annual Reports.** The City's Annual Report must contain the CUSIP numbers of the Series 2018 Bonds and must include by reference the following:

- (a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If, however, the City's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), then the Annual Report must contain unaudited financial statements in a format similar to the financial statements in the final Official Statement, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
- (b) An annual report updating the following tables in the Official Statement for the Series 2018 Bonds, dated October 17, 2018, to reflect actual results of the most recently completed fiscal year (projections need not be updated):
  - (1) Table 1 – Historical TOT; Pro forma TOT Revenues
  - (2) Table 2 – Top 10 TOT Generating Properties (in alphabetical order)
  - (3) Table 3 – Pro forma Debt Service Coverage

Any or all of the items listed in this Section 4(b) may be included by specific reference to other documents, including the audited financial statements or the official statements of debt issues of the City, that have been submitted to the MSRB or the SEC, subject to the following: if any document included by reference is a final official statement, then it must be available from the MSRB, and the City must clearly identify each document so included by reference.

5. **Reporting of Significant Events.**

- (a) The City shall give, or shall cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018 Bonds in a timely manner but not more than 10 business days after the event:
  - (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) Issuance by the Internal Revenue Service (the “IRS”) of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (6) Tender offers.
- (7) Defeasances.
- (8) Rating changes.
- (9) Bankruptcy, insolvency, receivership, or similar event of the obligated person.

Note: for the purposes of an event identified in section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (b) The City shall give, or shall cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018 Bonds, if material:
  - (1) Unless described in section 5(a)(5), adverse tax opinions or other material notices or determinations by the IRS with respect to the tax status of the Series 2018 Bonds or other material events affecting the tax status of the Series 2018 Bonds.
  - (2) Modifications to rights of holders of the Series 2018 Bonds.
  - (3) Optional, unscheduled, or contingent bond calls.
  - (4) Release, substitution, or sale of property securing repayment of the Series 2018 Bonds.
  - (5) Non-payment related defaults.
  - (6) 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 in accordance with its terms.

- (7) Appointment of a successor or additional trustee or the change of name of a trustee.
  - (c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall as soon as possible determine if such event would be material under applicable federal securities laws. If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than 10 business days after the event.
6. **Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate will terminate (a) upon the legal defeasance, prior redemption, or payment in full of all of the Series 2018 Bonds; or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Series 2018 Bonds, or the Series 2018 Bonds otherwise cease to be subject to the requirements of the Rule. If termination occurs before the final maturity of the Series 2018 Bonds, then the City shall give notice of such termination in the same manner as notice for a Listed Event under section 5(c).
7. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if all of the following conditions are satisfied:
- (a) If the amendment or waiver relates to the provisions of sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements; a change in law; or a change in the identity, nature, or status of an obligated person with respect to the Series 2018 Bonds or the type of business conducted.
  - (b) The undertaking, as amended or taking into account the waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.
  - (c) The amendment or waiver either (1) is approved by the Holders of the Series 2018 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2018 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe the amendment or waiver in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its effect on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the

amendment relates to the accounting principles to be followed in preparing financial statements, then the City shall give notice of such change in the same manner as for notice of a Listed Event under section 5(c), and the Annual Report for the year in which the change is made must present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. **Additional Information.** Nothing in this Disclosure Certificate prevents the City (a) from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to that required by this Disclosure 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 Disclosure Certificate, the City will not be obligated under this Disclosure Certificate to update that information or include it in any future Annual Report or notice of occurrence of a Listed Event.
9. **Default.** If the City fails to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any Holder or Beneficial Owner of the Series 2018 Bonds 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 Disclosure Certificate. A default under this Disclosure Certificate is not an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate if the City fails to comply with this Disclosure Certificate is an action to compel performance.
10. **Beneficiaries.** This Disclosure Certificate inures solely to the benefit of the City, the Participating Underwriters, and the Holders and Beneficial Owners from time to time of the Series 2018 Bonds, and it creates no rights in any other person or entity.

*(Signature Page Follows)*

CITY OF SACRAMENTO, CALIFORNIA

By: \_\_\_\_\_  
John P. Colville Jr., City Treasurer

Dated: November 1, 2018

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento, California

Name of Issue: \$195,815,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series A  
(Convention Center Complex)

\$20,610,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series B  
(Convention Center Complex) (Federally Taxable)

\$66,890,000 City of Sacramento 2018 TOT Revenue Bonds, Subordinate Series  
C (Convention Center Complex)

Date of Issuance: November 1, 2018

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named bonds as required by the Indenture, dated as of November 1, 2018, between the City and U.S. Bank National Association, as trustee. The City anticipates that the Annual Report will be filed by \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

CITY OF SACRAMENTO, CALIFORNIA

By: \_\_\_\_\_  
City Treasurer



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**APPENDIX F**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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[Closing Date]

City Council  
City of Sacramento  
915 I Street  
Sacramento, California 95814

**OPINION:** \$195,815,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series A (Convention Center Complex);

\$20,610,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series B (Convention Center Complex) (Federally Taxable); and

\$66,890,000 City of Sacramento 2018 TOT Revenue Bonds, Subordinate Series C (Convention Center Complex)

Members of the City Council:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with the delivery by the City of its \$195,815,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series A (Convention Center Complex) (the "Tax-Exempt Senior Bonds"), its \$20,610,000 City of Sacramento 2018 TOT Revenue Bonds, Senior Series B (Convention Center Complex) (Federally Taxable) (the "Taxable Senior Bonds") and its \$66,890,000 City of Sacramento 2018 TOT Revenue Bonds, Subordinate Series C (Convention Center Complex) (the "Subordinate Bonds"). The Tax-Exempt Senior Bonds and the Subordinate Bonds are collectively referred to as the "Tax-Exempt Bonds." The Tax-Exempt Bonds and the Taxable Senior Bonds are collectively referred to as the "Bonds." In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the City's charter powers, the TOT Revenue Bond Law, being Section 3.154 of the Sacramento City Code (the "TOT Revenue Bond Law"), and an Indenture of Trust, dated as of November 1, 2018 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Indenture, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a charter city, duly organized and existing under the Constitution of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture has been duly authorized, executed and delivered by the City, and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the City, and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Indenture.

4. Pursuant to the TOT Revenue Bond Law, the Indenture establishes a valid lien on and pledge of the TOT Revenues (as such term is defined in the Indenture) and the other amounts pledged as security for the Bonds pursuant to the Indenture.

5. The interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Tax-Exempt Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX G

### BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City and the Underwriters take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("**DTC**"), New York, New York, acts as securities depository for the 2018 Bonds. The 2018 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 bond certificate will be issued for each maturity of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with 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 under the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each of the 2018 Bonds ("**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 2018 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 the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all of the 2018 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 the 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 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 the 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of the 2018 Bonds may wish to ascertain that the nominee holding the 2018 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 the notices be provided directly to them.

While the 2018 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2018 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 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 the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2018 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 the 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 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 2018 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, certificates representing the 2018 Bonds 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, certificates representing the 2018 Bonds will be printed and delivered to DTC.

The information in this Appendix G concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriters believe to be reliable, but the City and the Underwriters do not take any responsibility for the accuracy thereof.





