

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 2019 STID 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. In the further opinion of Bond Counsel, interest on the 2019 STID Bonds is exempt from California personal income taxes. See "TAX MATTERS."



\$50,465,000

CITY OF SACRAMENTO
2019 Sacramento Tourism Infrastructure District
Assessment Revenue Bonds
(Convention Center Ballroom)

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Sacramento's 2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds (Convention Center Ballroom) (the "**2019 STID Bonds**") are being issued by the City of Sacramento (the "**City**") for the Sacramento Tourism Infrastructure District No. 2018-04 (the "**Tourism District**"). The 2019 STID Bonds are being issued to (i) finance a portion of the costs of acquisition and construction of the ballroom at the Sacramento Convention Center (the "**Project**"); (ii) fund capitalized interest with respect to the 2019 STID Bonds through June 1, 2020; and (iii) pay the costs of issuance of the 2019 STID Bonds, including the cost of a debt service reserve insurance policy (the "**Reserve Policy**") to be issued by Assured Guaranty Municipal Corp. (the "**Reserve Insurer**") concurrently with the issuance of the Series 2019 STID Bonds. The 2019 STID Bonds are being issued pursuant to City's Charter, the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 through 36671), as augmented by section 3.92.055 of the Sacramento City Code, and an Indenture of Trust, dated as of August 1, 2019 (the "**Indenture**"), between the City and U.S. Bank National Association, as trustee (the "**Trustee**").

The 2019 STID 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 2019 STID Bonds will not receive physical certificates representing the 2019 STID Bonds purchased but will receive a credit balance on the books of the nominees of the purchasers. The 2019 STID Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on the 2019 STID Bonds will be payable semiannually on June 1 and December 1, commencing December 1, 2019. Payments of interest on, and principal of, the 2019 STID 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 2019 STID Bonds. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

The 2019 STID Bonds are payable from all of the Pledged Assessment Revenues and all of the moneys on deposit in the Pledged Assessment Revenue Account and certain other accounts held by the Trustee, including the Reserve Account as described herein. As more particularly described herein "**Pledged Assessment Revenues**" means assessments levied and collected on Lodging Businesses (as defined herein) within the boundary of the Tourism District, excluding assessments on Vacation Rental Owners (as defined herein). The Indenture provides that the City may issue additional bonds payable from the Pledged Assessment Revenues on a parity basis ("**Additional Senior Bonds**" and, together with the 2019 STID Bonds "**Senior Bonds**") with the 2019 STID Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. The Indenture also provides that the City may issue obligations payable from Pledged Assessment Revenues on a subordinate basis to the 2019 STID Bonds and any Additional Senior Bonds ("**Subordinate Obligations**"). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID Bonds – Additional Senior Bonds" and "- Subordinate Obligations."

The 2019 STID Bonds are subject to optional and mandatory redemption before their stated maturities, as described herein. See "THE 2019 STID Bonds – Redemption Provisions."

The 2019 STID Bonds are limited obligations of the City and are secured by a pledge of, and lien on, the Pledged Assessment Revenues and moneys on deposit in the Pledged Assessment Revenue Account and certain other accounts held by the Trustee and are payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely as provided in the Indenture. The City is not obligated to pay the 2019 STID 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 2019 STID Bonds or the interest or premium thereon. The 2019 STID 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 2019 STID Bonds.

The 2019 STID Bonds will be offered when, as, and if issued and received by the Underwriter, 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 Underwriter by its 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 2019 STID Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about August 22, 2019.

MORGAN STANLEY

\$50,465,000

**CITY OF SACRAMENTO
2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds
(Convention Center Ballroom)**

MATURITY SCHEDULE

\$25,105,000 Serial Bonds

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] (785843)
2021	\$845,000	4.000%	0.990%	105.281	AA1
2022	880,000	4.000	1.010	108.160	AB9
2023	915,000	5.000	1.030	114.660	AC7
2024	960,000	5.000	1.050	118.347	AD5
2025	1,010,000	5.000	1.100	121.762	AE3
2026	1,060,000	5.000	1.200	124.653	AF0
2027	1,110,000	5.000	1.280	127.444	AG8
2028	1,170,000	5.000	1.380	129.818	AH6
2029	1,225,000	5.000	1.460	132.136	AJ2
2030	1,290,000	5.000	1.560	131.073 ^C	AK9
2031	1,350,000	5.000	1.640	130.229 ^C	AL7
2032	1,420,000	5.000	1.710	129.497 ^C	AM5
2033	1,490,000	5.000	1.800	128.562 ^C	AN3
2034	1,565,000	4.000	2.040	117.287 ^C	AP8
2035	1,625,000	4.000	2.110	116.612 ^C	AQ6
2036	1,695,000	4.000	2.200	115.751 ^C	AR4
2037	1,760,000	4.000	2.270	115.086 ^C	AS2
2038	1,830,000	4.000	2.350	114.332 ^C	AT0
2039	1,905,000	4.000	2.390	113.957 ^C	AU7

\$25,360,000 3.000% Term Bonds due June 1, 2050; Yield: 3.063%; Price: 98.750; CUSIP[†]785843AV5

^C Priced to par call on June 1, 2029.

[†] 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 Underwriter and are included solely for the convenience of the registered owners of the 2019 STID Bonds. Neither the City nor the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2019 STID 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

Assessment 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 2019 STID 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 2019 STID 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 Underwriter may overallocate or effect transactions that may stabilize or maintain the market price of the 2019 STID 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 Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. (“AGM” or the “**Reserve Insurer**”) makes no representation regarding the 2019 STID Bonds or the advisability of investing in the 2019 STID 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 RESERVE INSURER.”

The 2019 STID 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.

TABLE OF CONTENTS

Page

INTRODUCTION 1
 Authority for Issuance and Purpose 1
 The City of Sacramento 1
 Security and Sources of Payment for the 2019 STID Bonds 1
 Additional Senior Bonds 2
 Reserve Account 2
 Pledged Assessment Revenues Surplus Account 3
 The Project 3
 Report of the Assessment Consultant 3
 Validation 3
 Continuing Disclosure 4
 Certain Risk Factors 4
 Other Matters 4

ESTIMATED SOURCES AND USES OF FUNDS 4

THE PROJECT 5

THE 2019 STID BONDS 5
 General 5
 Redemption Provisions 6
 Notice of Redemption 7
 Partial Redemption of 2019 STID Bonds 7
 Manner of Redemption 7
 Effect of Redemption 7

SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS 8
 Certain Definitions 8
 Pledged Assessment Revenue Account 8
 Pledge of the Indenture for the Benefits of the Senior Bonds 8
 Reserve Account 9
 Flow of Funds 10
 Additional Senior Bonds 13
 Subordinate Obligations 13
 Other Covenants of the City 14

PAYMENT SCHEDULE 18

THE RESERVE INSURER 18
 Reserve Policy 18
 Assured Guaranty Municipal Corp. 19
 Miscellaneous Matters 20

THE TOURISM DISTRICT 21

ASSESSMENTS; PLEDGED ASSESSMENT REVENUES 22

PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION 24
 Top Payors of STMD Assessments by Lodging Businesses in the Tourism District 25

REPORT OF THE ASSESSMENT CONSULTANT 27

CERTAIN RISK FACTORS 28
 General 28
 Limited Obligations 28
 Economic and Market Conditions 28

Potential Declines in Pledged Assessment Revenues	28
Concentration of Revenues	29
Report of the Assessment Consultant	29
Change in Use	30
Bankruptcy or Insolvency of Hotel Owner	30
Additional Senior Bonds and Subordinate Obligations	30
Suitability of Investment.....	31
Earthquake, Flood, and Other Disasters or Calamities	31
Climate Change.....	31
Cybersecurity	31
Effect of City Bankruptcy	31
Further Initiatives.....	32
Limitation on Remedies	32
ABSENCE OF LITIGATION	33
VALIDATION	33
CONTINUING DISCLOSURE	34
TAX MATTERS	35
APPROVAL OF LEGALITY.....	36
RATINGS	36
UNDERWRITING.....	37
MUNICIPAL ADVISOR	37
INDEPENDENT AUDITOR.....	38
MISCELLANEOUS	39
APPENDIX A SACRAMENTO TOURISM INFRASTRUCTURE DISTRICT NO. 2018-04 MANAGEMENT DISTRICT PLAN.....	A-1
APPENDIX B AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018	B-1
APPENDIX C REPORT OF THE ASSESSMENT CONSULTANT	C-1
APPENDIX D GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO	D-1
APPENDIX E SUMMARY OF THE INDENTURE.....	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1
APPENDIX G PROPOSED FORM OF BOND COUNSEL OPINION	G-1
APPENDIX H BOOK-ENTRY ONLY SYSTEM	H-1

OFFICIAL STATEMENT

\$50,465,000

CITY OF SACRAMENTO

2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds (Convention Center Ballroom)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2019 STID 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 E – “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 \$50,465,000 City of Sacramento 2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds (Convention Center Ballroom) (the “**2019 STID Bonds**”). The 2019 STID Bonds are being issued by the City of Sacramento (the “**City**”) for the Sacramento Tourism Infrastructure District No. 2018-04 (the “**Tourism District**”). The 2019 STID Bonds are being issued pursuant to City’s Charter, the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 through 36671), as augmented by section 3.92.055 of the Sacramento City Code, and an Indenture of Trust, dated as of August 1, 2019 (the “**Indenture**”), between the City and U.S. Bank National Association, as trustee (the “**Trustee**”).

The 2019 STID Bonds are being issued to (i) finance a portion of the costs of acquisition and construction of the ballroom at the Sacramento Convention Center (the “**Project**”); (ii) fund capitalized interest with respect to the 2019 STID Bonds through June 1, 2020; (iii) fund a deposit to a Reserve Account established under the Indenture; and (iv) pay the costs of issuance of the 2019 STID 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, 2019, the City had an estimated population of approximately 500,000. See APPENDIX D – “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO.”

Security and Sources of Payment for the 2019 STID Bonds

The 2019 STID Bonds are secured by a first pledge of and lien on, and a security interest in, all of the Pledged Assessment Revenues and all of the moneys on deposit in the Pledged Assessment Revenue Account. In addition, the 2019 STID Bonds are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, and the Pledged Assessment Revenues Surplus Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS.”

“**Assessments**” means the assessments, including interest and penalties thereon, received by the City on Lodging Businesses within the boundary of the Tourism District in accordance with the Management District Plan, including assessments collected by the County of Sacramento (the “**County**”) and remitted to the City in accordance with the Management District Plan.

“**Lodging Business**” means, pursuant to the Management District Plan, any structure, or any portion of any structure in the Tourism District that is permitted by the City or County for short-term rentals, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, motel, vacation rental, home sharing unit, or other similar structure or portion thereof.

“**Pledged Assessment Revenues**” means the Assessments, excluding Assessments on Vacation Rental Owners.

“**Vacation Rental Owner**” means the owner of any Lodging Business that is within the Tourism District and has either a short-term-rental permit issued under Sacramento City Code chapter 5.114 or a vacation-rental permit issued under Sacramento County Zoning Code section 6.5.6, as those codes are amended from time to time. The Indenture provides that, for clarity, the owner of a residential property (e.g., single-family home, duplex, condominium) who engages in short-term rentals using the services of online platforms such as Airbnb and VRBO will meet the definition of Vacation Rental Owner if the owner holds a valid short-term-rental permit or a valid vacation-rental permit for the property.

See “PLEGGED ASSESSMENT REVENUES.”

The 2019 STID Bonds are limited obligations of the City and are secured by a pledge of, and lien on, the Pledged Assessment Revenues and moneys on deposit in the Pledged Assessment Revenue Account and certain other accounts held by the Trustee and are payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely as provided in the Indenture. The City is not obligated to pay the 2019 STID 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 2019 STID Bonds or the interest or premium thereon. The 2019 STID 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.

Additional Senior Bonds

The Indenture provides that the City may issue additional bonds, payable from Pledged Assessment Revenues on a parity with the 2019 STID Bonds (the “**Additional Senior Bonds**”) subject to the terms and conditions of the Indenture, as more fully described herein. (The 2019 STID Bonds and any Additional Senior Bonds are referred to herein as the “**Senior Bonds**”). The Indenture also permits the issuance of bonds, notes or other obligations secured, in whole or in part, by a pledge of, and lien on, the Pledged Assessment Revenues on a basis that is subordinate to the pledge and lien securing the Senior Bonds, including any Termination Payments (the “**Subordinate Obligations**”). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS – Additional Senior Bonds.”

Reserve Account

The Indenture provides that the 2019 STID Bonds (and any other Participating Bonds, as defined herein) will be secured by amounts on deposit in the Reserve Account established under the Indenture in an amount equal to the Reserve Requirement (as defined herein). The City will satisfy the Reserve Requirement through a debt service reserve insurance policy (the “**Reserve Policy**”) to be issued by Assured Guaranty Municipal Corp. (the “**Reserve Insurer**”) concurrently with the issuance of the Series 2019 STID Bonds.

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS – Reserve Account” and “THE RESERVE INSURER.”

Pledged Assessment Revenues Surplus Account

The Indenture provides for the establishment of a Pledged Assessment Revenues Surplus Account, to be funded from Pledged Assessment Revenues or other sources not required for (i) the payment of debt service with respect to Bonds; or (ii) for the payment of required deposits to the Reserve Account (or any other reserve account established for Bonds that are not Participating Bonds). The transfers to the Pledged Assessment Revenues will be made until the amount on deposit in the Pledged Assessment Revenues Surplus Account is equal to the Required Surplus Amount. The “**Required Surplus Amount**” means an amount equal to 50% of the Maximum Annual Debt Service on all Senior Bonds and Subordinate Obligations secured by the Pledged Assessment Revenues Surplus Account. As of the date of issuance of the 2019 STID Bonds, the Required Surplus Amount is equal to \$1,371,750. The Pledged Assessment Revenues Surplus Account will be funded on the date of issuance of the 2019 STID Bonds in an amount equal to the Required Surplus Amount from funds other than the proceeds of the 2019 STID Bonds. Amounts on deposit in the Pledged Assessment Revenues Surplus Account will be used to make up any deficiencies in required deposits with respect to the Senior Bonds and Subordinate Obligations Secured thereby.

The Project

The Project generally consists of the acquisition and construction of a ballroom at the Sacramento Convention Center, and related improvements authorized pursuant to the Management District Plan. See “THE PROJECT.”

Report of the Assessment Consultant

CBRE Group, Inc., San Francisco, California (the “**Assessment Consultant**”) has prepared its Revenue Analysis of the Sacramento Tourism Infrastructure District, dated July 3, 2019 (the “**Report of the Assessment Consultant**”), which is included in Appendix C. The Report of the Assessment Consultant should be read in its entirety for a full understanding of the Assessment Consultant’s analysis and the basis for its conclusions. The Report of the Assessment 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 Assessment Consultant does not constitute a recommendation to any person to purchase or sell the 2019 STID Bonds. The conclusions reached in the Report of the Assessment Consultant are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth in the Report of the Assessment Consultant. In addition, the City has agreed to indemnify the Assessment Consultant against certain liabilities arising out of its engagement to provide the Report of the Assessment Consultant. For a more detailed summary of the methodology utilized by the Assessment Consultant, including with respect to applicable assumptions, hypothetical conditions and qualifications, see the “Methodology” section of the Report of the Assessment Consultant. See APPENDIX C- “REPORT OF THE ASSESSMENT CONSULTANT” and “CERTAIN RISK FACTORS - Report of the Assessment Consultant.”

Validation

On June 26, 2019, a judgment (the “**Validation Judgment**”) was entered by the Superior Court of the State of California for the County of Sacramento in a judicial validation action entitled *City of Sacramento v. All Persons Interested et al.*, No. 34-2018-00243701. The judicial validation action was initiated by the City in connection with the issuance of the 2019 STID Bonds. See “VALIDATION.”

Continuing Disclosure

The City has covenanted for the benefit of the holders and beneficial owners of the 2019 STID 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 2018-19, 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 F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. This covenant has been made to assist the Underwriter 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 2019 STID 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 2019 STID Bonds are as follows:

Sources:

Principal Amount	\$	50,465,000.00
Original Issue Premium		4,892,486.10
City Contribution		1,371,750.00
Total	\$	56,729,236.10

Uses:

Project Fund	\$	53,000,000.00
Capitalized Interest ⁽¹⁾		1,468,625.00
Pledged Assessment Revenues Surplus Account ⁽²⁾		1,371,750.00
Costs of Issuance ⁽³⁾		888,861.10
Total	\$	56,729,236.10

⁽¹⁾ Equals capitalized interest with respect to the 2019 STID Bonds through June 1, 2020.

⁽²⁾ Equals Required Surplus Amount as of the date of issuance of the 2019 STID Bonds.

⁽³⁾ Represents funds to be used to pay costs of issuance, which include legal fees, municipal advisor fees, the Underwriter’s discount, printing costs, rating agency fees, the cost of the Reserve Policy and other miscellaneous expenses. For details regarding the Underwriter’s discount, see “UNDERWRITING.”

THE PROJECT

The Project consists of the addition of new formal ballroom (the “**Ballroom Addition**”) on the second floor over the newly expanded Convention Center’s western most Exhibit Halls. The Ballroom addition will include construction of 39,224 square feet of new and additional event space that is divisible, using operable walls, up to 10 smaller breakout rooms; restrooms, 6,000 square feet of additional pre-function area, service and storage areas and mechanical spaces.

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.

Construction of the Ballroom Addition is expected to commence in September 2019 and is expected to be completed by March 2021. The Ballroom Addition is part of a significant expansion and renovation of the Convention Center. Following the completion of the renovation and expansion, the Convention Center will encompass approximately 508,563 square feet. In connection with the renovation and expansion of the Convention Center, the Convention Center closed in July 2019 and is expected to reopen in November 2020. There can be no assurances that the closure of the Convention Center will not result in a reduction in hotel activity and related Assessments during the period of the closure.

Estimated Project Costs

<u>Project Components</u>	<u>Cost</u>
Construction	\$40,870,000
Other Related Costs ⁽¹⁾	12,130,000
<u>Total</u>	<u>\$53,000,000</u>

⁽¹⁾ Includes inspection, design, permitting fees, environmental compliance costs, right-of-way costs, City staff costs, furniture, fixtures and equipment, and contingency
Source: City of Sacramento

THE 2019 STID BONDS

General

The 2019 STID 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, 2019 (each, an “**Interest Payment Date**”). Interest on the 2019 STID Bonds will be computed on the basis of a 360-day year, composed of twelve 30-day months.

The 2019 STID 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 2019 STID 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 2019 STID Bonds, references herein to Bondholders, Holders, or owners of the 2019 STID 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 2019 STID Bonds, principal of, and interest on, the 2019 STID 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 2019 STID Bonds. See APPENDIX H- “BOOK-ENTRY ONLY SYSTEM.”

If the use of the book-entry system is discontinued, principal of the 2019 STID Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the 2019 STID 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 15th day of the calendar month immediately preceding the Interest Payment Date, whether or not such 15th 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

Optional Redemption. The 2019 STID Bonds maturing on or before June 1, 2029 are not subject to optional redemption before maturity. The 2019 STID Bonds maturing on and after June 1, 2030 are subject to redemption, at the City’s option on any date on or after June 1, 2029, 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 2019 STID Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking-Fund Redemption. The 2019 STID Bonds maturing on June 1, 2050 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 2019 STID 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 2019 STID Bonds so redeemed, to be allocated among the sinking-fund payments in integral multiples of \$5,000 as selected by the City.

2019 STID Term Bonds Maturing June 1, 2050

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
2040	\$ 1,980,000
2041	2,040,000
2042	2,100,000
2043	2,165,000
2044	2,230,000
2045	2,295,000
2046	2,365,000
2047	2,435,000
2048	2,510,000
2049	2,585,000
2050*	2,655,000

* 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 2019 STID 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 2019 STID 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 2019 STID Bonds to be redeemed; state the individual number of each 2019 STID Bonds to be redeemed or state that all 2019 STID Bonds of a particular series between two stated numbers, both inclusive, or all of the 2019 STID Bonds outstanding of a particular series are to be redeemed; require that the 2019 STID 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 2019 STID 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 2019 STID 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 2019 STID 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 2019 STID 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 2019 STID Bonds

If only a portion of any 2019 STID Bond is called for redemption, then upon surrender of such 2019 STID Bond the City will execute, and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the City, a new 2019 STID Bond or 2019 STID Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2019 STID Bond to be redeemed.

Manner of Redemption

Whenever any 2019 STID 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 2019 STID Bonds are no longer held in book-entry form. In the event of redemption by lot of 2019 STID Bonds of a particular series, the Trustee shall assign to each 2019 STID Bond then Outstanding of the particular series a distinctive number for each \$5,000 of the principal amount of each such 2019 STID Bond. The 2019 STID Bonds to be redeemed shall be the 2019 STID Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such 2019 STID 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 2019 STID Bonds redeemed or purchased shall be cancelled and destroyed.

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 2019 STID Bonds so called for redemption have been duly deposited with the Trustee, then the 2019 STID 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 2019 STID BONDS

Certain Definitions

Following are certain defined terms used in this section:

“**Assessments**” means the assessments, including interest and penalties thereon, received by the City on Lodging Businesses within the boundary of the Tourism District in accordance with the Management District Plan, including assessments collected by the County and remitted to the City in accordance with the Management District Plan.

“**Lodging Business**” means, pursuant to the Management District Plan, any structure, or any portion of any structure in the Tourism District that is permitted by the City or County for short-term rentals, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, motel, vacation rental, home sharing unit, or other similar structure or portion thereof.

“**Pledged Assessment Revenues**” means the Assessments, excluding Assessments on Vacation Rental Owners.

“**Vacation Rental Owner**” means the owner of any Lodging Business that is within the Tourism District and has either a short-term-rental permit issued under Sacramento City Code chapter 5.114 or a vacation-rental permit issued under Sacramento County Zoning Code section 6.5.6, as those codes are amended from time to time. For clarity, the owner of a residential property (e.g., single-family home, duplex, condominium) who engages in short-term rentals using the services of online platforms such as Airbnb and VRBO will meet the definition of Vacation Rental Owner if the owner holds a valid short-term-rental permit or a valid vacation-rental permit for the property.

Pledged Assessment Revenue Account

The City has previously established the STID Revenue Account, which, under the Indenture, the City will continue to hold and maintain for depositing all Assessments collected by the City, and all Assessments collected by the County and paid to the City by the County pursuant to the Management District Plan. For the benefit of the holders of the 2019 STID Bonds and any Additional Senior Bonds, the City will establish and maintain the Pledged Assessment Revenue Account. Pursuant to the Indenture the City is required to transfer all Assessments which constitute Pledged Assessment Revenues from the STID Revenue Account to the Pledged Assessment Revenue Account as soon as practical. Amounts in the Pledged Assessment Revenue Account may be used solely for the uses and purposes set forth in the Indenture.

Pledge of the Indenture for the Benefits of the Senior Bonds

The Senior Bonds (including the 2019 STID Bonds) are secured by a first pledge of and lien on, and a security interest in, all of the Pledged Assessment Revenues and all of the moneys on deposit in the Pledged Assessment Revenue Account. The pledge, lien, and security interest are for the equal security of the Senior Bonds (including the 2019 STID Bonds) without preference or priority for number, date of execution, or date of delivery.

In addition, the 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 Debt Service Fund, and the Interest Account and the Principal Account. The 2019 STID Bonds (and any other Participating Bonds, as defined below) are also secured by a first pledge of and lien on, and a security interest in, the Reserve Account.

In addition, the 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 Pledged Assessment 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 Bonds and Subordinate Obligations, subject to the terms and conditions of the Indenture, as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS – Additional Senior Bonds.”

The Indenture also provides that the City may provide for the creation of additional surplus account(s) pursuant to a Supplemental Indenture or instrument pursuant to which the City issues Subordinate Obligations but in no event may any such surplus account(s) impair the priority of the pledge of, and lien on, the Pledged Assessment Revenues in favor of the Senior Bonds established under the Indenture.

Reserve Account

The Indenture provides that the 2019 STID Bonds (and any other Participating Senior Bonds) will be secured by a Reserve Account established under the Indenture and held by the Trustee in an amount equal to the Reserve Requirement. The City will satisfy the Reserve Requirement through a debt service reserve insurance policy (the “**Reserve Policy**”) to be issued by Assured Guaranty Municipal Corp. (the “**Reserve Insurer**”) concurrently with the issuance of the Series 2019 STID Bonds. See “THE RESERVE INSURER.”

The Indenture also provides that the City may establish other reserve accounts for other Series of Bonds.

“**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 Bonds), 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 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 2019 STID Bonds and any other Senior Bonds that, under the terms of a Supplemental Indenture, are secured by amounts in the Reserve Account.

The Trustee will apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the 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 Pledged Assessment 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 any Series of Bonds by depositing in any reserve account established for any Series of Senior Bonds (including the Reserve Account), in lieu of cash, a Qualified Reserve Account Credit Instrument in an aggregate amount equal to the difference between the Reserve Requirement for such Series of Bonds and the sums, if any, then on deposit in the applicable reserve account for such Series of Bonds or being deposited in the applicable reserve account concurrently with such Qualified Reserve Account Credit Instrument. See APPENDIX E- "SUMMARY OF THE INDENTURE."

Flow of Funds

Following is a description of the flow of funds set forth in the Indenture.

Deposit of Assessments into STID Revenue Account (Held by City). The Indenture requires that the City continue to maintain and hold the previously established STID Revenue Account for the purpose of depositing all Assessments received by the City.

Transfer of Pledged Assessment Revenues into the Pledged Revenue Assessment Account (Held by City). Under the Indenture, the City must transfer from the STID Revenue Account and deposit in the Pledged Assessment Revenue Account to be held by the City all Assessments which constitute Pledged Assessment Revenues as soon as practical after receipt thereof. The Indenture further provides that the City must apply amounts in the Pledged Assessment Revenue Account solely for the uses and purposes set forth in the Indenture.

Transfer to the Senior Bond Debt Service Fund (Held by Trustee). The Indenture provides that, on the 23rd day of each calendar month (or the following Business Day if the 23rd is not a Business Day), the City shall withdraw from the Pledged Assessment Revenue Account and transfer to the Trustee for deposit into the Debt Service Fund created pursuant to the Indenture all of the Pledged Assessment Revenues. The Indenture further provides that amounts on deposit in the Debt Service Fund shall be applied at the times and for the uses as follows the requirements of each such account or fund (including the making up of any deficiencies in any such account or fund resulting from lack of moneys deposited or transferred from the Debt Service Fund sufficient to make any earlier required deposit or transfer) at the time of deposit or transfer to be satisfied before any deposit or transfer is made to any account or fund subsequent in priority.

Transfer to the Senior Bond Interest Account (Held by Trustee). Proceeds of the 2019 STID Bonds deposited to the Capitalized Interest Subaccount pursuant to the Indenture shall be used by the Trustee to make interest payments on the 2019 STID Bonds through and including June 1, 2020 (and, if there are any amounts remaining therein after such date, on any Interest Payment Date thereafter). For the Interest Payment Date of December 1, 2020 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 2020), the Trustee will transfer from the Debt Service Fund into the Interest Account an amount which, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the Outstanding Senior Bonds on such December 1st Interest Payment Date. For the Interest Payment Date of June 1, 2021 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 2020), the Trustee will transfer from the Debt Service Fund into the Interest Account an amount which, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Interest Account, equals 1/6th of the aggregate amount of the interest coming due and payable on the Outstanding Senior Bonds on such June 1st Interest Payment Date.

The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Outstanding Senior Bonds when due and payable, either at the maturity thereof or in accordance with the mandatory sinking fund redemption thereof.

Transfer to the Senior Bond Principal Account (Held by Trustee). 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 Trustee will transfer from the Debt Service Fund into the Principal Account an amount which, taking into account any deficiency in any previous monthly deposit or surplus then on deposit in the Principal Account, equals 1/12th of the aggregate amount of principal coming due and payable on the Outstanding Senior Bonds on such June 1st Interest Payment Date.

The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Outstanding Senior Bonds when due and payable, either at the maturity thereof or in accordance with the mandatory sinking fund redemption thereof.

Transfer to the Senior Bond Reserve Account and Reserve Providers (Held by Trustee). Upon determining that the amount on deposit in the 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 Trustee will transfer from the Debt Service Fund into the Reserve Account on the first Business Day of each subsequent month an amount equal to 1/12th of the aggregate amount needed to cure such deficiency. If any transfers are required to be made to the provider of a Qualified Reserve Account Credit Instrument deposited to the Reserve Account (or any other reserve account established for any series of Senior Bonds) following a draw thereon, the Trustee will transfer from the Debt Service Fund to the provider of such Qualified Reserve Account Credit Instrument on the first Business Day of each subsequent month an amount equal to 1/12th of the aggregate amount due to such provider. In the event of a deficiency, amounts shall be transferred into the Reserve Account (or other reserve account established for any series of Senior Bonds) and to the provider of a Qualified Reserve Account Credit Instrument on a pro rata basis among them.

Transfers With Respect to Subordinate Obligations. Following the transfer of all amounts required to be transferred to the Interest Account, Principal Account and the Reserve Account (or other reserve account) as described above, on the first Business Day of each month, the Trustee shall transfer any amounts remaining in the Debt Service Fund to the trustee(s) or holder(s) of any Subordinate Obligations, on a pro rata basis between them, in the following order of priority, the requirements of each such transfer to be satisfied before any transfer subsequent in priority, in an amount equal to (i) 1/6th of the interest coming due on all Subordination Obligations in the following 6-month period, (ii) 1/12th of the principal coming due on all Subordinate Obligations in the following 12-month period, and (iii) upon receiving a Certificate of the City that (A) the amount on deposit in any reserve account established for any Subordinate Obligations is less than the reserve requirement therefor, an amount equal to 1/12th of the aggregate amount needed to cure such deficiency and/or (B) a transfer is required to be made to the provider of a reserve surety policy deposited to any reserve account for any Subordinate Obligations following a draw thereon, an amount equal to 1/12th of the aggregate amount due to such provider; subject, however, 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 described above have occurred.

Transfers to Pledged Assessment Revenues Surplus Account (Held by Trustee). Following the transfer of all amounts required to be transferred to the Interest Account, Principal Account and Reserve Account (or other reserve account) and transfers with respect to Subordinate Obligations described above, on the first Business Day of each month, the Trustee shall transfer any amounts remaining in the Debt Service Fund for deposit in the Pledged Assessment Revenues Surplus Account until the amount on deposit in the Pledged Assessment Revenues Surplus Account is equal to the Required Surplus Amount which is 50% of the Maximum Annual Debt Service on all Senior Bonds and Subordinate Obligations secured thereby.

The Pledged Assessment Revenues Surplus Account will be funded on the date of issuance of the 2019 STID Bonds in an amount equal to the Required Surplus Amount from funds other than the proceeds of the 2019 Bonds.

The Pledged Assessment Revenues Surplus Account shall be held by the Trustee for the benefit of the City and the Owners of the Senior Bonds, and, on a subordinate basis, the owner or holder of each Subordination Obligation that is secured by the Pledged Assessment Revenues Surplus Account in accordance with the instrument pursuant to which such Subordinate Obligation is issued or incurred. From time-to-time, if amounts in the Pledged Assessment Revenues Surplus Account are less than the Required Surplus Amount, amounts shall be deposited into the Pledged Assessment Revenues Surplus Account in accordance with the priorities set forth in the Indenture and described above until such time as the amount on deposit therein equals the Required Surplus Amount.

Transfers From Pledged Assessment Surplus Account. The Trustee will apply amounts in the Pledged Assessment Revenues Surplus Account for the purpose of making transfers to (i) the Interest Account, (ii) the Principal Account, (iii) the Reserve Account (or any other reserve account established for Senior Bonds that are not Participating Senior Bonds) or to a provider of a Qualified Reserve Account Credit Instrument deposited to the Reserve Account (or any other reserve account established for Senior Bonds that are not Participating Senior Bonds), (iv) pay interest on Subordinate Obligations secured by the Pledged Assessment Revenues Surplus Account, (v) pay principal on Subordinate Obligations secured by the Pledged Assessment Revenues Surplus Account and (vi) replenish reserve accounts or pay reserve policy providers for Subordinate Obligations secured by the Pledged Assessment Revenues Surplus Account, in such order of priority, on the first Business Day of each month in an amount needed to cure any deficiency in the amount of any deposit or transfer of amounts for interest, principal or reserve replenishment or payment to a reserve policy provider that is required to be made hereunder or under any instrument pursuant to which the applicable Subordinate Obligation is issued or incurred, and for which the Trustee has been notified, if there is then a deficiency in any of such accounts or amounts. Amounts in the Pledged Assessment Revenues Surplus Account may also be used at any time for the retirement of all the Outstanding Senior Bonds and Subordinate Obligations secured by the Pledged Assessment Revenues Surplus Account.

So long as no Event of Default has occurred and is continuing, and the Reserve Account (and each other reserve account established for any series of Senior Bonds) is fully funded, if the amount on deposit in the Pledged Assessment Revenues Surplus Account at any time exceeds the Required Surplus Amount, the Trustee shall promptly notify the City of that fact and transfer such excess amount to, or upon the direction of, the City, whereby such amount shall be released from the pledge and lien which secures the Senior Bonds and may be applied by the City for any lawful purposes.

The City may provide for the creation of additional surplus account(s) in connection with the issuance or incurrence of Subordinate Obligations, but in no event shall any such surplus account(s) impair the priority of the pledge of, and lien on, the Pledged Assessment Revenues in favor of the Senior Bonds established under this Indenture.

Transfers of Excess Pledged Assessment Revenues. On the first Business Day of each month, amounts remaining in the Debt Service Fund following the deposit or transfer of all amounts required to be deposited or transferred to the Interest Account, the Principal Account, the Reserve Account (or any other reserve account established for Senior Bonds that are not Participating Senior Bonds), the holders of Subordinate Obligations and the Pledged Assessment Surplus Account as described above, shall be released from the pledge and lien which secures the Senior Bonds, shall be transferred by the Trustee to, or upon the direction of, the City and may be applied by the City for any lawful purposes, including the payment of costs and expenses of the City and County incurred in collecting the Assessments.

Additional Senior Bonds

The City may issue or incur Additional Senior Bonds in such principal amount as it determines, that are secured in whole or in part by a pledge of, and lien on, the Pledged Assessment Revenues on a parity with the pledge in favor of the 2019 STID 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 audited financial statements 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 Additional Senior Bonds, (i) Pledged Assessment Revenues are at least equal to 115% of Maximum Annual Debt Service on all Senior Bonds that will be Outstanding following the issuance of the Additional Senior Bonds and (ii) Pledged Assessment Revenues are at least equal to 100% of Maximum Annual Debt Service on all Senior Bonds and Subordinate Obligations that will be Outstanding following the issuance of the Additional Senior Bonds.
- (c) The purpose for which such Additional Senior Bonds are issued is either to (i) provide funds for the Project or (ii) refund some or all of the then-Outstanding Senior Bonds.
- (d) The Supplemental Indenture authorizing the issuance of the Additional Senior Bonds must provide that—
 - (i) interest on the Additional Senior Bonds is payable on June 1 and December 1 in each year of the term of the Additional Senior Bonds, except that interest during the first twelve-month period may be payable on any June 1 or December 1; and
 - (ii) the principal of the Additional Senior Bonds 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.
- (e) An amount of cash or a Qualified Reserve Account Credit Instrument is deposited in the Reserve Account for Participating Senior Bonds 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 Additional Senior Bonds.

Notwithstanding the foregoing, if the Additional Senior Bonds are being incurred solely to refund then-Outstanding Senior Bonds, and if the resulting Annual Debt Service on all Senior Bonds for each Bond Year is less than the Annual Debt Service on all Senior Bonds for each Bond Year before the issuance of the refunding Senior Bonds, then the City need not comply with paragraph (b) above.

The Indenture does not require that that the Pledged Assessment Surplus Account be funded in an amount equal to the Required Surplus Amount as a condition to the issuance of Additional Senior Bonds.

Subordinate Obligations

The Indenture also permits the issuance of Subordinate Obligations. “**Subordinate Obligations**” means bonds, notes or other obligations secured, in whole or in part, by a pledge of, and lien on, the Pledged Assessment Revenues on a basis that is subordinate to the pledge and lien securing the Senior Bonds, including any Termination Payments. “**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.

The Indenture does not require that that the Pledged Assessment Surplus Account be funded in an amount equal to the Required Surplus Amount as a condition to the issuance of Subordinate Obligations.

Other Covenants of the City

The Indenture contains additional provisions relating to the security for the 2019 STID Bonds, including the following:

General. The Indenture requires the City to preserve and protect the security of the 2019 STID Bonds and the rights of the owners. From and after the date of issuance of the 2019 STID Bonds, the City is prohibited from contesting the validity or enforceability of the 2019 STID Bonds or the Indenture.

Non-Impairment. The City covenants that while the 2019 STID Bonds are Outstanding, the City (1) will levy the Assessments and will take such actions as may be required to enable the City and County to collect the Pledged Assessment Revenues to the fullest extent permitted by the Management District Plan and applicable law; and (2) will not amend the Management District Plan in any way that would materially reduce the City's receipt of Pledged Assessment Revenues or otherwise impair the City's ability to pay the Senior Bonds when due, replenish the 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), or pay any other obligations secured by the Pledged Assessment Revenues 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 Pledged Assessment Revenues having priority over the pledge, lien, and security interest granted in favor of the Senior Bonds.

Collection of Pledged Assessment Revenues. The City shall take all actions and shall execute and deliver all documents as may be required to enable the City and the County to collect the Pledged Assessment Revenues, and for the City to apply the Pledged Assessment Revenues and such other revenues to pay debt service on the Senior Bonds when due, replenish the Reserve Account or any other reserve account established for any series of Senior 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 Pledged Assessment Revenues when due. Without limiting the foregoing, the City covenants to take all actions as may be required to enable the City and the County to enforce the collection of the Pledged Assessment Revenues to the fullest extent permitted by law, and to collect the penalties and delinquencies accruing with respect to any late payments thereof, as applicable.

City Actions. If the STID Revenue Bond Law or any other law pursuant to which the Indenture is entered into, the Senior Bonds are issued or the Pledged Assessment Revenues 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.

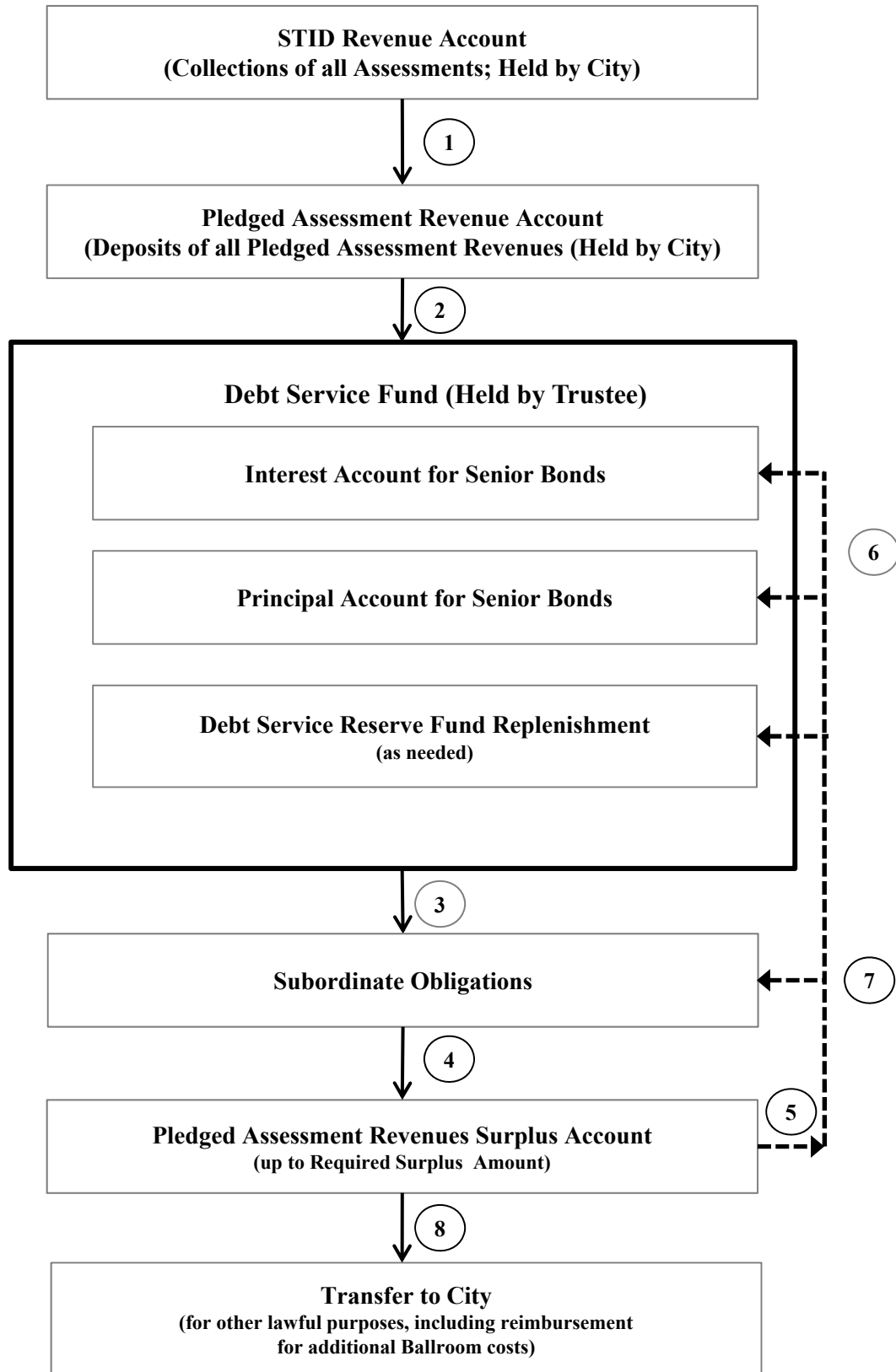
Punctual Payment. The City will punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the 2019 STID Bonds in strict conformity with the terms of the 2019 STID Bonds and this Indenture. The City will faithfully observe and perform all of the conditions, 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 Senior Bonds remain Outstanding, the City shall adopt all necessary budgets and make all necessary appropriations for the payment of principal of and interest and premium (if any) on the Senior Bonds from the Pledged Assessment Revenues and any other revenues pledged to any series of Senior Bonds as applicable. If any payment of principal of and interest and premium (if any) on the Senior Bonds or the payment of any 2019 Bonds Policy Costs requires the adoption by the City of a

supplemental budget or appropriation, the City shall 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 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 such officials to enable the City to carry out and perform such 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 FOR THE 2019 STID BONDS – Flow of Funds” and APPENDIX E – “SUMMARY OF THE INDENTURE.” See the Notes on the page following the diagram.



The diagram on the preceding page is a simplified version of the flow of funds. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds” for a more complete discussion.

(1) Represents transfer to the City-held Pledged Assessment Revenue Account of the portion of the Assessments which constitute Pledged Assessment Revenues. See “ASSESSMENTS; PLEDGED ASSESSMENT REVENUES” and “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds – Transfer to the Pledged Revenue Assessment Account (Held by City)”

(2) Represents transfer of Pledged Assessment Revenues to the Trustee of Pledged Assessment Revenues for deposit in Debt Service Fund for payment of principal and interest, and replenishment of the Senior Bond Debt Service Reserve Account. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds - Transfer to the Debt Service Fund (Held by Trustee),” “- Transfer to the Senior Bond Interest Account (Held by Trustee),” “- Transfer to the Senior Bond Principal Account (Held by Trustee),” and “- Transfer to the Senior Bond Reserve Account and Reserve Providers (Held by Trustee).”

(3) Represents transfer of Pledged Assessment Revenues remaining for Subordinate Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds - Transfers With Respect to Subordinate Obligations.”

(4) Represents transfers of Pledged Assessment Revenues to the Pledged Assessment Revenue Surplus Account. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds - Transfers to Pledged Assessment Revenues Surplus Account (Held by Trustee).”

(5) Represents transfers from Pledged Assessment Revenues Surplus Account for payment of Senior Bonds and Subordinate Obligations, if necessary. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds - Transfers From Pledged Assessment Revenues Surplus Account.”

(6) Represents transfers from Pledged Assessment Revenues Surplus Account for payment of Senior Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds - Transfers From Pledged Assessment Revenues Surplus Account.”

(7) Represents transfers from Pledged Assessment Revenues Surplus Account for payment of Subordinate Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS – Flow of Funds - Transfers From Pledged Assessment Revenues Surplus Account.”

(8) Represents transfer to City of Pledged Assessment Revenues not required in any month for the transfers described in (1) through (7) above. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2019 STID BONDS –Flow of Funds - Transfers of Excess Pledged Assessment Revenues.”

PAYMENT SCHEDULE

Debt service with respect to the 2019 STID Bonds is set forth below.

Fiscal Year Ending June 30	Principal	Interest	Total
2020		\$ 1,468,625	\$ 1,468,625*
2021	845,000	1,895,000	2,740,000
2022	880,000	1,861,200	2,741,200
2023	915,000	1,826,000	2,741,000
2024	960,000	1,780,250	2,740,250
2025	1,010,000	1,732,250	2,742,250
2026	1,060,000	1,681,750	2,741,750
2027	1,110,000	1,628,750	2,738,750
2028	1,170,000	1,573,250	2,743,250
2029	1,225,000	1,514,750	2,739,750
2030	1,290,000	1,453,500	2,743,500
2031	1,350,000	1,389,000	2,739,000
2032	1,420,000	1,321,500	2,741,500
2033	1,490,000	1,250,500	2,740,500
2034	1,565,000	1,176,000	2,741,000
2035	1,625,000	1,113,400	2,738,400
2036	1,695,000	1,048,400	2,743,400
2037	1,760,000	980,600	2,740,600
2038	1,830,000	910,200	2,740,200
2039	1,905,000	837,000	2,742,000
2040	1,980,000	760,800	2,740,800
2041	2,040,000	701,400	2,741,400
2042	2,100,000	640,200	2,740,200
2043	2,165,000	577,200	2,742,200
2044	2,230,000	512,250	2,742,250
2045	2,295,000	445,350	2,740,350
2046	2,365,000	376,500	2,741,500
2047	2,435,000	305,550	2,740,550
2048	2,510,000	232,500	2,742,500
2049	2,585,000	157,200	2,742,200
2050	2,655,000	79,650	2,734,650
Total	\$ 50,465,000	\$ 33,230,525	\$ 83,695,525

*To be paid from capitalized interest

THE RESERVE INSURER

Reserve Policy

Assured Guaranty Municipal Corp. (the “**Insurer**” or “**AGM**”) will issue the Reserve Policy concurrently with the issuance of the 2019 STID Bonds.

The Reserve Policy is 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 August 13, 2019, 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 June 27, 2019, 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 December 21, 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, 2018.

Capitalization of AGM

At June 30, 2019:

- The policyholders’ surplus of AGM was approximately \$2,530 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,082 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 \$1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the 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, 2018 (filed by AGL with the SEC on March 1, 2019);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

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 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 "RESERVE INSURER – 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 2019 STID Bonds or the advisability of investing in the 2019 STID 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 RESERVE INSURER”.

THE TOURISM DISTRICT

The Tourism District was formed to provide specific benefits to payors, by providing funding for the construction of a ballroom as part of the Sacramento Convention Center and other infrastructure project and marketing (if funds allow) designed to increase room night sales for assessed Lodging Businesses. The Tourism District was formed pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 through 36671) (the “**PBID Law**”), as augmented by Ordinance No. 2018-0025 adopted by the City Council pursuant to the City’s Charter (the “**STID Revenue Bond Law**”).

In connection with the formation of the Tourism District, Visit Sacramento, a private non-profit organization (“**Visit Sacramento**”) commissioned the preparation of a Management District Plan (the “**Management District Plan**”) which was presented, via petitions, to the City and approved by the City Council. The Management District Plan describes the boundaries of the Tourism District, its governance structure, the authority for the imposition of the Assessments, the benefits which will accrue to the payors of the Assessments and other related matters. The Management District Plan was developed to establish a new assessment revenue stream that could be used to issue bonds to finance capital improvements, including primarily the Project. The Management District Plan is attached hereto as Appendix A.

The Tourism District includes all Lodging Businesses located within the boundaries of the City and a portion of the unincorporated areas of the County (as shown on a map in the Management District Plan). The boundary of the Tourism District was chosen to ensure that the specific benefits conferred by the Tourism District are provided only to the Lodging Businesses (as defined in the Management District Plan, and set forth below) to be assessed and not to other lodging businesses located outside the boundaries of the Tourism District which do not pay the Assessment. Although Lodging Business includes short term vacation rentals by owners of homes through Airbnb, VRBO and similar services, “Pledged Assessment Revenues” does not include Assessments imposed on Vacation Rental Owners.

Pursuant to the Management District Plan, the capital improvements financed through the Assessments and other activities of the Tourism District are expected to increase overnight tourism and increase the desirability of the City as a tourist, meeting and event destination, thereby increasing room night sales of Lodging Businesses. The levy of the Assessments, the issuance of the 2019 STID Bonds and related matters have been judicially validated. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS” and “PLEDGED ASSESSMENT REVENUES” and “VALIDATION.”

Visit Sacramento will serve as the Tourism District’s Owners’ Association in accordance with the PBID Law. Visit Sacramento is charged with managing funds in accordance with the Management District Plan and the Indenture and must provide annual reports to the City Council. As described herein, the City will collect Assessments, and will make the transfers of the Assessments (including Assessments paid to the City by the County) in accordance with the provisions of the Indenture. Visit Sacramento will only have custody or discretionary rights with respect to any Assessments paid to Visit Sacramento from amounts available therefor after release from the lien in favor of the Senior Bonds as described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS.”

Pursuant to the Management District Plan, any Assessment amounts in excess of the amount necessary for the payment of principal and interest on the bonds or other obligations issued or incurred to fund the Project, replenish reserve funds, and pay for administrative expenses related thereto must be used in the following manner and order of priority:

1. Payments to the City and the County of Sacramento for the costs of collecting the assessment and administering the Tourism District;

2. Payments to the City for costs related to the design of the Project;

3. Payments to the City of the difference between bond proceeds and actual construction costs for the Project, or at the City's election, repayments to the City of a portion of the difference between bond proceeds and actual construction costs for the Project and a portion of the cost of Visit Sacramento marketing and sales programs; and

4. Other tourism infrastructure projects and Visit Sacramento marketing and sales programs designated by the STID Tourism District Committee (if funds allow). Other tourism infrastructure projects and marketing and sales programs will be supported by an analysis showing that they will increase overnight visitation and room night sales at assessed businesses, which analysis will be included in each applicable annual report. Tourism infrastructure projects are defined as capital improvements designed to increase overnight visitation and room night sales at assessed businesses. The annual report shall be developed by the STID Tourism District Committee and Visit Sacramento in consultation with the City.

ASSESSMENTS; PLEDGED ASSESSMENT REVENUES

As described herein, the 2019 STID Bonds (and any Additional Senior Bonds) are payable from all of the Pledged Assessment Revenues and amounts in certain funds and accounts pledged therefor as more particularly described herein.

"Pledged Assessment Revenues" means the Assessments, excluding Assessments on Vacation Rental Owners.

"Assessments" means the assessments, including interest and penalties thereon, received by the City on Lodging Businesses within the boundary of the Tourism District in accordance with the Management District Plan, including assessments collected by the County and remitted to the City in accordance with the Management District Plan.

"Lodging Business" means, pursuant to the Management District Plan, any structure, or any portion of any structure in the Tourism District that is permitted by the City or County for short-term rentals, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, motel, vacation rental, home sharing unit, or other similar structure or portion thereof.

"Vacation Rental Owner" means the owner of any Lodging Business that is within the Tourism District and has either a short-term-rental permit issued under Sacramento City Code chapter 5.114 or a vacation-rental permit issued under Sacramento County Zoning Code section 6.5.6, as those codes are amended from time to time. For clarity, the owner of a residential property (e.g., single-family home, duplex, condominium) who engages in short-term rentals using the services of online platforms such as Airbnb and VRBO will meet the definition of Vacation Rental Owner if the owner holds a valid short-term-rental permit or a valid vacation-rental permit for the property. As described herein, "Pledged Assessment Revenues" does not include Assessments imposed on Vacation Rental Owners.

The annual Assessment rate is one percent (1%) of gross short-term room rental revenue. As defined the Management District Plan "gross room rental revenue" means "the consideration charged whether or not received, for the occupancy of space in a Lodging Business valued in money, whether to be received in money, goods, labor or otherwise, includes all receipts, cash, credits and property and services of any kind or nature, without any deduction therefrom whatsoever. Gross room rental shall not

include and federal, state or local taxes collected, including but not limited to transient occupancy taxes. Assessments will not be collected on stays of more than thirty (30) consecutive days because the Tourism District programs are only intended to increase short-term stays.

Each assessed Lodging Business shall, or on before the last day of the month, make a return to the City or County for the prior month which includes the total short term room rental revenue charged and received by the assessed Lodging Business and the amount of the Assessment collected. At the time the return is filed, the full amount of the Assessment is required to be remitted to the City or County. Returns and payments are due immediately upon cessation of business for any reason. All Assessments collected by assessed Lodging Businesses shall be held in trust for the City or County until payment thereof is made to the City or County. The City and County will be responsible for collecting the Assessment on a monthly basis (including any delinquencies, penalties and interest) from each Lodging Business located in their respective jurisdictions. The City and County shall take all reasonable efforts to collect the assessments from each Lodging Business. If sums in excess of the delinquent Assessment are sought to be recovered in the same collection action by the City or the County, the Tourism District shall bear its pro rata share of such collection costs.

Collection of Delinquent Assessments. Pursuant to the Management District Plan, assessed businesses which are delinquent in paying the Assessment shall be responsible for paying:

1. Original Delinquency: Any Lodging Business that fails to remit any Assessment imposed within the time required by City or County shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the Assessment.

2. Continued Delinquency: Any Lodging Business that fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.

3. Fraud: If the City or County determines that the nonpayment of any remittance due is due to fraud, a penalty of twenty-five (25%) of the amount of the assessment shall be added thereto in addition to the penalties described above in (1) and (2).

4. Interest: In addition to the penalties imposed, any Lodging Business that fails to remit any assessment imposed shall pay interest at the rate of one-half of one percent (0.5%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.

5. Penalties Merged with Assessment: Every penalty imposed and such interest as accrues under the provisions of the Management District Plan shall become a part of the assessment required to be paid.

Imposition of the Assessment will commence in September 2019. In addition, as part of the formation proceedings for the Tourism District, the County Board of Supervisors adopted a resolution recognizing the City as the lead agency for the Tourism District and consenting to the inclusion of County territory therein. In connection with the issuance of the Series 2019 STID Bonds, the City and County entered into a Protocol For Implementation of the Sacramento Tourism Infrastructure District No. 2018-04 Management District Plan, dated August 1, 2019 (the “**City-County STID Protocol**”) which sets forth certain matters relating to the collection of Assessments by the County and payment thereof to the City in a manner consistent with the provisions of the Indenture and the Management District Plan.

PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION

As described herein, the Tourism District was formed in 2018, and will not begin to impose Assessments until September, 2019. However, in 2012 the City and County established the Sacramento Tourism Marketing District (the “STMD”). The STMD is also authorized to collect assessments on owners of lodging businesses. The geographic boundaries of the STMD include a larger portion of the unincorporated area of the County than the Tourism District and, as a result, there are currently six more lodging businesses in the STMD than there are in the Tourism District. (Although the definition of “lodging businesses” in the Management District Plan and the formation documents for the STMD differ somewhat, the City has concluded that the Lodging Businesses which will be required to pay the Assessment in the Tourism District are the same “lodging businesses” (as defined in the STMD formation documents) located within the Tourism District which are obligated to pay the STMD assessment. In addition, while the Tourism District Assessment is 1% of gross short-term room rental revenue, the STMD assessment rate structure is based on a percentage fee ranging from 1% to 3% of gross room revenue from stays of 30 days or less, depending on the specific location of a particular lodging business within the STMD for room revenue generated from stays of 30 days or less. Similar to the Assessments in the Tourism District, the STMD assessment is an assessment on the lodging property, not the guest; however, the assessment may be passed through to the guest at the discretion of the hotel operator.

As a result of the existence of the STMD since 2012, and the collection of assessment in the STMD during that period, the City has records of the historical short term rental revenues of the Lodging Businesses in the Tourism District that paid the STMD assessment, and has used that information to create the table of hypothetical “Pro Forma Tourism District Assessments” set forth in Table 1. The table shows the Assessments that theoretically would have been collected during the periods identified in the table, assuming that the Assessments had been applicable during such period. The table does not include STMD assessments imposed on owners of Vacation Rental Properties because the Assessments on Vacation Rental Properties are not pledged to the 2019 STID Bonds.

From time to time since 2012, lodging businesses have been delinquent in the payment of STMD assessments. Delinquent STMD assessments have not exceeded 4% of total Assessments due in any month. As of June 1, 2019, there were seven hotels with outstanding delinquencies with respect to STMD assessment totaling approximately \$30,000.

In addition to the Assessments, and the assessments imposed in the STMD described above, hotels in the City also pay a transient occupancy tax (the “TOT”) equal to 12% of the rent charged by the hotels. The City pledged a portion of the TOT in connection with the issuance on November 1, 2018 of \$283,315,000 principal amount of City of Sacramento TOT Revenue Bonds.

The STMD assessments, the TOT and the Assessments will all be collected by the City from hotels and lodging businesses within the City boundaries. The County will be responsible for collecting Assessments in their boundaries and remitting such collections to the City. Although the filing requirements relating to each imposition differ in some aspects, some hotels and lodging businesses pay each imposition in a single check. In the event that a Lodging Business pays less than the amount due, the Lodging Business would be contacted and notified of the discrepancy and be requested to immediately pay the difference. If payment is not made, then the Lodging Business will be billed for penalties and interest as well. See “ASSESSMENTS; PLEDGED ASSESSMENT REVENUES.”

Revenues of the STMD and the TOT are not pledged to, or otherwise available for, payment of the 2019 STID Bonds. The 2019 STID Bonds are payable solely from the Pledged Assessment Revenues and the amounts pledged thereof pursuant to the Indenture.

The table below contains the hypothetical amount of Assessments that would have been collected by the City and the County during the stated period, if the Assessments had been imposed

during such period. This information was derived from City records compiled in connection with the collection of the STMD assessment as well as information provided by the County (with respect to lodging businesses which paid the STMD assessment in the unincorporated area of the County and which are also within the Tourism District).

Imposition of the Assessment commences September 1, 2019. As described herein, Lodging Businesses are not required to pay the Assessment for any month until the last day of the subsequent month. As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS - Flow of Funds,” the Indenture provides that, on the 23rd day of each calendar month (or the following Business Day if the 23rd is not a Business Day), the City shall withdraw from the Pledged Assessment Revenue Account and transfer to the Trustee for deposit into the Debt Service Fund created pursuant to the Indenture of all of the Pledged Assessment Revenues. As a result, the Trustee will not begin to receive Pledged Assessment Revenues from the City until on or about November 23, 2019. A portion of the proceeds of the 2019 STID Bonds will be used to fund capitalized interest with respect to the 2019 STID Bonds through June 1, 2020.

**Table 1
Pro Forma Tourism District Assessments**

Fiscal Year	Pro Forma City Assessment	Change	Pro Forma County Assessments	Percent Change	Total Pro Forma Tourism District Assessments	Change
2013	\$1,690,478	n/a	\$285,285	n/a	\$1,975,763	n/a
2014	1,837,963	8.7%	337,623	18.3%	2,175,586	10.1%
2015	2,060,740	12.1	376,620	11.6	2,437,360	12.0
2016	2,265,029	9.9	424,311	12.7	2,689,340	10.3
2017	2,469,568	9.0	492,738	16.1	2,962,307	10.1
2018	2,771,927	12.2	503,611	2.2	3,275,538	10.6
2019	3,011,695	8.6	507,984	0.9	3,519,679	7.5

Source: City of Sacramento

Top Payors of STMD Assessments by Lodging Businesses in the Tourism District

The following table shows is a schedule of the top ten payors of STMD assessments in Fiscal Year 2018-19 (in alphabetical order), but only with respect to Lodging Businesses that are also located in the Tourism District. The Lodging Businesses in the table paid approximately 57% of total collected STMD assessments for such Fiscal Year with respect to Lodging Businesses in the Tourism District:

Table 2
Top STMD Assessment Payors by Lodging Businesses in the Tourism District
(Alphabetical Order)

<u>Lodging Business</u>	<u>Number of Rooms</u>
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: City of Sacramento

The following table sets forth pro forma debt service coverage with respect to the 2019 STID Bonds using the hypothetical amount of Pledged Assessment Revenues set forth in the Report of the Assessment Consultant for Fiscal Year 2018-19 (which are lower than the Pro Forma Tourism District Assessments for Fiscal Year 2018-19 as set forth in Table 1).

Table 3
Pro Forma Debt Service Coverage

Hypothetical Assessment Revenues for Fiscal Year 2018-19 ⁽¹⁾	2019 STID Bonds MADS ⁽²⁾	Pro Forma Coverage ⁽³⁾	Remaining Pledged Assessment Revenues ⁽⁴⁾
\$3,420,000	\$2,743,500	1.25x	\$676,500

Notes

1. As set forth in the Report of the Assessment Consultant.
2. Equal to Maximum Annual Debt Service (“MADS”) with respect to the 2019 STID Bonds.
3. Equal to Pro Forma Pledged Assessment Revenues divided by 2019 STID Bonds MADS.
4. As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID Bonds - Flow of Funds,” Pledged Assessment Revenues available in the Debt Service Fund not required for required transfers with respect to the Senior Bonds and Subordinate Obligations secured by the Pledged Assessment Revenue Surplus Account are required to be transferred to the Pledged Assessment Revenues Surplus Account until the amount on deposit therein equals the Required Surplus Amount. This figure equals Pro Forma Pledged Assessment Revenues less MADS.

REPORT OF THE ASSESSMENT CONSULTANT

CBRE Group, Inc., San Francisco, California (the “**Assessment Consultant**”) has prepared its Revenue Analysis of the Tourism District, dated July 3, 2019 (the “**Report of the Assessment Consultant**”), which is included in Appendix C. In preparing its report, the Assessment 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 Assessment Consultant should be read in its entirety for a full understanding of the Assessment Consultant’s analysis and the basis for its conclusions. From time to time the Assessment Consultant has provided appraisal and other related services to the City.

The Report of the Assessment Consultant was prepared for City planning purposes to determine the future potential availability of Assessments (in excess of Pledged Assessment Revenues required for the payment of the 2019 STID Bonds) for additional projects eligible for Assessment funding. While the Report of the Assessment Consultant includes forecasts of Assessments in future years, the 2019 STID Bonds have been structured utilizing the hypothetical Fiscal Year 2018-19 Assessments set forth in the Report of the Assessment Consultant (which are lower than the Pro Forma Tourism District Assessments for Fiscal Year 2018-19 as set forth in Table 1). See “PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION” herein. As described herein, there can be no assurances that Pledged Assessment Revenues will not decline in the future below the hypothetical Fiscal Year 2018-19 Assessments set forth in the Report of the Assessment Consultant.

The Report of the Assessment 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 Assessment Consultant does not constitute a recommendation to any person to purchase or sell the 2019 STID Bonds. The conclusions reached in the Report of the Assessment Consultant are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth in the Report of the Assessment Consultant. For a more detailed summary of the methodology used by the Assessment Consultant, see the “Methodology” section of the Report of the Assessment Consultant.

In connection with the preparation of the Report of the Assessment Consultant, the City has indemnified the Assessment 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 Assessment Consultant, the Official Statement, or the offering of the 2019 STID Bonds.

THE REPORT OF THE ASSESSMENT 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 C- “REPORT OF THE ASSESSMENT 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 2019 STID 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 2019 STID 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 2019 STID Bonds before purchasing any of the 2019 STID Bonds.

Limited Obligations

The 2019 STID Bonds are limited obligations of the City and are secured by a pledge of, and lien on, the Pledged Assessment Revenues, moneys on deposit in the Pledged Assessment Revenue Account and certain accounts held by the Trustee under the Indenture. The 2019 STID Bonds 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 2019 STID 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 2019 STID Bonds or the interest or premium thereon. The 2019 STID 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.

Economic and Market Conditions

The receipt of the Pledged Assessment Revenues depends on the economic activity that generates the Assessment. The Pledged Assessment Revenues depend on the use of the Lodging Businesses 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 Pledged Assessment 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 Pledged Assessment 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 Businesses, 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 Pledged Assessment Revenues.

Potential Declines in Pledged Assessment Revenues

The collection of Pledged Assessment Revenues in amounts sufficient to pay debt service for the 2019 STID 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.

Actual imposition of the Assessment will not commence until September 1, 2019. As described herein, Lodging Businesses are not required to pay the Assessment for any month until the last day of the succeeding month. As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 STID BONDS - Flow of Funds,” the Indenture provides that, on the 23rd day of each calendar month (or the following Business Day if the 23rd is not a Business Day), the City shall withdraw from the Pledged Assessment Revenue Account and transfer to the Trustee for deposit into the Debt Service Fund created pursuant to the Indenture all of the Pledged Assessment Revenues. As a result, the Trustee will not begin to receive Pledged Assessment Revenues from the City until on or about November 23, 2019.

The receipt of Pledged Assessment Revenues thereafter is subject to economic factors and other conditions that are impossible to predict, and, in connection with the TOT (which is based on gross revenues of hotels in a manner similar to the Assessment), the City has seen substantial variations in gross 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 the City’s TOT of approximately 20.2% over the two-year period from Fiscal Year 2008-09 to 2009-10. In fiscal year 2014, TOT collections surpassed the previous peak level achieved in fiscal year 2008.

No assurance can be given that Pledged Assessment 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 Pledged Assessment Revenues. A reduction in the amount of Pledged Assessment 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 Assessment 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 Assessment (*e.g.*, time shares or condominiums); and (vi) temporary or permanent closings of hotels subject to the Assessment 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 Pro Forma Assessment with respect to the top-ten hotel properties collectively constituted approximately 45% of all Pro Forma Assessment in fiscal year 2017-18. The single highest property generated approximately 8.2% of all Pro Forma Assessment in that period, the second highest property generated approximately 7.3%, and the remainder of the top-ten properties each generated between 2.2% and 5.0% of all Pro Forma Assessments. A significant adverse impact upon the continued operation of one or more of these hotels would have a substantial impact on Pledged Assessment Revenues. No remedy is available to owners of the 2019 STID Bonds if a shortfall occurs in Pledged Assessment Revenues due to non-operation in whole or in part of any hotels or hotels.

Report of the Assessment Consultant

The Report of the Assessment Consultant included as Appendix C to this Official Statement contains certain assumptions, hypothetical conditions, qualifications and forecasts. The Report of the Assessment Consultant should be read in its entirety for a full understanding of the Assessment Consultant’s analysis and the basis for its conclusions underlying the information contained therein, including the forecasts of future growth in the Assessments.

As described in “REPORT OF THE ASSESSMENT CONSULTANT,” the Report of the Assessment Consultant was prepared for City planning purposes to determine the future potential

availability of Assessments (in excess of Pledged Assessment Revenues required for the payment of Senior Bonds and Subordinate Obligations) for additional projects eligible for Assessment funding. While the Report of the Assessment Consultant includes forecasts of Assessments in future years, the 2019 STID Bonds have been structured utilizing the hypothetical Fiscal Year 2018-19 Assessments set forth in the Report of the Assessment Consultant (which are lower than the Pro Forma Tourism District Assessments for the period from June 2018 through May 2019 as set forth in Table 1). See “PRO FORMA DEBT-SERVICE COVERAGE PRESENTATION” herein. As described herein, there can be no assurances that Pledged Assessment Revenues will not decline in the future below the hypothetical Fiscal Year 2018-19 Assessments set forth in the Report of the Assessment Consultant.

As noted in the Report of the Assessment 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 Assessment Consultant are not necessarily indicative of future growth in the Pledged Assessment Revenues, and the Assessment 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 2019 STID Bonds are cautioned not to place undue reliance upon the Report of the Assessment Consultant or upon any projections of future growth in the Pledged Assessment Revenues. 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 Pledged Assessment 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 2019 STID 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 Assessment growth forecast.

Change in Use

The operators of the hotels in the City are obligated to collect the Assessments but are not obligated to continue to use their facilities as hotels. A reduction in Pledged Assessment 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 Assessments, 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 2019 STID Bonds are Outstanding.

Bankruptcy or Insolvency of Hotel Owner

Payment of the Assessment may be limited or delayed by bankruptcy or insolvency of the owners of the hotels in the Tourism District.

Additional Senior Bonds and Subordinate Obligations

Subject to satisfaction of the conditions set forth therein, the Indenture permits the issuance of Additional Senior Bonds payable from Pledged Assessment Revenues on a parity with the 2019 STID Bonds, and of Subordinate Obligations, which would dilute amounts available for payment of debt service on the 2019 STID Bonds.

Suitability of Investment

An investment in the 2019 STID Bonds involves elements of risk, and the 2019 STID Bonds are not suitable investments for all persons. Prospective purchasers should evaluate the risks and merits of an investment in the 2019 STID Bonds before considering such a purchase.

Earthquake, Flood, and Other Disasters or Calamities

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

Climate Change

The change in the earth's average atmospheric temperature, generally referred to as "climate change," is, among other things, expected to increase the frequency and severity of extreme weather events and cause substantial flooding. The City cannot predict the timing, extent, or severity of climate change or its effect on the City's operations and finances, or the State and local economies, and there can be no assurances such effects will not be material and adverse with respect to the Assessments.

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. Recently, the City experienced a cyber event relating to a fraudulently misdirected payment of a substantial amount. The City has recovered almost all of the payment, and has instituted procedures intended to prevent a reoccurrence.

No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. In addition, cyber attacks could result in delays in collection of the Assessments, or transfer of Assessment in accordance with the Indenture.

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 2019 STID Bonds.

If the City is in bankruptcy, the parties (including the holders of the 2019 STID Bonds) may be prohibited from taking any action to collect any amount from the City (including the Pledged Assessment 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 2019 STID 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 Pledged Assessment Revenues and may allow the City to continue to spend Pledged Assessment 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 Pledged Assessment Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. With respect to Pledged Assessment Revenues collected after the bankruptcy filing, if the City does not voluntarily turn over such Pledged Assessment Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the holders of the 2019 STID Bonds would have to follow to attempt to obtain possession of such Pledged Assessment 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 2019 STID Bonds.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Pledged Assessment 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 2019 STID Bonds will be adequately protected. The City may be able to cause some of the Pledged Assessment 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 2019 STID 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 2019 STID 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 2019 STID Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2019 STID 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 2019 STID Bonds or result in losses to the holders of the 2019 STID 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 2019 STID Bonds.

Further Initiatives

From time to time initiative measures could be adopted which may affect the City's ability to levy and collect the Assessment, or change the types of transactions subject to the Assessment.

Limitation on Remedies

If an Event of Default should occur, the Trustee and the holders of the 2019 STID Bonds would have no ability to accelerate the maturity of the 2019 STID Bonds. This means that even after an Event of Default occurs, the 2019 STID Bonds may be paid according to the regularly-scheduled due dates. This may result in delays or reductions in payments on the 2019 STID Bonds compared to what would happen if the Trustee could accelerate the maturity of the 2019 STID Bonds, and it could cause the market value of the 2019 STID 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 2019 STID Bonds or in any way contesting or affecting the validity of the 2019 STID 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 2019 STID Bonds.

VALIDATION

On June 26, 2019, a judgment (the “**Validation Judgment**”) was entered by the Superior Court of the State of California for the County of Sacramento in a validation action entitled City of Sacramento v. All Persons Interested et al., No. 34-2018-00243701, and the 30-day appeal period expired on July 26, 2019. No appeals were filed. The City initiated the validation action pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure to confirm the validity of the Assessments and the issuance or incurrence of all long-term obligations by the City payable from the Assessments (including the 2019 STID Bonds). Only one interested person, Briana Monroe, responded to the summons posted in connection with the validation action, and, pursuant to a Settlement Agreement, dated as of May 1, 2019 (the “**Settlement Agreement**”), among the City, Monroe and Visit Sacramento, Monroe stipulated to the entry of final judgment in favor of the City in the form of the Validation Judgment. In addition, on November 27, 2018, Monroe filed *Briana Monroe v. City of Sacramento, et al.*, Sacramento Superior Court Case No. 34-2018-80003021 (the “**Writ Action**”), a petition of writ of mandate and complaint for declaratory relief to invalidate the City’s formation of the STID and authorization of the Assessments. The Settlement Agreement and Validation Judgment in favor of the City also covered the Writ Action.

The Settlement Agreement generally provides that Visit Sacramento will pay the Assessments levied on Vacation Rental Owners and that, so long as the Assessments are paid on behalf of a Vacation Rental Owner, the City shall not collect the Assessments from the Vacation Rental Owner. The Settlement Agreement also provides that, if the City contracts with an entity other than Visit Sacramento to serve as the “owners’ association” (as defined in Streets and Highways Code section 36612) that administers the Tourism District, then the City shall require that entity to perform Visit Sacramento’s obligations under the Settlement Agreement. In connection with the Settlement Agreement, the City, Visit Sacramento and the Downtown Sacramento Revitalization Corporation, a non-profit public-benefit corporation (“**DSRC**”) entered into an agreement whereby (i) DSRC agreed to pay Visit Sacramento \$65,000 annually to be used for the payment of Assessments payable by Vacation Rental Owners, and the City agreed to forgive a loan previously made to DSRC. In addition, in years in which the payments made by Visit Sacramento exceed the amount paid by DSRC, the City agrees to consider whether to reimburse Visit Sacramento such excess amount as part of the City’s annual appropriation and budgeting process.

In general, the Validation Judgment provides that all of the proceedings related to the formation of the STID, the adoption of the Management District Plan, and the issuance or incurrence of long-term obligations by the City payable from the Assessments (including the 2019 STID Bonds) are in conformity with the laws in force or controlling upon the proceedings at any time, including the PBID Law as augmented by the STID Revenue Bond Law. More specifically, the Validation Judgment provides that the Assessments are a charge imposed for a specific benefit conferred directly on the payors and not provided to those not charged, and they do not exceed the City’s reasonable costs of conferring the benefit. As such, the Assessments are not “taxes” or “special taxes” that are subject to the procedural and substantive requirements of Article XIII C of the California Constitution. In addition, because the Assessments are not levied against real property but instead are levied against Lodging Businesses that

benefit from the Convention Center ballroom project and other programs authorized by the Management District Plan, the Validation Judgment provides that the Assessments are not subject to the procedural and substantive requirements of Article XIII D of the California Constitution. Finally, the Validation Judgment provides that the Settlement Agreement is a legal and valid obligation that binds the City, Visit Sacramento and Briana Monroe in accordance with its terms.

The Validation Judgment also provides that the institution of any action or proceeding that challenges any of the following is permanently enjoined: the enactment of the STID Revenue Bond Law; the adoption of the resolution of the City Council forming the Tourism District, the resolution of the City Council authorizing long-term obligations payable from the Assessments (including the 2019 STID Bonds), and the resolution of the County Board of Supervisors consenting to the formation of the Tourism District; the establishment of the Tourism District; the levy and collection of the Assessments; the issuance or incurrence of the long-term obligations payable from the Assessments (including the 2019 STID Bonds); the Settlement Agreement; the execution and delivery of the financing documents related to long-term obligations payable from the Assessments or any related documents the City Council approves or contemplates in connection with the proceedings undertaken with respect to the Tourism District; and any other matter that was, or might have been, litigated in the validation action.

In connection with the issuance and delivery of the 2019 STID Bonds, the City Attorney will provide certain opinions to the Underwriter as to the validity of the Assessments, which opinions will rely, in part, upon the Validation Judgment. In addition, the opinion of Bond Counsel as to the validity of the 2019 STID Bonds (attached as Appendix G), provides that, in rendering its opinion, Bond Counsel examined such law and such certified proceedings, certifications and other documents as Bond Counsel deemed necessary to render its opinion, including the Validation Judgment.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2019 STID 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 2018-19 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 F– FORM OF CONTINUING DISCLOSURE CERTIFICATE.” This continuing disclosure covenant has been made to assist the underwriter of the 2019 STID Bonds in complying with Securities Exchange Commission Rule 15c2-12(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. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City’s annual reports for two of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City’s annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees’ Retirement System and the City’s Public Employees’ Retirement System plans for two prior issues). 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. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

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 2019 STID 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.

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**”) that must be satisfied subsequent to the issuance of the 2019 STID Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. 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 2019 STID Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2019 STID 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 2019 STID 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 2019 STID 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 2019 STID Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2019 STID Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2019 STID Bonds who purchase the 2019 STID Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2019 STID Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2019 STID 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 2019 STID Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of 2019 STID Bond (said term being the shorter of the 2019 STID 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 2019 STID Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2019 STID Bond is amortized each year over the term to maturity of the 2019 STID 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 2019 STID 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 2019 STID Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2019 STID 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 2019 STID Bonds to be subject, directly or indirectly, to federal income taxation or the 2019 STID 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 2019 STID 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 2019 STID Bonds, or as to the consequences of owning or receiving interest on the 2019 STID Bonds, as of any future date. Prospective purchasers of the 2019 STID 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 2019 STID Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2019 STID 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 2019 STID Bonds, the ownership, sale or disposition of the 2019 STID Bond, or the amount, accrual or receipt of interest on the 2019 STID Bonds.

APPROVAL OF LEGALITY

The validity of the 2019 STID 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 G hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by 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 2019 STID 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 2019 STID Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC (the “**Underwriter**”) has agreed, subject to certain conditions, to purchase the 2019 STID Bonds at an aggregate price of \$55,078,688.21 (consisting of the principal amount of the 2019 STID Bonds plus original-issue premium of \$4,892,486.10, less an underwriter’s discount of \$278,797.89). The Purchase Contract relating to the 2019 STID Bonds provides that the Underwriter will purchase all of the 2019 STID Bonds if any are purchased. The 2019 STID Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than such public offering prices, and the public offering price may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following for inclusion in the Official Statement:

The Underwriter and its 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 Underwriter and its 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 Underwriter and its 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 2019 STID Bonds.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC is retained as Municipal Advisor to the City in connection with the issuance of the 2019 STID Bonds. The Municipal Advisor’s compensation for services rendered with respect to the sale of the 2019 STID Bonds is not contingent upon the issuance and delivery of the 2019 STID 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 2019 STID 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 Assessments are expected to be accounted for in future financial statements of the City) for the fiscal year ended June 30, 2018, are attached hereto as Appendix B. 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 2019 STID Bonds are special obligations of the City, secured by and payable solely from the Pledged Assessment Revenues and the other amounts set forth in the Indenture. No other funds of the City are available for payment of the 2019 STID 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 2019 STID 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 2019 STID 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
SACRAMENTO TOURISM INFRASTRUCTURE DISTRICT NO. 2018-04
MANAGEMENT DISTRICT PLAN

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**SACRAMENTO TOURISM INFRASTRUCTURE DISTRICT
NO. 2018-04
MANAGEMENT DISTRICT PLAN**

*Prepared pursuant to the Property and Business Improvement District Law of
1994, Streets and Highways Code section 36600 et seq.
and City of Sacramento Ordinance No. 2018-0025*

August 23, 2018

CONTENTS

I.	OVERVIEW	3
II.	BACKGROUND	4
III.	BOUNDARY	6
IV.	BUDGET AND SPECIFIC BENEFITS.....	8
	A. Annual Plan.....	8
	B. Annual Budget	9
	C. California Constitutional Compliance	10
	D. Assessment.....	13
	E. Bonds	13
	F. Collection.....	14
	G. Duration	14
V.	GOVERNANCE.....	16
	A. Owners’ Association.....	16
	B. STID Tourism District Committee Structure.....	16
	C. Segregation of STID Assessment Funds.....	16
	D. Brown Act and California Public Records Act Compliance	16
	E. Annual Report.....	17
	APPENDIX 1 – PBID LAW	18
	APPENDIX 2 – ASSESSED BUSINESSES	29
	APPENDIX 3 – BENEFIT STUDY	37

Prepared by
Civitas



I. OVERVIEW

Developed by Visit Sacramento, the Sacramento Tourism Infrastructure District No. 2018-04 (STID) is an assessment district proposed to provide specific benefits to payors, by providing funding for capital improvements, specifically the construction of a ballroom as part of the Sacramento Convention Center and other infrastructure project and marketing (if funds allow) designed to increase room night sales for assessed lodging businesses. This approach has been used successfully in other destination areas throughout the country to provide the benefit of additional room night sales directly to payors. The STID will be formed pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 through 36671) (PBID Law), as augmented by Ordinance No. 2018-0025 adopted by the City Council of the City of Sacramento pursuant to the City's charter powers.

Location: The proposed STID includes all lodging businesses (defined herein) located within the boundaries of the City of Sacramento and a portion of the unincorporated areas of the County of Sacramento, as shown on the map in Section III.

Benefits: The STID is designed to provide specific benefits directly to payors by increasing room night sales. Capital improvements and other activities will increase overnight tourism and increase the desirability of Sacramento as a tourist, meeting and event destination, thereby increasing room night sales of payors.

Budget: The total STID annual budget for the initial full year of operation is anticipated to be approximately \$3,141,588. This budget is expected to fluctuate in future years due to fluctuations in room sales, as described in Section IV.

Cost: The annual assessment rate is one percent (1%) of gross short-term room rental revenue. Assessments will not be collected on stays of more than thirty (30) consecutive days because STID programs are only intended to increase short-term stays.

Bonds: The City of Sacramento or a Joint Powers Authority of which the City of Sacramento is a member will issue one or more series of bonds with no final maturity beyond forty (40) years from the date of issuance of the first series of bonds to finance the capital improvements and will pay off those bonds with the assessments collected from lodging businesses within the STID and/or other available revenues. Assessments shall be levied until the maximum maturity of the bonds.

Collection: The City and County will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the STID. The City and County shall take all reasonable efforts to collect the assessments from each lodging business.

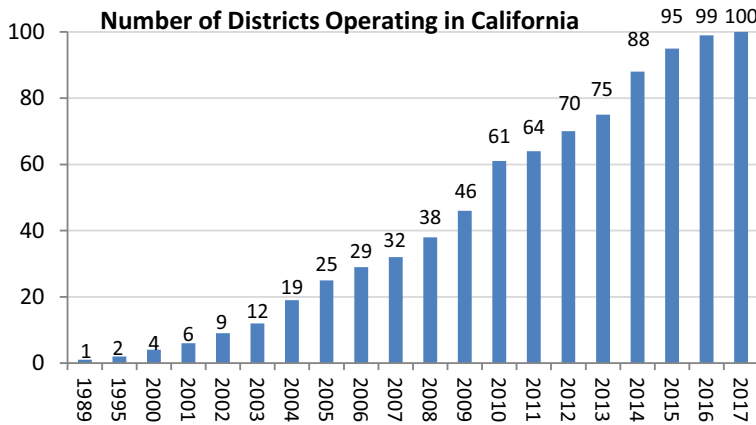
Duration: The proposed STID will have a term necessary to pay off the bonds described above, which is expected to occur thirty (30) years after the effective date of the assessment, but in no event will occur beyond forty (40) years from the date of issuance of the first series of bonds.

Governance: Visit Sacramento, which is a private non-profit organization, will serve as the STID's Owners' Association. The Owners' Association is charged with managing funds in accordance with this Management District Plan (Plan) and any indenture or other

instrument or agreement associated with the issuance of bonds and must provide annual reports to the City Council. It is anticipated that the City or a Joint Powers Authority of which the City is a member will issue bonds and construct the improvements.

II. BACKGROUND

Tourism Improvement Districts (TIDs), like the STID, are an evolution of the traditional Business Improvement District. The first TID was formed in West Hollywood, California in 1989. Since then, over 100 California destinations have followed suit. In recent years, other states have begun adopting the California model – Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TID laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas and Newark, New Jersey used an existing business improvement district law to form a TID. Finally, some cities, like Portland, Oregon and Memphis, Tennessee have utilized their home rule powers to create TIDs without a state law.



California’s TIDs collectively raise over \$250 million annually for local programs designed to increase tourism. With competitors raising their budgets, and increasing rivalry for visitor dollars, it is important that Sacramento lodging businesses invest in stable, lodging-specific capital improvements programs.

TIDs allow lodging business owners to organize their efforts to increase room night sales. Lodging business owners within the TID pay an assessment and those funds are used to provide programs that increase room night sales.

In California, TIDs are formed pursuant to the PBID Law. This law allows for the creation of a benefit assessment district to raise funds within a specific geographic area. *The key difference between TIDs formed under the PBID Law and other benefit assessment districts formed under other laws is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to TIDs:

- Funds must be spent on services and improvements that provide a specific benefit only to those who pay;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services and improvements;
- They are ***designed, created and governed by those who will pay*** the assessment; and
- They provide a stable, long-term funding source for tourism projects.

Under the PBID Law, business-based assessments are levied on the basis of estimated specific benefit to the businesses within the district, and are not considered special taxes or general taxes. “Specific benefit” means a benefit that is provided directly to a payor and is not provided to those not charged. See California Government Code section 53758(a). A specific benefit is not excluded from classification as a “specific benefit” merely because an indirect benefit to a nonpayor occurs incidentally and without cost to payor as a consequence of providing the specific benefit to the payor. The State Legislature has found and declared that assessments are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them. The State Legislature has also found and declared that assessments levied under the PBID Law are not special taxes. Finally, to promote its purposes, including the ability of business owners to form an assessment district that will provide specific benefits directly to those charged that are not provided to those not charged, the State Legislature has found and declared that the PBID Law is intended to be construed liberally to accomplish its purposes.

III. BOUNDARY

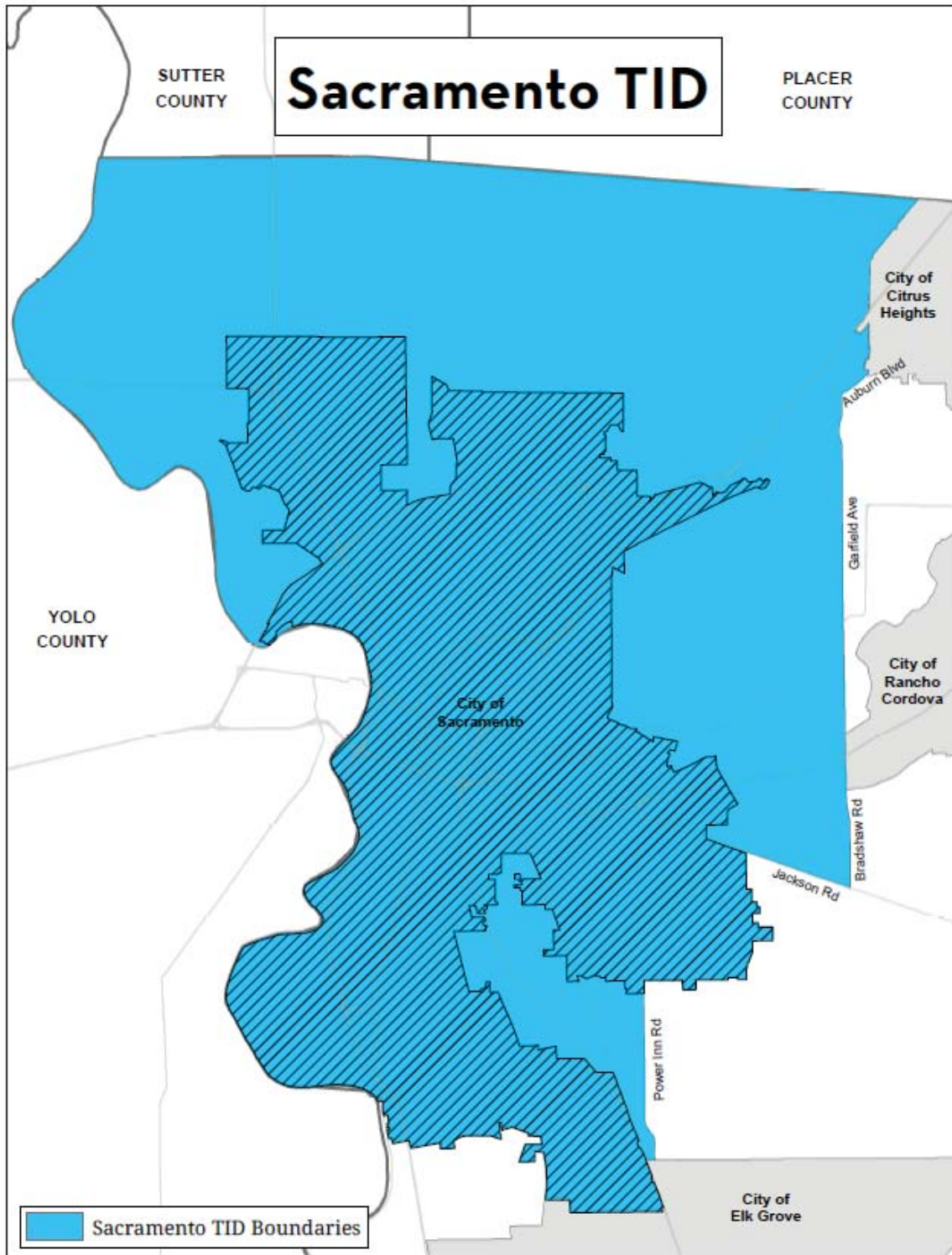
The STID will include all lodging businesses (defined below), existing and in the future, within the boundaries of the City of Sacramento and a portion of the unincorporated areas of the County of Sacramento. The eastern boundary of the STID in the unincorporated areas of the County of Sacramento is bound by: Power Inn Road between the boundary of the City of Elk Grove and the boundary of the City of Sacramento; Jackson Road from the boundary of the City of Sacramento to Bradshaw Road; Bradshaw Road from Jackson Road to Folsom Boulevard; following longitude - 121.336376 from the corner of Folsom Boulevard and Bradshaw Road to the corner of Garfield Avenue and Fair Oaks Boulevard; Garfield Avenue from Fair Oaks Boulevard to Auburn Boulevard; and Auburn Boulevard from Garfield Avenue to Manzanita Avenue.

This boundary was chosen to ensure that the specific benefits conferred by the STID are provided only to the lodging businesses to be assessed and not to other lodging businesses located outside the boundaries of the STID and therefore not assessed. Additional details on this topic are found in the benefit study commissioned by Visit Sacramento in connection with the formation of the STID. See Appendix 3.

Lodging business means: any structure, or any portion of any structure that is permitted by the City or County of Sacramento for short-term rentals, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, motel, vacation rental, home sharing unit, or other similar structure or portion thereof.

This definition was chosen to ensure that the specific benefits conferred by the STID are provided only to the lodging businesses to be assessed and not to other businesses not assessed. Additional details on this topic are found in the benefit study commissioned in connection with the formation of the STID. See Appendix 3.

The boundary, as shown in the map on the following page, currently includes 268 lodging businesses. A complete listing of lodging businesses currently within the proposed STID boundary can be found in Appendix 2.



IV. BUDGET AND SPECIFIC BENEFITS

A. Annual Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the City of conferring the benefits or granting the privileges. The privileges and services provided with the STID funds are capital improvements, specifically the construction of a ballroom within the Sacramento Convention Center, and other infrastructure and marketing (if funds allow) designed to increase room night sales for assessed lodging businesses.

Although actual revenues will fluctuate due to market conditions, the total initial budget for the first full year is \$3,141,588¹. A description of the proposed improvements and activities for the initial year of operation is below. The activities proposed for subsequent years are shown in the table on page 10. In the event of a legal challenge against the STID, any and all available assessment funds may be used for the costs of defending the STID. In the first full year of operation, the costs of creating the STID shall be repaid by deducting repayment funds proportionally from budget categories.

The capital improvements and debt service portion of the budget will be used to fund capital improvements designed to increase room night sales for assessed businesses. The focus of the capital improvements program is to fund a portion of the planned expansion to the Sacramento Convention Center, specifically the construction of a ballroom, designed to increase overnight tourism and increase the desirability of the Sacramento Convention Center as a tourist, meeting and event destination, thereby increasing room night sales for assessed lodging businesses.

If funds allow, the focus of other tourism infrastructure projects is to fund additional tourism infrastructure, above and beyond the Convention Center, that will drive new room nights to assessed businesses within the STID. If other tourism infrastructure projects are approved by the STID Tourism District Committee and City and included in an annual report, funds may be set aside and held for multiple years to fund the approved projects, or bonds may be issued.

If funds allow, the marketing and sales portion of the budget will be used to drive overnight visitation to assessed businesses within the STID by targeting convention meeting planners in national trade publications, as well as potential out-of-market festival and sporting event attendees.

The proposed ballroom will be funded by bonds issued by the City of Sacramento or a Joint Powers Authority of which the City of Sacramento is a member and will be built by the City of Sacramento or the Joint Powers Authority of which the City of Sacramento is a member. The capital improvements and debt service budget will be used to make payments owed to bond holders or to reimburse the City or the Joint Powers Authority for payments made to bond holders from other sources.

Any assessment revenue collected in excess of what is needed to pay principal and interest on the bonds or other obligations issued or incurred to fund the Convention Center ballroom, replenish reserve funds, and pay for administrative expenses related thereto, shall be used in the following

¹ This estimate is based on historic revenue information submitted by the City of Sacramento and County of Sacramento as to the amount of short term room rental revenue for lodging businesses within the proposed STID boundary.

manner and order of priority:

1. Payments to the City of Sacramento and the County of Sacramento for the costs of collecting the assessment and administering the STID;
2. Payments to the City of Sacramento for costs related to the design of the Convention Center ballroom;
3. Payments to the City of Sacramento of the difference between bond proceeds and actual construction costs for the Convention Center ballroom, or at the City's election, repayments to the City of Sacramento of a portion of the difference between bond proceeds and actual construction costs for the Convention Center ballroom and a portion of the cost of Visit Sacramento marketing and sales programs; and
4. Other tourism infrastructure projects and Visit Sacramento marketing and sales programs designated by the STID Tourism District Committee (if funds allow). Other tourism infrastructure projects and marketing and sales programs will be supported by an analysis showing that they will increase overnight visitation and room night sales at assessed businesses, which analysis will be included in each applicable annual report. Tourism infrastructure projects are defined as capital improvements designed to increase overnight visitation and room night sales at assessed businesses. The annual report shall be developed by the STID Tourism District Committee and Visit Sacramento in consultation with the City of Sacramento.

As noted above, the City of Sacramento and the County of Sacramento shall be paid a fee from assessment revenues not used for debt service payments to cover their costs of collection and administration.

B. Annual Budget

The estimated thirty (30) year improvement and service plan budget is projected at approximately \$3,141,588 annually during the first full year, or \$158,231,880 over thirty (30) years. This amount is expected to fluctuate due to fluctuations in room sales. In 2016, a report was completed forecasting Sacramento lodging business room revenues from 2016/17 through 2055/56. The report forecasted the estimated compound annual growth rate (CAGR) at 3.4% annually for that forty (40) year period. In May 2017 the City commissioned an update to the October 2016 report that forecasted Sacramento lodging business room revenue. Though the projected average annual growth rate as identified in the October 2016 report as compared to the May 2017 report showed an increase in projected revenue from 3.4% annually to 3.7% annually (both rounded figures), the City is not relying upon such forecasted growth for purposes of bonding capacity analysis. Using the information provided in the report, the estimated CAGR for the anticipated thirty (30) year life of the STID is 3.35%. The 3.35% CAGR is used to estimate the amount of annual assessment collections, over the life of the STID, as shown in the following table²³. It is not expected that bonding capacity will be based on estimated

² This table includes the best estimate of annual expenditures based on information available at the present time. Actual annual expenditures will vary based on actual project costs and bonded indebtedness. Expenditures will follow the expenditure priorities stated on pages 8 and 9 of this plan.

³ This table does not have a column for item three in the list of priorities stated on page 9 of this plan (difference between bond proceeds and actual construction costs) because these figures are not known at the present time.

growth projections of STID revenues over the thirty (30) year period. If STID revenues do not increase over the thirty (30) year term of the STID, the total revenue is estimated to be \$94,247,641.

Year*	Capital Improvements & Debt Service	Repayment of Formation Costs	Ballroom Related Design	City & County Collection Costs	Other Capital Improvements & Marketing (if funds allow)	Total
Year 1	\$2,731,816	\$150,000	\$196,941	\$62,832	\$0	\$3,141,588
Year 2	\$2,731,816	\$0	\$450,079	\$64,937	\$0	\$3,246,831
Year 3	\$2,731,816	\$0	\$556,672	\$67,112	\$0	\$3,355,600
Year 4	\$2,731,816	\$0	\$196,308	\$69,360	\$470,529	\$3,468,013
Year 5	\$2,731,816	\$0	\$0	\$71,684	\$780,692	\$3,584,191
Year 6	\$2,731,816	\$0	\$0	\$74,085	\$898,361	\$3,704,261
Year 7	\$2,731,816	\$0	\$0	\$76,567	\$1,019,971	\$3,828,354
Year 8	\$2,731,816	\$0	\$0	\$79,132	\$1,145,656	\$3,956,604
Year 9	\$2,731,816	\$0	\$0	\$81,783	\$1,275,552	\$4,089,150
Year 10	\$2,731,816	\$0	\$0	\$84,523	\$1,409,798	\$4,226,137
Year 11	\$2,731,816	\$0	\$0	\$87,354	\$1,548,543	\$4,367,712
Year 12	\$2,731,816	\$0	\$0	\$90,281	\$1,691,935	\$4,514,031
Year 13	\$2,731,816	\$0	\$0	\$93,305	\$1,840,130	\$4,665,251
Year 14	\$2,731,816	\$0	\$0	\$96,431	\$1,993,290	\$4,821,537
Year 15	\$2,731,816	\$0	\$0	\$99,661	\$2,151,581	\$4,983,058
Year 16	\$2,731,816	\$0	\$0	\$103,000	\$2,315,175	\$5,149,991
Year 17	\$2,731,816	\$0	\$0	\$106,450	\$2,484,249	\$5,322,515
Year 18	\$2,731,816	\$0	\$0	\$110,016	\$2,658,988	\$5,500,820
Year 19	\$2,731,816	\$0	\$0	\$113,702	\$2,839,580	\$5,685,097
Year 20	\$2,731,816	\$0	\$0	\$117,511	\$3,026,221	\$5,875,548
Year 21	\$2,731,816	\$0	\$0	\$121,448	\$3,219,115	\$6,072,379
Year 22	\$2,731,816	\$0	\$0	\$125,516	\$3,418,472	\$6,275,803
Year 23	\$2,731,816	\$0	\$0	\$129,721	\$3,624,506	\$6,486,043
Year 24	\$2,731,816	\$0	\$0	\$134,067	\$3,837,443	\$6,703,325
Year 25	\$2,731,816	\$0	\$0	\$138,558	\$4,057,513	\$6,927,887
Year 26	\$2,731,816	\$0	\$0	\$143,199	\$4,284,956	\$7,159,971
Year 27	\$2,731,816	\$0	\$0	\$147,997	\$4,520,018	\$7,399,830
Year 28	\$2,731,816	\$0	\$0	\$152,954	\$4,762,954	\$7,647,724
Year 29	\$2,731,816	\$0	\$0	\$158,078	\$5,014,029	\$7,903,923
Year 30	\$2,731,816	\$0	\$0	\$163,374	\$5,273,515	\$8,168,704
Total	\$81,954,470	\$150,000	\$1,400,000	\$3,164,638	\$71,562,772	\$158,231,880

*“Year” refers to the twelve (12) month period beginning the first day of the first month the STID assessment is levied as detailed in Section IV (G).

C. California Constitutional Compliance

The STID assessment is not a property-based assessment subject to the requirements of Proposition 218. Courts have found Proposition 218 limited the term ‘assessments’ to levies on real property.⁴ Rather, the STID assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Section 1(e) of Article XIII C of the California Constitution (enacted by Proposition 26 in 2010), all levies are a tax unless they fit one of seven exceptions. One exception applies squarely to the STID, as the proposed assessment provides a “specific benefit” to payors that is not provided to

⁴ *Jarvis v. the City of San Diego* (1999) 72 Cal App. 4th 230

those who do not pay. (Cal. Const., art. XIII C, § 1, subd. (e)(1).) This exception requires that the amount of the assessment does not exceed the reasonable cost to the City of conferring these benefits.

1. Specific Benefit

The assessments to be levied in the STID are not taxes for purposes of Section 1(e) of Article XIII C of the California Constitution, because the assessment funds will be expended on, “a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”⁵ The Plan and its programs are designed to provide targeted benefits directly to assessed businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific lodging businesses within the STID. The boundaries of the STID have been carefully designed to closely align the specific benefit from the Convention Center improvements to the assessed businesses. The construction of a Convention Center ballroom is specifically targeted to increase room night sales for assessed lodging businesses within the boundaries of the STID; similarly, any other tourism infrastructure projects and marketing and sales programs will be supported by an analysis showing that they will increase overnight visitation and room night sales at assessed businesses. STID funds will be used exclusively to provide the specific benefit of increased room night sales directly to the assessees. Assessment funds shall not be used to feature non-assessed lodging businesses in STID programs, or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues will provide specific benefits directly to the assessed businesses.

“Direct” is defined as “immediate,” “proximate,” and “without circuitry.”⁶ The proposed improvements to the Sacramento Convention Center, specifically the construction of a ballroom, will proximately increase the number of rooms sold by assessed lodging businesses in connection with the increases to group bookings at the Convention Center. There is no intermediary; the specific benefit of additional room nights flows directly to the assessed businesses from the improvements. The proposed improvements are specifically intended to increase room night sales at each assessed business by directly allocating new room night reservations to assessed lodging businesses within the STID boundary. When new groups book the Convention Center, Visit Sacramento directs those groups to STID lodging businesses. Visit Sacramento will ensure that only assessed lodging businesses receive bookings from additional groups by directing group reservations to assessed lodging businesses within the STID.

The assessment imposed by this STID is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in room night sales. The specific benefit of an increase in room night sales for assessed lodging businesses will be provided directly only to lodging businesses paying the STID assessment, with capital improvements programs increasing the desirability of lodging businesses paying the STID assessment. The capital improvements programs will be designed to increase room night sales at each assessed lodging businesses. It is estimated that the ballroom would generate an average of 228 rooms per night resulting in Revenue per Available Room increases between 7% and 15%.⁷ The estimated

⁵ Cal. Const. art XIII C § 1(e)(1)

⁶ Black’s Law Dictionary, 6th Edition

⁷ Sacramento Tourism Infrastructure District Benefit Study. See Appendix 3.

Revenue per Available Room increase is a reasonable measure of the specific benefit that will be provided to assessed businesses.

Although the STID, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, “A specific benefit is not excluded from classification as a ‘specific benefit’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.”⁸

2. Reasonable Cost

STID improvements and programs will be implemented carefully to ensure they do not exceed the reasonable cost of such improvements and programs. The full amount assessed will be used to provide the improvements and programs described herein. Funds will be managed by Visit Sacramento in accordance with this Plan, the resolutions establishing the STID, the documents relating to the proposed issuance of bonds for the project, and reports submitted on an annual basis to the City. Only assessed lodging businesses will receive the direct benefit of increased room night sales from STID-funded services.

The amount of the assessment is no more than necessary to cover the reasonable costs of the proposed STID programs, and the manner in which the costs are allocated to a lodging business within the STID boundary are proportional to benefits received from the proposed improvements.

The STID-funded program is targeted directly at, and designed to increase the desirability of, only assessed businesses. It is, however, possible that there will be a spill-over benefit to non-assessed businesses. As described herein, this spill-over benefit will be indirect and incidental, and will occur without cost to the payors of the STID assessment as a consequence of providing the specific benefit to the payors.

3. Incidental Benefit to Non-Payors

The specific benefits provided by the STID will be directly provided only to the assessed businesses; they will not be directly provided to non-assessed businesses. As is stated in the attached benefit study, currently, Convention Center booking occurs primarily through Visit Sacramento and their “block” of hotel rooms. Visit Sacramento’s booking practices ensure that those bookings will go only to lodging businesses that are paying the proposed STID assessment.⁹ Possible indirect benefit does not preclude the STID services from being considered a specific government benefit. See Government Code section 53758(a).

Although the PBID Law does not require the cost of any incidental benefit to non-payors be separated from the assessment, out of an abundance of caution a study was conducted on benefits generated by the proposed STID improvements to both non-assessed lodging businesses outside the STID boundary and food and beverage businesses within the STID boundary. The study is attached as Appendix 3. The benefit study concludes, with respect to lodging businesses, “Based on a review of the geography and type of lodging product that is available and based on the compression study it is estimated that approximately 6.6% or less of group business will book in lodging properties outside

⁸ Government Code § 53758(a)

⁹ Sacramento Tourism Infrastructure District Benefit Study. See Appendix 3.

the boundary of the TID.”¹⁰ The estimated benefit to non-assessed food and beverage businesses from the STID improvement program “is approximately 8.9% of total new business revenue as a result of the additional ballroom.”¹¹ As set forth further herein, this spill-over benefit will be indirect and incidental, and will occur without cost to the payors of the STID assessment as a consequence of providing specific benefit to the payors.

D. Assessment

The annual assessment rate is one percent (1%) of gross short term room rental revenue. Assessments will not be collected on stays of more than thirty (30) consecutive days because STID programs are only intended to increase short-term stays.

The term “gross room rental revenue” as used herein means: the consideration charged whether or not received, for the occupancy of space in a lodging business valued in money, whether to be received in money, goods, labor or otherwise, including all receipts, cash, credits and property and services of any kind or nature, without any deduction therefrom whatsoever. Gross room rental revenue shall not include any federal, state or local taxes collected, including but not limited to transient occupancy taxes.

The assessment is levied upon and a direct obligation of each assessed lodging business. However, an assessed lodging business may, at its discretion, pass the assessment on to hotel guests occupying a guest room. The amount of assessment, if passed on to each hotel guest, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each hotel guest shall receive a receipt for payment from the business. If the STID assessment is identified separately it shall be disclosed as the “Sacramento Tourism Infrastructure District No. 2018-04 Assessment.” As an alternative, the disclosure may include the amount of the STID assessment and the amount of the assessment imposed pursuant to the California Tourism Marketing Act, Government Code §13995 *et seq.* and shall be disclosed as the “Tourism Assessment.” The assessment is imposed solely upon, and is the sole obligation of the assessed lodging business even if it is passed on to transients. The assessment shall not be considered revenue for any purposes, including calculation of transient occupancy taxes.

E. Bonds

The City of Sacramento or a Joint Powers Authority of which the City of Sacramento is a member will issue one or more series of bonds with no final maturity beyond forty (40) years from the date of issuance of the first series of bonds to finance the capital improvements and will pay off those bonds with the assessments collected from lodging businesses within the STID and/or other available revenues. Assessments shall be levied until the maximum maturity of the bonds. The capital improvements and debt service budget will be used to make payments owed to bond holders or to reimburse the City or the Joint Powers Authority for payments made to bond holders from other sources. In connection with the pledge, the City of Sacramento will file an action in the Superior Court of Sacramento County to determine the validity of the assessments described herein and any related matters, under the provisions of §860 *et seq.* of the Code of Civil Procedure.

¹⁰ Id.

¹¹ Id.

F. Collection

Each assessed lodging business shall, or on before the last day of the month following the reporting period established by the City or County, make a return to the City or County, on forms provided by the City or County, of the total short term room rental revenue charged and received by the assessed lodging business and the amount of the STID assessment collected. At the time the return is filed, the full amount of the STID assessment shall be remitted to the City or County. Returns and payments are due immediately upon cessation of business for any reason. All STID assessments collected by assessed lodging businesses shall be held in trust for the City or County until payment thereof is made to the City or County. The City and County will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in their respective jurisdictions. The City and County shall take all reasonable efforts to collect the assessments from each lodging business. The STID shall reimburse the City of Sacramento and the County of Sacramento for any costs associated with collecting unpaid assessments. If sums in excess of the delinquent STID assessment are sought to be recovered in the same collection action by the City or the County, the STID shall bear its pro rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. Original Delinquency: Any lodging business that fails to remit any assessment imposed within the time required by City or County instructions shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment.
2. Continued Delinquency: Any lodging business that fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.
3. Fraud: If the City or County determines that the nonpayment of any remittance due is due to fraud, a penalty of twenty-five (25%) of the amount of the assessment shall be added thereto in addition to the penalties stated in subsection 1 and 2 of this Section E.
4. Interest: In addition to the penalties imposed, any lodging business that fails to remit any assessment imposed shall pay interest at the rate of one-half of one percent (0.5%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
5. Penalties Merged with Assessment: Every penalty imposed and such interest as accrues under the provisions of this section shall become a part of the assessment herein required to be paid.

G. Duration

The proposed STID will have a term necessary to pay off the bonds described herein, which is expected to occur thirty (30) years after the effective date of the assessment, but in no event will occur beyond forty (40) years from the date of issuance of the first series of bonds. The STID shall terminate upon the maximum maturity of the bonds. The amount of the assessment has been selected out of an abundance of caution to ensure bonds will be retired with STID assessment funds even if the economy performs at a rate less than the projected 3.35%. The assessment shall be levied commencing on the first day of the first month chosen by the City, following the entry of a judgment in the validation action relating to the bonds issued for the STID and the related establishment of the STID and levy of assessments in the STID. The City shall provide notice to assessed lodging businesses of the effective date of the assessments promptly following the entry of such judgment. The final year of the bonds will be known once the bonds have been issued by the City or a Joint Powers Authority of which the City is a member, and such final year shall be set forth in the annual report to be prepared by Visit Sacramento for the STID. The County shall promptly remit all

assessments collected by the County to the City for further distribution and use as provided in this Plan and the documents and agreements related to the bonds. The order of priority of the uses of the assessment revenues is described in Section IV(A) above.

V. GOVERNANCE

A. Owners' Association

Pursuant to Streets and Highways Code §36651, the body that shall implement the proposed program, shall be the Owners' Association of the STID as defined in Streets and Highways Code §36612. Visit Sacramento will serve as the Owners' Association for the STID. Visit Sacramento will create a STID Tourism District Committee to manage STID funds and activities.

B. STID Tourism District Committee Structure

The STID Tourism District Committee shall be charged with preparing and approving the budget for STID funds and programs. The STID Tourism District Committee will be operated in accordance with the following guidelines:

1. The STID Tourism District Committee shall have nine (9) members. Among the nine (9) STID Tourism District Committee members:
 - a. One (1) STID Tourism District Committee member shall be a Sacramento City Council member;
 - b. One (1) STID Tourism District Committee member shall be a representative of the Sacramento City Manager's office;
 - c. One (1) STID Tourism District Committee member shall be a representative of the Downtown Sacramento Partnership;
 - d. One (1) STID Tourism District Committee member shall be a member of the Visit Sacramento Board of Directors; and
 - e. Five (5) STID Tourism District Committee members shall be representatives of assessed lodging businesses.
2. All STID Tourism District Committee members shall serve three (3) year terms.
3. STID Tourism District Committee members may serve two (2) consecutive three (3) year terms plus one (1) partial term (less than three (3) years) if selected to fill a mid-term vacancy. No STID Tourism District Committee member who has served two (2) full consecutive three (3) year terms shall be eligible for reappointment until one (1) year has intervened from the date of retirement from the STID Tourism District Committee. Each STID Tourism District Committee member shall serve until expiration of the term for which appointed and until a successor has been appointed.
4. STID Tourism District Committee members, including those selected to fill vacancies, shall be selected by the Sacramento Hotel Association's Board of Directors. STID Tourism District Committee members shall select a Chairperson, Vice Chairperson, and such other STID Tourism District Committee officers as the STID Tourism District Committee shall deem necessary.

C. Segregation of STID Assessment Funds

Any STID assessment funds that are received by Visit Sacramento shall be held in a separate Visit Sacramento bank account.

D. Brown Act and California Public Records Act Compliance

An Owners' Association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph

M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the Visit Sacramento Board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

E. Annual Report

Visit Sacramento shall present an annual report at the end of each year of operation to the City Council pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall be developed by the STID Tourism District Committee and Visit Sacramento in consultation with the City of Sacramento. The annual report shall include:

- Any proposed changes in the boundaries of the STID.
- The improvements and activities to be provided for that fiscal year.
- An estimate of the cost of providing the improvements and the activities for that fiscal year.
- The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied within the STID.

APPENDIX 1 – PBID LAW

*** THIS DOCUMENT IS CURRENT THROUGH THE 2018 SUPPLEMENT ***
(ALL 2017 LEGISLATION)

STREETS AND HIGHWAYS CODE DIVISION 18. PARKING PART 7. PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994

CHAPTER 1. General Provisions

ARTICLE 1. Declarations

36600. Citation of part

This part shall be known and may be cited as the “Property and Business Improvement District Law of 1994.”

36601. Legislative findings and declarations; Legislative guidance

The Legislature finds and declares all of the following:

- (a) Businesses located and operating within business districts in some of this state’s communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.
- (b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.
- (c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.
- (d) Assessments levied for the purpose of conferring special benefit upon the real property or a specific benefit upon the businesses in a business district are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.
- (e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:
 - (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.
 - (2) Job creation.
 - (3) Business attraction.
 - (4) Business retention.
 - (5) Economic growth.
 - (6) New investments.
- (f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.
- (g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.
- (h) The act amending this section is intended to provide the Legislature’s guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.
 - (1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.
 - (2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed.

Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

36602. Purpose of part

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

36603. Preemption of authority or charter city to adopt ordinances levying assessments

Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

36603.5. Part prevails over conflicting provisions

Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

36604. Severability

This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

ARTICLE 2. Definitions

36606. “Activities”

“Activities” means, but is not limited to, all of the following that benefit businesses or real property in the district:

- (a) Promotion of public events.
- (b) Furnishing of music in any public place.
- (c) Promotion of tourism within the district.
- (d) Marketing and economic development, including retail retention and recruitment.
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Other services provided for the purpose of conferring special benefit upon assessed real property or specific benefits upon assessed businesses located in the district.

36606.5. “Assessment”

“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

36607. “Business”

“Business” means all types of businesses and includes financial institutions and professions.

36608. “City”

“City” means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

36609. “City council”

“City council” means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

36609.4. “Clerk”

“Clerk” means the clerk of the legislative body.

36609.5. “General benefit”

“General benefit” means, for purposes of a property-based district, any benefit that is not a “special benefit” as defined in Section 36615.5.

36610. “Improvement”

“Improvement” means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

- (a) Parking facilities.
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
- (c) Trash receptacles and public restrooms.
- (d) Lighting and heating facilities.
- (e) Decorations.
- (f) Parks.
- (g) Fountains.
- (h) Planting areas.
- (i) Closing, opening, widening, or narrowing of existing streets.
- (j) Facilities or equipment, or both, to enhance security of persons and property within the district.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

36611. “Management district plan”; “Plan”

“Management district plan” or “plan” means a proposal as defined in Section 36622.

36612. “Owners’ association”

“Owners’ association” means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners’ association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners’ association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners’ association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), for all records relating to activities of the district.

36614. “Property”

“Property” means real property situated within a district.

36614.5. “Property and business improvement district”; “District”

“Property and business improvement district,” or “district,” means a property and business improvement district established pursuant to this part.

36614.6. “Property-based assessment”

“Property-based assessment” means any assessment made pursuant to this part upon real property.

36614.7. “Property-based district”

“Property-based district” means any district in which a city levies a property-based assessment.

36615. “Property owner”; “Business owner”; “Owner”

“Property owner” means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. “Business owner” means any person recognized by the city as the owner of the business. “Owner” means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

36615.5. “Special benefit”

“Special benefit” means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

36616. “Tenant”

“Tenant” means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

ARTICLE 3. Prior Law

36617. Alternate method of financing certain improvements and activities; Effect on other provisions

This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

CHAPTER 2. Establishment

36620. Establishment of property and business improvement district

A property and business improvement district may be established as provided in this chapter.

36620.5. Requirement of consent of city council

A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

36621. Initiation of proceedings; Petition of property or business owners in proposed district

(a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be

included in determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

- (1) A map showing the boundaries of the district.
- (2) Information specifying where the complete management district plan can be obtained.
- (3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

- (1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.
- (2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

36622. Contents of management district plan

The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.

(b) The name of the proposed district.

(c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

(d) The improvements, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.

(e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.

(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.

- (g) The time and manner of collecting the assessments.
- (h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.
- (i) The proposed time for implementation and completion of the management district plan.
- (j) Any proposed rules and regulations to be applicable to the district.
- (k)
 - (1) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.
 - (2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.
- (l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.
- (m) In a property-based district, the total amount of general benefits, if any.
- (n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.
- (o) Any other item or matter required to be incorporated therein by the city council.

36623. Procedure to levy assessment

- (a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.
- (b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.
- (c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining

portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

36624. Changes to proposed assessments

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

36625. Resolution of formation

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

- (1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.
- (2) The number, date of adoption, and title of the resolution of intention.
- (3) The time and place where the public hearing was held concerning the establishment of the district.
- (4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.
- (5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.
- (6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district. Notwithstanding the foregoing, improvements and activities that must be provided outside the district boundaries to create a special or specific benefit to the assessed parcels or businesses may be provided, but shall be limited to marketing or signage pointing to the district.
- (7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.
- (8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

36626. Resolution establishing district

If the city council, following the public hearing, desires to establish the proposed property and business improvement district, and the city council has not made changes pursuant to Section 36624, or has made changes that do not substantially change the proposed assessment, the city council shall adopt a resolution establishing the district. The resolution shall contain all of the information specified in Section 36625.

36627. Notice and assessment diagram

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625 or Section 36626, the clerk shall record a notice and an assessment diagram pursuant to Section 3114. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.

36628. Establishment of separate benefit zones within district; Categories of businesses

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

36628.5. Assessments on businesses or property owners

The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

36629. Provisions and procedures applicable to benefit zones and business categories

All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

36630. Expiration of district; Creation of new district

If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

CHAPTER 3. Assessments

36631. Time and manner of collection of assessments; Delinquent payments

The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

36632. Assessments to be based on estimated benefit; Classification of real property and businesses; Exclusion of residential and agricultural property

- (a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.
- (b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.
- (c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

36633. Time for contesting validity of assessment

The validity of an assessment levied under this part shall not be contested in any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. Any appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

36634. Service contracts authorized to establish levels of city services

The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

36635. Request to modify management district plan

The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

36636. Modification of plan by resolution after public hearing; Adoption of resolution of intention

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public hearings pursuant to this section shall comply with both of the following:

- (1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.
- (2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

36637. Reflection of modification in notices recorded and maps

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

CHAPTER 3.5. Financing

36640. Bonds authorized; Procedure; Restriction on reduction or termination of assessments

(a) The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

CHAPTER 4. Governance

36650. Report by owners' association; Approval or modification by city council

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

(1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.

(2) The improvements, maintenance, and activities to be provided for that fiscal year.

(3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.

(4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.

(5) The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.

(6) The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

(c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

36651. Designation of owners' association to provide improvements, maintenance, and activities

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

CHAPTER 5. Renewal

36660. Renewal of district; Transfer or refund of remaining revenues; District term limit

(a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.

(b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.

(c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

CHAPTER 6. Disestablishment

36670. Circumstances permitting disestablishment of district; Procedure

(a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:

(1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.

(2) During the operation of the district, there shall be a 30-day period each year in which assesseses may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the district who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

36671. Refund of remaining revenues upon disestablishment or expiration without renewal of district; Calculation of refund; Use of outstanding revenue collected after disestablishment of district

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.

(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

APPENDIX 2 – ASSESSED BUSINESSES

Business Name	Address	City	State	Zip	City/County
Aaron & Heather Jefferies	261 W. El Camino Ave. #B	Sacramento	CA	95833	City
Alix Ogilvie	4217 12th Ave.	Sacramento	CA	95817	City
Amber House Inn of Midtown	1315 22nd St.	Sacramento	CA	95816	City
American Inn	626 16th St.	Sacramento	CA	95814	City
America's Best Value Inn- Old Town	221 Jibboom St.	Sacramento	CA	95814	City
America's Best Value Inn- Downtown	430 16th St.	Sacramento	CA	95814	City
America's Best Value Inn- North Highlands	4600 Watt Ave.	North Highlands	CA	95660	County
America's Best Value Inn- Sacramento South	18 Massie Ct.	Sacramento	CA	95823	City
Andy Chang	3644 40th St.	Sacramento	CA	95817	City
Andy Chang	3918 35th St.	Sacramento	CA	95820	City
Angela Mia	2870 Castro Way	Sacramento	CA	95818	City
Ann Shook	2408 6th Ave.	Sacramento	CA	95818	City
Anna Kalashnikova	1206 Edmonton Dr.	Sacramento	CA	95833	City
Anna Kalashnikova	2579 Erickson St.	Sacramento	CA	95815	City
Anna Lisa Abrahams	3899 Bartley Dr.	Sacramento	CA	95822	City
Anthony Alexander	5535 Monalee Ave.	Sacramento	CA	95819	City
Arden Star Hotel	1413 Howe Ave.	Sacramento	CA	95825	County
Barbara Malakoff	2969 Riverside Blvd.	Sacramento	CA	95818	City
Best Budget Inn	986 E. El Camino Ave.	Sacramento	CA	95815	City
Best Six Motel	5969 Stockton Blvd.	Sacramento	CA	95824	City
Best Western John Jay Inn	15 Massie Ct.	Sacramento	CA	95823	City
Best Western Plus Sutter House	1100 H St.	Sacramento	CA	95814	City
Best Western Sandman Motel	236 Jibboom St.	Sacramento	CA	95811	City
Bobby Lister III	3972 2nd Ave.	Sacramento	CA	95817	City
Briana Monroe	2558 16th St.	Sacramento	CA	95818	City
Britt Moise	2858 58th St.	Sacramento	CA	95817	City
Brock Saylor	3101 58th St.	Sacramento	CA	95820	City
Bruce Mills & Melissa Rupley	1010 Sagamore Way	Sacramento	CA	95822	City
Budget Inn & Suites	3721 Watt Ave.	Sacramento	CA	95821	County
Capitol Park Hotel	1125 9th St.	Sacramento	CA	95814	City
Carla Mathis, Bharti Charan	7881 Deerhaven Way	Sacramento	CA	95832	City
Carol Davydova	4952 Helen Way	Sacramento	CA	95822	City
Carolina Solorzano, Terry Reese	2714 T St. Unit #B	Sacramento	CA	95816	City
Carrie Lewis	2405 P St.	Sacramento	CA	95816	City
Casa Linda Motel	9509 Folsom Blvd.	Sacramento	CA	95827	County

Business Name	Address	City	State	Zip	City/ County
Chris Butcher	701 41st St.	Sacramento	CA	95819	City
Christina Angell	530 10th St.	Sacramento	CA	95814	City
Christopher Hanks	502 41st St.	Sacramento	CA	95819	City
Chu Wei	2220 19th St.	Sacramento	CA	95818	City
Comfort Inn & Suites	21 Howe Ave.	Sacramento	CA	95826	City
Comfort Suites-Downtown	226 Jibboom St.	Sacramento	CA	95814	City
Congress Hotel	906 12th St.	Sacramento	CA	95814	City
Courtyard by Marriott- Cal Expo	1782 Tribute Rd.	Sacramento	CA	95815	City
Courtyard by Marriott-Midtown	4422 Y St.	Sacramento	CA	95817	City
Courtyard by Marriott-Natomas/Airport	2101 River Plaza Dr.	Sacramento	CA	95833	City
Crowne Plaza	5321 Date Ave.	Sacramento	CA	95841	County
David Fletcher	7663 Pocket Rd.	Sacramento	CA	95831	City
David Long & Jocelyn MacDonald	2412 L St.	Sacramento	CA	95816	City
David Phan	4350 52nd St.	Sacramento	CA	95820	City
David Trapani	1710 24th St.	Sacramento	CA	95816	City
Days Inn Sacramento Downtown	228 Jibboom St.	Sacramento	CA	95814	City
Debra & Walter Jones	2967 Muttonbird Way	Sacramento	CA	95834	City
Delta King Hotel	1000 Front St.	Sacramento	CA	95814	City
Dennis Maloney	4330 52nd St.	Sacramento	CA	95820	City
Dennis Myrick	3330 Mas Amilos Way	Sacramento	CA	95835	City
Deville Motel	2756 Stockton Blvd.	Sacramento	CA	95817	City
Diane Weghorst	5135 15th Ave.	Sacramento	CA	95820	City
Dona Francis	3427 33rd St.	Sacramento	CA	95817	City
Donald & Stephanie Gulcher	4105 Lotus Ave.	Sacramento	CA	95822	City
Dorsey Griffith	2524 8th Ave.	Sacramento	CA	95818	City
DoubleTree by Hilton Sacramento	2001 Point West Way	Sacramento	CA	95815	City
Econo Lodge Downtown	711 16th St.	Sacramento	CA	95814	City
Econo Lodge Sacramento North	3796 Northgate Blvd.	Sacramento	CA	95834	City
Economy Inn	939 E. El Camino Way	Sacramento	CA	95815	City
Eileen Lynch	832 43rd St.	Sacramento	CA	95819	City
Elena Varela	2157 Oakmont St.	Sacramento	CA	95815	City
Eliot Lash	1416 C St.	Sacramento	CA	95814	City
Elissa Thomas	5449 U St.	Sacramento	CA	95817	City
Elle Hoxworth	2505 C Street.	Sacramento	CA	95816	City
Embassy Suites by Hilton-Riverfront Promenade	100 Capitol Mall	Sacramento	CA	95814	City
Emily Vierra	1617 52nd St.	Sacramento	CA	95819	City

Business Name	Address	City	State	Zip	City/ County
Eric Nejedlo	717 17th St. Unit B	Sacramento	CA	95811	City
Extended Stay America #936	3825 Rosin Ct.	Sacramento	CA	95834	City
Extended Stay America #939	2100 Harvard St.	Sacramento	CA	95815	City
Extended Stay America #9608	2810 Gateway Oaks Dr.	Sacramento	CA	95833	City
Fairfield Inn & Suites - Calvin	8058 Orchard Loop Ln.	Elk Grove	CA	95624	County
Fairfield Inn & Suites- Natom	2730 El Centro Rd.	Sacramento	CA	95833	County
Fairfield Inn by Marriott- Cal Expo	1780 Tribute Rd.	Sacramento	CA	95815	City
Fatima Malik	672 Dora Huntzing Ave.	Sacramento	CA	95838	City
Four Points by Sheraton	4900 Duckhorn Dr.	Sacramento	CA	95834	City
Fowl's Rush	3645 Tolenas Ct.	Sacramento	CA	95864	County
Frank Dario Jones	1718 River City Way	Sacramento	CA	95833	City
Georgia Rose	1027 Lochbrae Rd.	Sacramento	CA	95815	City
Glenda Marsh	2154 23rd Ave.	Sacramento	CA	95822	City
Good Nite Inn- Sacramento State	25 Howe Ave.	Sacramento	CA	95826	City
Governors Inn Hotel	210 Richards Blvd.	Sacramento	CA	95814	City
Hamid Lotfi	5333 Sedona Ct.	Carmichael	CA	95608	County
Hampton Inn & Suites at CSUS	1875 65th St.	Sacramento	CA	95819	City
Hampton Inn & Suites- Natomas/Airport	3021 Advantage Way	Sacramento	CA	95834	City
Hampton Inn Suites	2230 Auburn Blvd.	Sacramento	CA	95821	County
Hawthorn Suites by Wyndham Sacramento	321 Bercut Dr.	Sacramento	CA	95811	City
Hilton Garden Inn- South Natomas	2540 Venture Oaks Way	Sacramento	CA	95833	City
Hilton Sacramento Arden West	2200 Harvard St.	Sacramento	CA	95815	City
Holiday Inn Express Cal Expo	2224 Auburn Blvd.	Sacramento	CA	95821	County
Holiday Inn Express- Convention Center	728 16th St.	Sacramento	CA	95814	City
Holiday Inn Express- Natomas/Airport	2981 Advantage Way	Sacramento	CA	95835	City
Holiday Inn Sacramento- Downtown Arena	300 J St.	Sacramento	CA	95814	City
Homewood Suites by Hilton- Natomas/Airport	3001 Advantage Way	Sacramento	CA	95834	City
Hotel Med Park, Sacramento	2356 Stockton Blvd.	Sacramento	CA	95817	City
Hyatt Regency Sacramento	1209 L St.	Sacramento	CA	95814	City
Inn & Spa at Parkside	2116 6th St.	Sacramento	CA	95818	City
Inn Off Capitol Park	1530 N St.	Sacramento	CA	95814	City
Irish Cottage	3650 Los Alamos Way	Sacramento	CA	95864	County
J. Neely Johnson House	1029 F St.	Sacramento	CA	95814	City
Jacob Gray	4906 23rd St.	Sacramento	CA	95822	City

Business Name	Address	City	State	Zip	City/ County
Jacob Rigoli	2328 S St.	Sacramento	CA	95816	City
Jacob Rigoli	2330 S St.	Sacramento	CA	95816	City
Jaime Yabut	7773 Laramore Way	Sacramento	CA	95832	City
Jalal Haddad	2733 39th St.	Sacramento	CA	95817	City
James Cartwright	1703 H St.	Sacramento	CA	95811	City
James Smith	700 38th St.	Sacramento	CA	95816	City
James Stanley	2106 E St.	Sacramento	CA	95816	City
James W. Cameron	1245 Q St.	Sacramento	CA	95811	City
Janna and Jeremy Maron	3768 4th Ave.	Sacramento	CA	95817	City
Jazmyne Suydam	2287 Cambridge St.	Sacramento	CA	95815	City
Jeffrey Douglas	5449 U St.	Sacramento	CA	95817	City
Jennifer Jett	2287 Grove Ave.	Sacramento	CA	95815	City
Jesse Sun	2158 60th Ave.	Sacramento	CA	95822	City
Jessica Liu	4574 Maple Crest St.	Sacramento	CA	95834	City
Jianmin Wu & Jesse Sun	7 Bluestone Ct.	Sacramento	CA	95824	City
Jie Fang	1899 Dawnelle Way	Sacramento	CA	95835	City
Jie Fang & Bo Q. Xu	5826 Bridgecross Dr.	Sacramento	CA	95835	City
Jill Sherrill	2782 Trigo Way	Sacramento	CA	95833	City
Jim Gonzalez & Maria Morales	1830 N St.	Sacramento	CA	95811	City
Joan Cochrane	6140 1st Ave.	Sacramento	CA	95817	City
Joanne Miyao	1709 4th Ave.	Sacramento	CA	95818	City
John Elmasian	2263 24th St.	Sacramento	CA	95822	City
John Joseph	5961 14th Ave.	Sacramento	CA	95820	City
John Kilgour	609 17th St.	Sacramento	CA	95811	City
John L. Thomas	120 Bill Bean Cir.	Sacramento	CA	95835	City
John Lane & Amanda Lane	1815 Q St. #B	Sacramento	CA	95811	City
Johnson's Greenbrier Motel	4331 Stockton Blvd.	Sacramento	CA	95820	City
Jonathan Glover	2801 Marshall Way	Sacramento	CA	95818	City
Joseph Haigler	2566 16th St.	Sacramento	CA	95818	City
Julian Slee	3932 Sherman Way	Sacramento	CA	95817	City
Kaitlyn Kirk	4621 23rd St.	Sacramento	CA	95822	City
Karen Kayfetz	2611 28th St.	Sacramento	CA	95818	City
Karen Pitts	1518 Christopher Way	Sacramento	CA	95819	City
Kari Halen & Glenn Marshall	1630 F St.	Sacramento	CA	95814	City
Katherine Gonzalez	515 40th St.	Sacramento	CA	95819	City
Kelly & Shelby Elias	1315 F St. Unit 2	Sacramento	CA	95814	City
Kimpton Sawyer Hotel	500 J St.	Sacramento	CA	95814	City
Kyle McMakin	922 E St.	Sacramento	CA	95814	City
La Quinta Inn- Downtown Sacramento	200 Jibboom St.	Sacramento	CA	95811	City
La Quinta Inns #631	4604 Madison Ave.	Sacramento	CA	95841	County
Lance Yabut	7753 24th St.	Sacramento	CA	95832	City

Business Name	Address	City	State	Zip	City/ County
Larisa Figueroa	161 Julia Island Cir.	Sacramento	CA	95834	City
Larkspur Landing Hotel	555 Howe Ave.	Sacramento	CA	95825	County
Lauren Williams	241 Sandburg Dr.	Sacramento	CA	95819	City
Lee Tzu Wei	1919 39th St.	Sacramento	CA	95816	City
Lenard Lenhart	251 Orcutt Cir.	Sacramento	CA	95834	City
Leslie & Joel Bosserman	3248 C St.	Sacramento	CA	95816	City
Linda Elgart	2362 Portola Way	Sacramento	CA	95818	City
Lionsgate Hotel	3410 Westover St.	Sacramento	CA	95652	County
Lisa Adams, Elizabeth Adams	3201 Luscutoff Ct.	Sacramento	CA	95820	City
Little Putter Inn	1145 Hampton Rd.	Sacramento	CA	95864	County
Lucy G Properties LLC	2945 Garden Hwy.	Sacramento	CA	95833	County
Lynis Johnson	1230 Woodfield Ave.	Sacramento	CA	95831	City
Mandy Hauck	1725 U St.	Sacramento	CA	95818	City
Manuel Buenrostro	4941 V St.	Sacramento	CA	95817	City
Margaret Gabil	2272 Gerber Ave.	Sacramento	CA	95817	City
Marie Dewitt	2169 Perkins Way	Sacramento	CA	95818	City
Mark & Marcia Benkert	620 24th St.	Sacramento	CA	95816	City
Marsha Roberts	3930 L St.	Sacramento	CA	95816	City
Marwa Ahmed	4932 10th Ave.	Sacramento	CA	95820	City
Mary & Keith Erickson	3133 T St.	Sacramento	CA	95816	City
Matthew Hellier	724 40th St.	Sacramento	CA	95819	City
Matthew Lechowick	1717 23rd St.	Sacramento	CA	95816	City
Matthew Leonardo	3143 4th Ave.	Sacramento	CA	95817	City
Matthew Powers	1170 13th Ave.	Sacramento	CA	95822	City
Melissa Parker	2511 U St.	Sacramento	CA	95818	City
Melody Stone	905 W St.	Sacramento	CA	95818	City
Michael & Gabriela Baiocchi	521 La Purissima Way	Sacramento	CA	95819	City
Michael Cipriano	519 Blackwood St.	Sacramento	CA	95815	City
Michael Hagerty	2430 Q St.	Sacramento	CA	95816	City
Michael Hagerty, Robert Vellanoweth	674 Riverlake Way	Sacramento	CA	95831	City
Michael Pankey	4656 Sunset Dr.	Sacramento	CA	95822	City
Michael Yee	811 Fremont Way	Sacramento	CA	95818	City
Michelle Jenkins	3430 58th St.	Sacramento	CA	95820	City
Mindy Sherwin-Prestage	3444 1st Ave.	Sacramento	CA	95817	City
Ming He	2888 Screech Owl Way	Sacramento	CA	95834	City
Misty & Gabriel Collins	3750 Y St.	Sacramento	CA	95817	City
Motel 6 #0013 Downtown	1415 30th St.	Sacramento	CA	95616	City
Motel 6 #1005 Central	7850 College Town Dr.	Sacramento	CA	95826	City
Motel 6 #1043	7407 Elsie Ave.	Sacramento	CA	95828	County
Motel 6 #1305 Old Sacramento	227 Jibboom St.	Sacramento	CA	95814	City

Business Name	Address	City	State	Zip	City/ County
Motel 6 #1306	5110 Interstate Ave.	Sacramento	CA	95842	County
Nancy Betschart	1590 Caramay Way	Sacramento	CA	95818	City
Nancy Betschart	4613 Fegan Way	Sacramento	CA	95822	City
Napoleon Cristobal	5212 Glimmer Way	Sacramento	CA	95835	City
Natalie Hernandez	4991 71st St.	Sacramento	CA	95820	City
Nicolas Heidorn	3308 L St.	Sacramento	CA	95816	City
OLA Global	5315 Glancy Dr.	Sacramento	CA	95608	County
Paul Comstock	862 41st St.	Sacramento	CA	95823	City
Pinghui Wu & Meixiang Huang	3009 Longboat Key Way	Sacramento	CA	95835	City
Private	3331 Cosmos Ave.	Sacramento	CA	95864	County
Private	6846 Silverthorne Cir.	Sacramento	CA	95842	County
Private	3670 Fair Oaks Blvd.	Sacramento	CA	92864	County
Private	7737 Black Sand Way	Antelope	CA	95843	County
Quality Inn	818 15th St.	Sacramento	CA	95814	City
Quintin Davis	8456 Sunblaze Way	Sacramento	CA	95823	City
R Daniel & Susan K Hood	1029 F St.	Sacramento	CA	95814	City
Ramada Sacramento	2600 Auburn Blvd.	Sacramento	CA	95821	County
Red Lion Inn & Suites	1319 30th St.	Sacramento	CA	95816	City
Red Roof Inn & Suites	4325 Watt Ave.	Sacramento	CA	95821	County
Red Roof Inn-Elk Grove	7780 Stockton Blvd.	Sacramento	CA	95823	City
Residence Inn by Marriott-Capitol Park	1121 15th St.	Sacramento	CA	95814	City
Residence Inn by Marriott-Natomas/Airport	2410 West El Camino Ave.	Sacramento	CA	95833	City
Residence Inn Sacramento	1530 Howe Ave.	Sacramento	CA	95825	County
Riad Bahhur	1307 U St.	Sacramento	CA	95818	City
Rick West	2601 S St.	Sacramento	CA	95816	City
Rink Sanford	1016 U St.	Sacramento	CA	95818	City
Robert Hickey	1011 F St.	Sacramento	CA	95814	City
Robert Vellanoweth	2142 4th Ave.	Sacramento	CA	95818	City
Rodeway Inn	6610 Stockton Blvd.	Sacramento	CA	95823	City
Rommel Soriano	3015 Longboat Key Way	Sacramento	CA	95835	City
Royal 8 Inn	6448 Stockton Blvd.	Sacramento	CA	95823	City
RuoMing Xu	30 Groth Cir.	Sacramento	CA	95834	City
Ryker Flint	820 Riverview Ct.	Sacramento	CA	95822	City
Sac Super 8 Airport	2654 El Centro Rd.	Sacramento	CA	95833	County
Sacramento 49er Travel Plaza	2828 El Centro Rd.	Sacramento	CA	95833	County
Sacramento Hostel	925 H St.	Sacramento	CA	95814	City
Sands Motel	2160 Auburn Blvd.	Sacramento	CA	95821	City
Sarah Mitchel	2156 Perkins Way	Sacramento	CA	95818	City
Sharon Ponciano	623 20th St.	Sacramento	CA	95811	City
Sharon Young	4226 Y St.	Sacramento	CA	95817	City

Business Name	Address	City	State	Zip	City/ County
Sheraton Grand Sacramento	1230 J St.	Sacramento	CA	95814	City
Sky Riders Motel	6100 Freeport Blvd.	Sacramento	CA	95822	City
SpringHill Suites by Marriott-Natomas/Airport	2555 Venture Oaks Way	Sacramento	CA	95833	City
Stardust Motel	8637 Folsom Blvd.	Sacramento	CA	95826	City
Staybridge Suites Sacramento	140 Promenade Cir.	Sacramento	CA	95834	City
Steve Pop	1216 U St.	Sacramento	CA	95818	City
Steven Ybarra	2009 D St.	Sacramento	CA	95811	City
Super 8 by Wyndham Sacramento	4317 Madison Ave.	Sacramento	CA	95842	County
Super 8 Executive Suites-Capitol	216 Bannon St.	Sacramento	CA	95814	City
Super 8 Motel - 55th	7216 55th St.	Sacramento	CA	95823	County
SureStay Plus Hotel	1900 Canterbury Rd.	Sacramento	CA	95815	City
SureStay Plus Hotel by Best Western	350 Bercut Dr.	Sacramento	CA	95811	City
Surf Motel	3204 Auburn Blvd.	Sacramento	CA	95821	County
Susan McMillan	1139 33rd St.	Sacramento	CA	95816	City
Tanmoy Chowdhury	5233 Glimmer Way	Sacramento	CA	95835	City
Tasha Mann	2011 24th St.	Sacramento	CA	95818	City
The Citizen Hotel	926 J St.	Sacramento	CA	95814	City
The Greens Hotel	1700 Del Paso Blvd.	Sacramento	CA	95815	City
The Sterling Hotel	1300 H St.	Sacramento	CA	95814	City
The Villas at Arden Hills	1210 Arden Hills Ln.	Sacramento	CA	95864	County
The Westin Sacramento	4800 Riverside Blvd.	Sacramento	CA	95822	City
Thomas Hill & Oksana Hill	2814 G St.	Sacramento	CA	95816	City
Tim Hubbard	1416 23rd St.	Sacramento	CA	95816	City
Tim Hubbard	527 T St. #3	Sacramento	CA	95811	City
Tisha Milanovich	4232 52nd St.	Sacramento	CA	95820	City
TownePlace Suites	1784 Tribute Rd.	Sacramento	CA	95815	City
Tracey Pereira	2111 9th St.	Sacramento	CA	95818	City
Travelodge	9646 Micron Ave.	Sacramento	CA	95827	County
Travelodge Sacramento Convention Center	623 16th St.	Sacramento	CA	95814	City
Troy Schmidt	3965 4th Ave.	Sacramento	CA	95817	City
Trudy Brown	4219 Orange Grove Ave.	Sacramento	CA	95841	County
Umair Khan	4922 Kokomo Dr.	Sacramento	CA	95835	City
Vagabond Inn Executive- Old Town	909 3rd St.	Sacramento	CA	95814	City
VDAHL Enterprises	2324 Granite Way	Sacramento	CA	95821	County
Vince's Motel	9515 Folsom Blvd.	Sacramento	CA	95827	County
Vizcaya Pavilion & Mansion	2019 21st St.	Sacramento	CA	95818	City
Wasana Soontornpura & Joel Seguin	18 Rio Viale Ct.	Sacramento	CA	95831	City

Business Name	Address	City	State	Zip	City/ County
Wickwire AirBnB	3173 Ellington Cir.	Sacramento	CA	95825	County
William Gadea	36 Kitaj Ct.	Sacramento	CA	95835	City
WoodSpring Suites Sacramento	7789 La Mancha Way	Sacramento	CA	95823	City
Yanina Choi	420 Ashwick Lp.	Sacramento	CA	95823	City
Yvonne Chen	2714 Land Park Dr.	Sacramento	CA	95818	City

APPENDIX 3 – BENEFIT STUDY

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Sacramento Tourism Infrastructure District (STID)

Prepared for:
Visit Sacramento
1608 I St., Sacramento
CA 95814

Table of Contents

Overview	3
Summary	6
Part 1: STID Benefit Analysis	8
Part 2: STID Benefit Distribution	11
Part 3: Incidental Benefits to Other Lodging Businesses	12
Part 4: Incidental Benefits to Food and Beverage Businesses	13

Assumptions and Limiting Conditions

SMG Consulting has made extensive efforts to confirm the accuracy of the information contained in this report. Such information was compiled from a variety of sources deemed to be reliable. Although SMG Consulting believes the information in this report is correct, it does not warrant the information and assumes no responsibility for inaccuracies of information supplied by third parties. SMG Consulting has no responsibility to update this report for events and circumstances occurring after the publication of this report. Furthermore, SMG makes no guarantee about the possible effects on the development of present or future legislation.

The enclosed analyses and projections are based on assumptions developed for the report and may be used in financial projections. As is the case with projections and forecasting, some assumptions may not materialize, and unanticipated events and circumstances may occur. As such, the actual results may vary from the projections and some of the variations may be material to the conclusions and the analyses.

Overview

Visit Sacramento has commissioned this benefit study to quantify (1) the benefits that will accrue to the lodging businesses¹ to be assessed within the proposed Sacramento Tourism Infrastructure District (STID) as a direct result of the improvement program to be undertaken with the proposed assessments (specifically, funding the construction of a ballroom for the Sacramento Convention Center), and (2) the benefits (if any) that will accrue to other businesses from such improvement program. In particular, the benefit (if any) to food and beverage (F&B) businesses has been analyzed given the theoretical potential for those businesses to benefit from the ballroom improvements.

The STID will be formed pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highway Code sections 36600 through 36671) (PBID Law), as augmented by Ordinance No. 2018-0025 adopted by the City Council of the City of Sacramento pursuant to the City's charter powers.

Under the PBID Law, business-based assessments are levied on the basis of estimated specific benefit to the businesses within the district. "Specific benefit" means a benefit that is provided directly to a payor and is not provided to those not charged. See California Government Code Sections 53757(a). A specific benefit is not excluded from classification as a "specific benefit" merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.

The definition of "lodging business," the rate of assessment, and certain other key metrics concerning the STID are set forth in the Management District Plan (Plan) for the STID. *This report is intended for use and review only in connection with the review of the complete Plan.*

Specific Project Objectives

Specific project objectives include the following:

1. Identify the anticipated performance revenue of lodging businesses within the proposed STID boundary as a result of the planned ballroom infrastructure improvements.
2. Quantification to show that the benefit across the district is relatively flat and that a flat percentage charge is an appropriate assessment methodology.
3. Identify the potential spill-over benefit to lodging businesses outside the boundary of the STID.
4. Quantify the potential spill-over benefit to non-assessed businesses including food and beverage (F&B) businesses.

Tourism Improvement Districts

Within the State of California, TIDs collectively raise over \$250 million annually for local programs designed to increase tourism. With the advent of TIDs, the competitive equilibrium within the tourism industry has changed dramatically. With competitors raising their budgets and becoming increasingly competitive for visitor dollars, it is increasingly important to maintain a competitive position. Other destinations within the west coast competitive set including Portland, San Jose, Reno, Long Beach, Spokane, and Albuquerque have significant competitive advantages. As such, it is necessary for Sacramento lodging businesses to invest in stable, lodging-specific capital improvements programs designed to improve the competitiveness of the destination and provide a return on investment (ROI).

¹ Lodging Businesses include Hotels/Motels and Vacation Rentals.

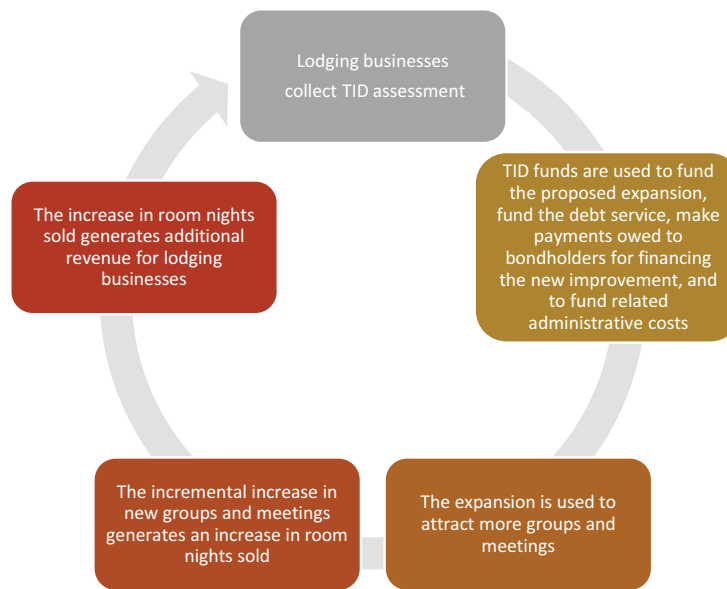
A failure to respond appropriately to the competitive dynamics of the industry will further weaken Sacramento lodging businesses.

The Project

The collected assessment funds will be spent to provide specific benefits directly to assessed lodging businesses. The STID is designed to generate an initial annual budget of \$3,141,588 during its first full year of operation. The focus of the capital improvements program is to fund a portion of the planned renovation and expansion to the Sacramento Convention Center Complex, specifically the construction of a ballroom in the Convention Center, designed to increase the competitiveness of the destination as a group and meeting market and event destination causing an increase in room night sales and directly benefitting the assessed lodging businesses.

The proposed ballroom will be funded by bonds issued by the City of Sacramento or Joint Powers Authority (JPA) of which the City of Sacramento is a member and will be built by the City of Sacramento or the JPA. The capital improvements and debt service budget will be used to make payments owed to bondholders.

The flow of activity is illustrated in the chart below.



The Projected Benefit

The proposed STID is designed to provide specific benefits directly to assessed lodging businesses and is intended only to provide benefits directly to those businesses paying the assessment. These benefits are tailored not to accrue to the general public, businesses in general, or parcels of land, but rather to serve the specific lodging businesses within the STID.

The proposed STID funds are designed to be specifically targeted to increase room night sales for assessed lodging businesses within the boundaries of the STID. The collected assessment funds will not be used to feature non-assessed lodging businesses in STID programs or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues are capital improvements to the Convention

Center ballroom. The planned capital improvements will increase the appeal of Sacramento as a convention destination and provide the specific benefit of increased room night sales directly to assessed lodging business.

Sources of Information

Sources of information for this report include the following:

1. Visit Sacramento Compression Study (Confidential)
2. Bay Area Council Economic Institute: Expansion Analysis Update & Initial Findings
3. New Groups, Incremental Room Nights, & Convention Center Occupancy after Expansion Report
4. Interviews with Visit Sacramento personnel

Summary

Key stakeholders in the greater Sacramento market have determined that in an effort for the destination to keep pace and be as competitive as possible with other group meeting destinations, the Sacramento Convention Center needs to be expanded. As part of that expansion, the lodging industry is petitioning the City to construct an additional ballroom financed through the proposed STID that will enable the destination to attract more groups and provide more flexibility in booking the facility thereby increasing room night sales.

It is important to identify to how those STID contributions will directly benefit lodging businesses and identify the potential for incidental benefits to non-assessed businesses. To that end, we have developed this report with the following findings.

The Convention Center is used for conventions, meetings, conferences, and other events (groups). Previously collected reports identify that the combination of the Convention Center Complex renovation and expansion and the addition of the ballroom in the Convention Center could generate 44 new groups and allow 12 existing groups to expand into more space while the addition of the ballroom will allow Visit Sacramento to “Double Stack” groups to make improved utilization of the facility. Eighteen new groups have been identified that could be attracted due to the addition of the ballroom.

The findings are as follows:

Benefit Analysis

- The projection of the Convention Center Complex renovation and expansion identified 44 new groups and 12 existing groups to expand into more space. Given these changes, it is anticipated that incremental assessed lodging business revenue will increase approximately \$38,953,650 as a result of the entire Convention Center Complex project.
- The number of groups that can be double stacked as a result of the additional ballroom, which is estimated to be 18, is projected to generate approximately \$12,520,500 in lodging revenue to assessed lodging businesses. The approximate \$12,520,500 in incremental lodging revenue as a result of the additional ballroom is a direct to assessed lodging businesses.
- As a result of this investment and depending on the analysis, assessed lodging businesses’ Revenue Per Available Room (RevPAR) is projected to increase in the range of 7-15% as a result of double stacked groups in the additional ballroom.

Benefit Distribution

- Currently, Convention Center booking occurs primarily through Visit Sacramento and their “block” of hotel rooms. Visit Sacramento’s booking practices will ensure that those bookings go only to lodging businesses that are paying the proposed STID assessment.
- Results of this study show that benefit across the lodging businesses in the STID is relatively flat. Accordingly, the best methodology to levy the annual assessment is to do so based on a uniform flat levy, such as the proposed annual assessment rate of 1% of gross short-term room rental revenue for all assessed lodging businesses.

Incidental Benefits to Non-Assessed Lodging Businesses

- Given that patrons and groups can book lodging rooms directly through the Convention Center or with lodging businesses that are outside the boundaries of the STID, there is potential for spill-over benefit to lodging businesses that are not being assessed.
- It is estimated that 6.6% of the room nights generated by the STID improvements would accrue to lodging businesses not paying the assessment, which is considered an incidental and indirect benefit of the provision of the improvements, because it is a very small percentage of the overall number of room nights and it is spread out over a large number of hotel rooms.
- These incidental benefits will be provided without cost to the lodging businesses paying the assessment as a consequence of providing the specific benefit to those lodging businesses.

Incidental Benefits to Businesses Other than Lodging Businesses

- It is estimated that most dollars spent at businesses, particularly F&B business, in connection with the ballroom expansion will be spent on lodging businesses given that food is provided by the Convention Center ballroom catering facilities.
- However, patrons and groups attending functions and the Convention Center ballroom may utilize other businesses, including F&B businesses, as a result of STID improvements. Accordingly, we have attempted to quantify these spillover effects.
- It is estimated that businesses not paying the STID assessment (in particular F&B businesses outside the Convention Center), will account for approximately 8.9% of total new visitor spending that includes lodging, Convention Center food and beverage spending, and incidental F&B spending as a result of the ballroom improvements, which is considered an incidental and indirect benefits of the provision of the improvements because it's a small percentage of the overall spending and it is spread out over a large number of F&B businesses.
- These incidental benefits will be provided without cost to the lodging businesses paying the assessment as a consequence of providing the specific benefits to those lodging businesses.

Part 1: Visit Sacramento Expansion Benefit Analysis

Overview

In understanding the benefit of the Convention Center Complex renovation and expansion and the additional ballroom in the Convention Center, it is important to understand the impact the project will have on the greater Sacramento lodging industry. A recent Compression Study conducted by Smith Travel Research identified the effect of the expansion and the compression of demand for a room that could occur given different demand levels.

In that report, the Greater Sacramento area was divided into seven different zones. Zone 5 includes lodging businesses furthest away from the Convention Center which would see the least benefit. The six zones closest to the Convention Center were included in the STID boundaries and in this analysis. This following table illustrates the number of rooms in each zone excluding Zone 5 which will not be included in the proposed STID.

Table 1: Average Lodging Data by Zone (Includes Group and FIT)

Location	# Rooms	Occ	ADR	Days	Total Revenue	Pct of Total
CC Core	1,439	78.4%	\$168.0	365	\$69,179,752	25.4%
CC Expanded	827	77.0%	\$147.0	365	\$34,166,967	12.5%
Zone 1	1,094	65.3%	\$84.0	365	\$21,902,952	8.0%
Zone 2	1,825	73.3%	\$114.0	365	\$55,662,737	20.4%
Zone 3	1,608	79.0%	\$120.0	365	\$55,640,016	20.4%
Zone 4	1,414	72.1%	\$96.0	365	\$35,723,070	13.1%
Total	8,207	74.2%	\$121.50		\$272,275,495	100.0%

Source: Sacramento Compression Study

Notes:

- (i) 8,207 rooms at an annualized occupancy of 74.2% and ADR of \$121.50 yields Approximately \$272.2M in total room revenue

Incremental Analysis

This incremental analysis indicates that the proposed ballroom improvements will increase the number of groups booked, the number of room nights, and total lodging business revenue. See Table 2 on the following page.

Table 2: Incremental Impact of the Convention Center Complex Renovation and Expansion (Group Only Business)

1) New Groups		44
2) Expansion of current groups into more space		12
Total Incremental Number of Groups		56
Annual Room Nights Generated		
New Convention Center Group Rooms added annually, in the contracted room blocks		196,732
Rooms outside the Contracted Group Block		62,959
Total Incremental Rooms from Expansion		259,691
Average New Room Nights Generated per group after expansion		4,637.34
Group ADR Current		\$ 150
Total Annual Incremental Revenue @ Stabilization		\$ 38,953,650

Source: New Groups, Incremental Room Nights, & Convention Center Occupancy after Expansion Report

Notes:

- (i) The projection of the entire Convention Center Complex renovation and expansion project identified 44 new groups with 12 existing groups to expand into more space. Given these changes, it is anticipated that incremental lodging business revenue will increase approximately \$38,953,650.
- (ii) There will be rooms booked that are outside the contracted room block of Visit Sacramento but still paying into the STID.

It should be noted that this increase includes the impact of the renovation and expansion of the entire Convention Center Complex (including the additional ballroom). It is important to note the addition of the ballroom can impact demand in two ways:

1. The availability of the ballroom provides increased room nights from groups that would previously not come because the existing ballroom infrastructure needs could not be met.
2. It provides increased room nights from multiple groups at one time given Visit Sacramento can “Double Stack” events, thus increasing overall demand for the Convention Center.

It is not known how many groups could be attracted just because the facility now has an additional ballroom, but it is believed the renovation and expansion of the Convention Center Complex and the addition of the ballroom will generate an estimated annual incremental lodging business revenue of \$38,953,650. What has been identified is the number of groups that can be double stacked which is estimated to be 18. Based on that estimate it is projected that annual incremental lodging business revenue resulting from double stacked groups in the additional ballroom will be approximately \$12,520,500 of the total \$38,953,650 incremental lodging business revenue.

Table 3: Estimated Incremental Impact of Double Stacking Bookings

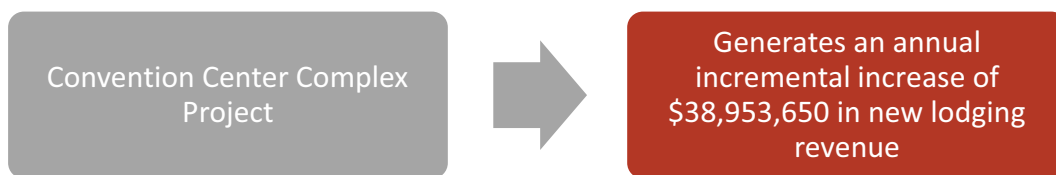
New Groups	18
Total Incremental Room Nights	83,470
Group ADR	\$150
Projected Revenue	\$12,520,500

Source: New Groups, Incremental Room Nights, & Convention Center Occupancy after Expansion Report

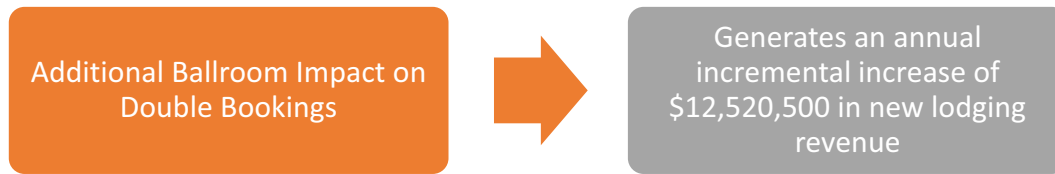
Benefit Allocation

What this analysis illustrates is that the entire Convention Center Complex renovation and expansion (including the ballroom) should yield an annual incremental increase of \$38,953,650 in lodging revenue.

(A). Convention Center Complex Renovation and Expansion Project (Including Additional Ballroom)



(B). Impact of Additional Ballroom Enabling “Double Stacked” Bookings



According to the Sacramento Compression Study, Visit Sacramento currently generates an average of 771 rooms per day. The Convention Center Complex renovation and expansion would generate approximately 259,691 room nights annually or an average of 711 room nights per day. The combined projected total room nights generated by Visit Sacramento would be 1,482 room nights (711+771).

According to the Sacramento Compression Study, when Visit Sacramento places 1,400 rooms per day the RevPAR² increase is between 9% and 13% through all zones.

Table 4: Market Zone RevPAR from Baseline by Room Placements (1,400-1,699) Rooms Placed Nightly

Daily Placed Rooms	Overall Market	Convention Ctr. Core	Convention Center Expanded	Zone 1	Zone 2	Zone 3	Zone 4
1,400-1,699	11%	13%	11%	12%	10%	9%	9%

Source: Sacramento Compression Study

The analysis indicates the assessed STID lodging businesses are projected to see a direct benefit from the Convention Center Complex project (including the additional ballroom) given an increase in room night sales.

In considering just those “Double Stacked” bookings as a result of the ballroom, it is estimated it would generate an average of 228 rooms per night (83,470/365). Those rooms in addition to the current 711 average room per night equals 939 rooms. According to the Visit Sacramento Compression Study, when Visit Sacramento places 939 rooms per day the RevPAR increase is between 7% and 15% through all zones.

Table 5: Market Zone RevPAR from Baseline by Room Placements (900-1,099) Rooms Placed Nightly

Daily Placed Rooms	Overall Market	Convention Ctr. Core	Convention Center Expanded	Zone 1	Zone 2	Zone 3	Zone 4
900-1,099	10%	14%	15%	13%	7%	9%	12%

Source: Sacramento Compression Study

As can be seen, the synergy of the Convention Center Complex renovation and expansion project and the ballroom addition are powerful infrastructure additions that work together to attract groups and meetings that would not have booked otherwise as well as provide the flexibility in attracting multiple groups at the same time. These additions provide the lodging industry with a significant benefit for the dollars invested.

² RevPAR is calculated by dividing a hotel guestroom revenue by the room count and the number of days in the period being measured.

Part 2: STID Benefit Distribution

One of the key issues is making sure that the benefits of the proposed STID are distributed to those lodging businesses paying the STID assessment. In the case of the ballroom addition which will be funded by STID assessments, the ballroom addition is projected to generate an incremental increase of 18 double stacked groups and approximately 83,470 incremental room nights annually (\$12,520,500 projected lodging business revenue / \$150 Group ADR)³.

Results of the Visit Sacramento Compression Study show that benefit across the lodging business in the STID is relatively flat. Accordingly, the best methodology to levy the annual assessment is to do so on a flat uniform levy, such as the proposed annual assessment rate of 1% of gross short-term room rental revenues for all assessed lodging businesses.

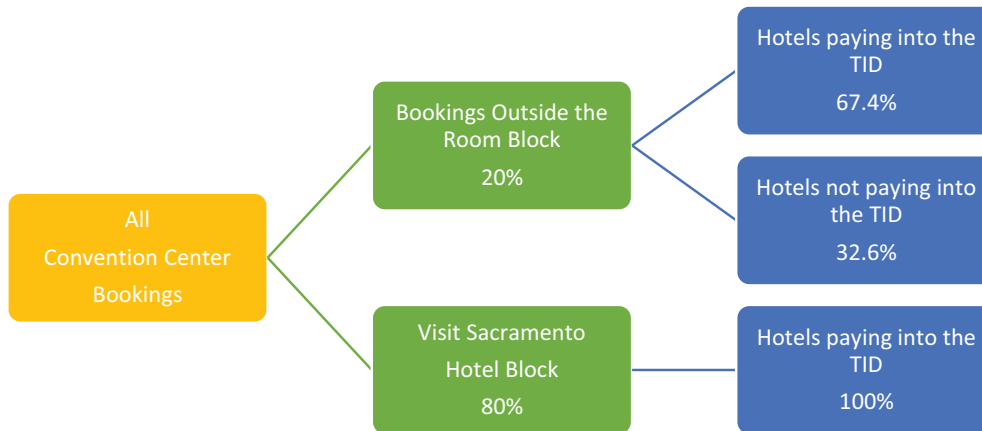
³ New Groups, Incremental Room Nights, & Convention Center Occupancy after Expansion Report

Part 3: Incidental Benefits to Other Lodging Businesses

Currently, Convention Center booking occurs primarily through Visit Sacramento and their “block” of hotel rooms which ensure that those bookings go only to assessed lodging businesses.

It should be noted that potential groups can also book directly through the Convention Center in which case it is estimated that the lodging bookings associated with those groups will also go to assessed lodging businesses. However, there is potential for leakage to non-assessed lodging businesses. Industry averages suggest that those booking outside the Visit Sacramento room block and directly with the Convention Center are approximately 20% of the total. Based on a review of the geography and type of lodging product that is available and based on the compression study it is estimated that approximately 6.6% or less of group business will book in lodging properties outside the boundary of the TID which is considered an indirect and incidental benefit because it is a very small percentage of the overall total and it is spread over a large number of hotel rooms. The approximate 6.6% or less of bookings that are estimated to occur at non-assessed lodging businesses are spread across approximately 4,000 rooms in the areas of Elk Grove, Rancho Cordova, Citrus Heights, Folsom, Walnut Grove, Isleton, Wilton, Gold River, and unincorporated areas of Sacramento County not included in the STID boundary.

Figure 1: Convention Center Booking Channels



The goal of Visit Sacramento is to maximize the revenue for assessed lodging businesses by controlling the distribution of hotel room demand and directing that demand to assessed lodging businesses. Given Visit Sacramento’s marketing and sales efforts as well as the services offered to groups looking to book in Sacramento as a destination, it is anticipated that Visit Sacramento will increase the number rooms booked into assessed lodging businesses and the ratio of rooms booked in the block to those outside the block will increase.

To monitor these efforts, it is recommended Visit Sacramento provide an annual report that identifies its room block bookings. Included in this report will be the following:

- Group bookings annualized
- Number of rooms booked within the hotel block
- Number of hotel rooms booked by Visit Sacramento outside the block (city-wide event)

Part 4: Incidental Benefits to Food and Beverage (F&B) Businesses

Specific data is not available to perfectly quantify the size of potential spill-over benefit that may occur from meeting attendees to the additional ballroom. Given the unavailability of specific data the following assumptions were considered:

1. It is understood that many groups have a variety of food and beverage functions within the Convention Center as part of their group or meeting functions.
2. It is also understood that these visitors do enjoy food and beverage in local restaurants while visiting the destination. All of these elements combined (Convention Center, ballroom, local restaurants, etc.) work together to make the destination more competitive.

Scenario Estimate: 33% of F&B spending occurs outside the Convention Center

According to data supplied by Visit Sacramento in 2017, the Convention Center generated the following⁴:

- Convention Center F&B Revenue = \$4,032,737
- Lodging Revenue = \$16,210,493
- Total Revenue = \$20,243,230 (\$4,032,737 + \$16,210,493)
- Convention Center F&B Revenue is **19.9%** of Total Revenue (\$4,032,737/\$20,243,230)

It is anticipated that the Convention Center Complex expansion and renovation would generate \$53,397,863 in new business revenue annually⁵ (\$38,953,650 new lodging business revenue + \$9,677,623 Convention Center F&B revenue + \$4,766,590 F&B revenue outside of the Convention Center). Note: Food and beverage revenue generated in the convention center as a result of the convention center expansions are a benefit generated by public sector investment for a public facility.

- Based on this analysis, it is estimated that annual new business revenue to lodging businesses and Convention Center F&B is projected to be \$48,631,273 (\$38,953,650 new lodging business revenue + \$9,677,623 Convention Center F&B revenue). New lodging business revenue represents 80.1% and Convention Center F&B represents 19.9% of new lodging business and Convention Center F&B revenue.
- It is assumed that groups booked into the Convention Center have between 1 and 3 of their daily meal functions within the center as part of the group meeting, we assume a mid-range of 2 out of 3 meal functions are held within the Convention Center in some combination of breakfast, lunch or dinner. The estimated \$9,677,623 of new F&B revenue within the Convention Center represents 67% of the total estimated amount spent by meeting/convention-goers on F&B.⁶
- If we assume that meeting/convention-goers will spend money outside the Convention Center for the rest of their meals representing approximately 33% of their total F&B expenditures, it would equal \$4,766,590 in annual new revenue to F&B outside the Convention Center.

Total:

⁴ Visit Sacramento Data Source

⁵ New Groups, Incremental Room Nights, & Convention Center Occupancy after Expansion Report

\$38,953,650 (Projected annual new lodging business revenue)
 \$9,677,623 (Projected annual new Convention Center F&B revenue. Calculated at 19.9% of total Convention Center F&B revenue and lodging revenue)
\$4,766,590 (Projected annual new F&B revenue outside the Convention Center. Calculated at 33% of Total F&B Revenue))
\$53,397,863 Total Annual New Business Revenue
Based on this total the \$4,766,590 of F&B revenue is 8.9% of total annual new business revenue.

Table 6: Summary Estimates of F&B Revenue

	Scenario
% F&B Spent in CC	67%
% F&B Spent Outside CC	33%
Projected Lodging Revenue	\$38,953,650
Projected F&B Revenue	\$14,444,213
Projected F&B in CC	\$9,677,623
Projected F&B Revenue Spent Outside of CC	\$4,766,590
Total Revenue	\$53,397,863
Outside F& B Revenue as % of Total Revenue	8.9%

Using this methodology adapted to the projected new annual business revenue that would be generated by just those groups that would be booked as a result of “stacked booking” the results can be found in Table 7 below:

Table 7: Summary Estimates of F&B Revenue as a Result of the Ballroom Addition

	Scenario
% F&B Spent in CC	67%
% F&B Spent Outside CC	33%
Projected Lodging Revenue	\$12,520,500
Projected F&B Revenue	\$4,642,662
Projected F&B in CC	\$3,110,586
Projected F&B Revenue Spent Outside of CC	\$1,532,076
Total Revenue	\$17,163,162
Total F&B Revenue as % of Total Revenue	8.9%

Based on this total the \$1,532,076 of outside F&B expense is 8.9% of total annual new business revenue generated associated with “stacked booking.”

In conclusion, it is estimated that businesses not paying the STID assessment (in particular F&B businesses outside the Convention Center), will see spending that is approximately 8.9% of total new business revenue as a result of the additional ballroom. Given the large number of restaurants, bars, and cafes in the area (approximately 1,500), the estimated benefit to each F&B business is incidental. This study did not analyze potential spill-over benefit to other non-assessed businesses due to the unavailability of data specific to visitor spending at other types of businesses, and the assumption that most visitor expenditures relate to food and lodging.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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. The 2019 STID Bonds are special obligations of the City, secured by and payable solely from the Pledged Assessment Revenues and other amounts pledged under the Indenture as described herein. No other funds of the City are available for payment of the 2019 STID Bonds.

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

City of Sacramento, California



Sacramento's Future



City of Sacramento

California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

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

**Dawn Holm, Director of Finance
Osvaldo Lopez, Accounting Manager
Clark Johnson, Principal Accountant
Harinder Rangi, Principal Accountant**

Senior/Accountant Auditors

**Sharina Bali
Doreen Chia
Svetlana Donkova**

**Emily Hsia
Rona Mao
Kiranjeet Sanghera**

**Ray Tang
Linh Tuyen
Juliana Wong**

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

PAGE

Letter of Transmittal	i
Organization Chart	v
Directory of City Officials	vi
GFOA Certificate	vii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	5

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	28
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation – General Fund	30
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation – Measure U Fund	31
Statement of Net Position – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	36
Statement of Cash Flows – Proprietary Funds	38
Statement of Net Position – Fiduciary Funds	42
Statement of Changes in Net Position – Fiduciary Funds	43
Notes to the Basic Financial Statements	45

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Miscellaneous Plan	105
Schedule of Contributions – CalPERS Miscellaneous Plan	106
Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Safety Plan	107
Schedule of Contributions – CalPERS Safety Plan	108
Schedule of Changes in Net Pension Liability and Related Ratios – SCERS	109
Schedule of Contributions – SCERS	110
Schedule of Changes in Net OPEB Liability and Related Ratios	111
Schedule of Contributions – OPEB	112

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS, Continued

<i>COMBINING FUND FINANCIAL STATEMENTS</i>	PAGE
Other Governmental Funds	
Combining Balance Sheet	113
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	114
Other Special Revenue Funds:	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	118
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Transportation and Development Special Revenue Fund	120
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Culture and Leisure Special Revenue Fund	121
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Parks and Recreation Special Revenue Fund	122
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, CCOMWP Special Revenue Fund	123
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Special Districts Special Revenue Fund	124
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Cal EPA Special Revenue Fund	125
Other Debt Service Funds:	
Combining Balance Sheet	127
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	130
Other Capital Projects Funds:	
Combining Balance Sheet	134
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	136
Permanent Funds:	
Combining Balance Sheet	140
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	142
Other Proprietary Funds	
Other Enterprise Funds:	
Combining Statement of Net Position	146
Combining Statement of Revenues, Expenses and Changes in Net Position	149
Combining Statement of Cash Flows.....	150
Water Fund:	
Combining Schedule of Net Position.....	154
Combining Schedule of Revenues, Expenses and Changes in Net Position	158
Combining Schedule of Cash Flows	160
Wastewater Fund:	
Combining Schedule of Net Position.....	166
Combining Schedule of Revenues, Expenses and Changes in Net Position	170
Combining Schedule of Cash Flows	172

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS, Continued

Other Proprietary Funds	PAGE
Internal Service Funds:	
Combining Statement of Net Position	178
Combining Statement of Revenues, Expenses and Changes in Net Position	181
Combining Statement of Cash Flows.....	182
Fiduciary Funds	
Investment Trust Funds:	
Combining Statement of Net Position	185
Combining Statement of Changes in Net Position	186
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	187

STATISTICAL SECTION (Unaudited)

Net Position by Component - Last Ten Fiscal Years	190
Changes in Net Position - Last Ten Fiscal Years.....	192
Fund Balances, Governmental Funds - Last Ten Fiscal Years	198
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	200
Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years	202
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	203
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years.....	204
Principal Property Taxpayers - Current Fiscal Year and Nine Years Ago.....	205
Property Tax Levies and Collections - Last Ten Fiscal Years	206
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years.....	208
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	210
Direct and Overlapping Governmental Activities Debt - As of June 30, 2018.....	211
Legal Debt Margin - Last Ten Fiscal Years	212
Demographic and Economic Statistics - Last Ten Calendar Years.....	213
Principal Employers - Current Fiscal Year and Nine Years Ago	214
Successor Agency Trust Fund – Assessed Value of Taxable Property - Last Ten Fiscal Years	216
Successor Agency Trust Fund – Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction - As of June 30, 2018	220
Successor Agency Trust Fund – Principal Property Taxpayers - Current Fiscal Year and Nine Years Ago	231
Successor Agency Trust Fund – Debt Coverage Analysis - Last Ten Fiscal Years	242
Full-time Equivalent Employees by Function/Program - Last Ten Fiscal Years	247
Operating Indicators by Function/Program - Last Ten Fiscal Years	248
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years	249
Miscellaneous Statistics - Current Fiscal Year and Nine Years Ago	250

Introductory Section

Howard Chan
City Manager

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

December 18, 2018

Honorable Mayor and City Council
City of Sacramento, California:

Dear Mayor and Members of the City Council:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Sacramento, California (City) for the fiscal year ended June 30, 2018. 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, 2018. 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 controls that have 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. The MD&A complements this transmittal letter 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, 2018, at 501,344 for the City and 1,529,501 for the County. Encompassing approximately 100 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 continue 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 2018. As of June 2018, unemployment for the Sacramento metropolitan area was 4.1% compared to 4.8% a 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 2019.

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 continuing 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. The original Measure U, approved by Sacramento voters in 2012, was a temporary 1/2 cent sales and use tax, expiring in March 2019. Its revenues have been used to restore essential City services that had been cut or scaled back in 2009, especially those provided by the Fire, Police and Parks and Recreation Departments, as well as the Sacramento Public Library. On November 6, 2018, Sacramento voters approved a new version of the City's Measure U sales and use tax, eliminating the sunset provision and raising it from 1/2 cent to 1 cent. The new 1 cent sales and use tax will take effect on April 1, 2019.

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 Council's adopted 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 also directs unbudgeted one-time General Fund revenues 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. Approximately \$3 million in unbudgeted one-time General Fund revenues were added to the EUR during the fiscal year 2018 year-end close bringing the balance to \$52.7 million, approximately 10.5% of estimated fiscal year 2019 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, 2017. This marks the 30th 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, the Accounting Division in particular, 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

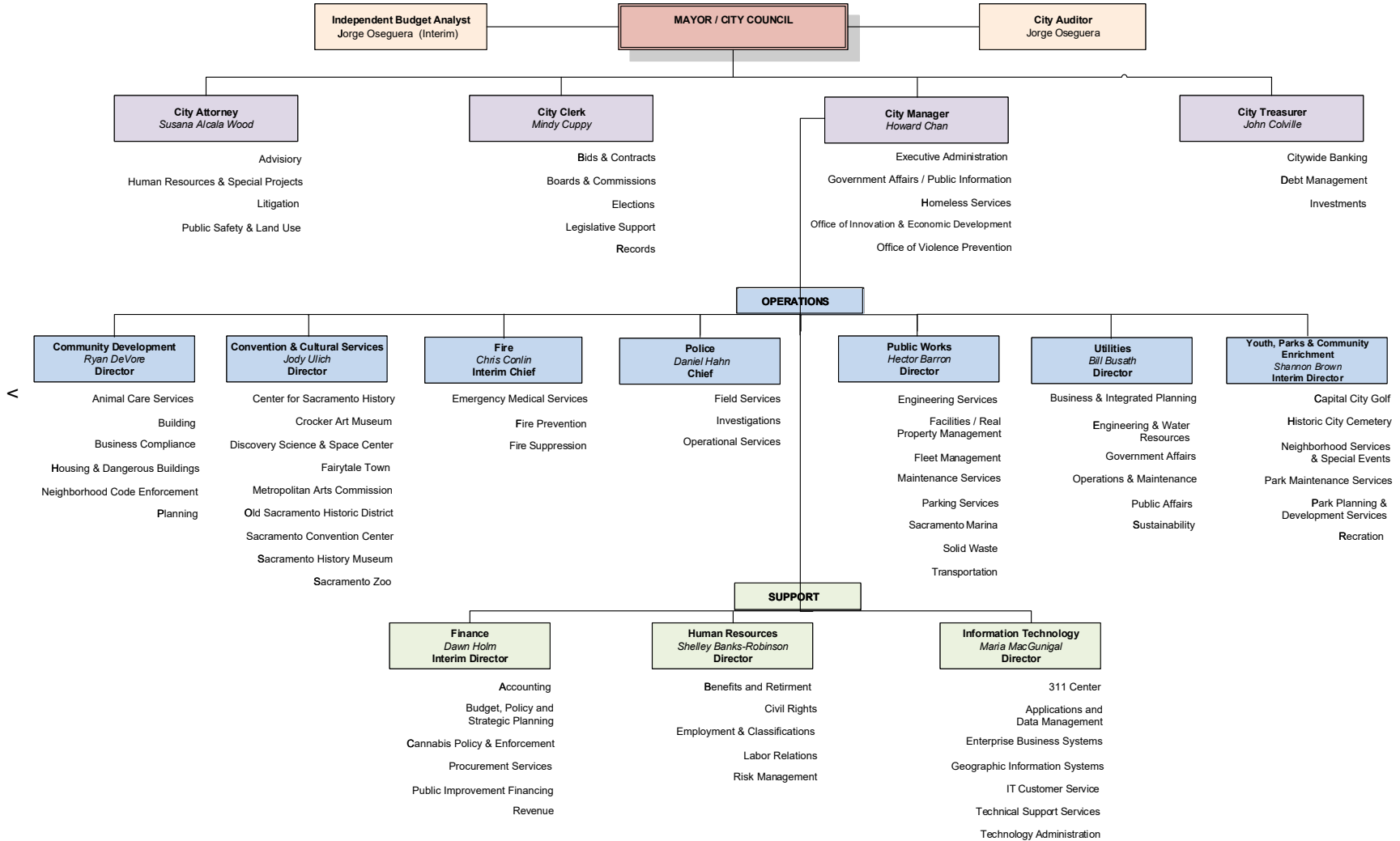


Dawn Holm
Finance Director



Osvaldo Lopez
Accounting Manager

City of Organization As of June 30, 2018



City of Sacramento

Directory of City Officials

June 30, 2018

Darrell Steinberg
Mayor

Angelique Ashby
Councilmember, District 1

Jay Schenirer
Councilmember, District 5

Allen Warren
Councilmember, District 2

Eric Guerra
Councilmember, District 6

Jeff Harris
Councilmember, District 3

Rick Jennings, II
Councilmember, District 7

Steve Hansen
Vice Mayor, District 4

Larry Carr
Councilmember, District 8

Howard Chan
City Manager

Susana Alcala Wood
City Attorney

Mindy Cuppy
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, 2017

Christopher P. Morill

Executive Director/CEO

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Financial Section



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, 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Measure U Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios, the schedules of pension contributions, the schedule of changes in the net OPEB liability and related ratios, and the schedule of OPEB contributions, 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 20, 2018, 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 solely 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 the effectiveness of the City's 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.

Varrinck, Trine, Day & Co. LLP

Sacramento, California
December 20, 2018

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City of Sacramento

Management's Discussion and Analysis

(Required Supplementary Information - Unaudited)

For the Fiscal Year Ended June 30, 2018

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, 2018. 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 executed a \$174 million loan agreement with the California State Water Resources Control Board in fiscal year 2018, to finance costs for installation of approximately 36,000 water meters and replacement of approximately 80 miles of distribution and transmission water mains. This is a revolving loan and funds will be drawn down as costs are incurred. Construction is estimated to be completed by January 1, 2021.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$17 million in fiscal year 2018. This is primarily attributable to tax and service fee revenues in excess of expectations for the year.
- The City's total government-wide net position decreased by \$94 million in fiscal year 2018, a 4.6 percent decrease, primarily due to implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 Changes in Net Other Post-Employment Benefits (OPEB) Liability and Related Ratios and Schedule of Contributions for the City's OPEB 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, other enterprise funds, the Water enterprise fund, the Wastewater enterprise fund, internal service funds, investment trust funds, and 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, 2018

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, among others, 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, parking facilities, convention center, etc.
- *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, 2018

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 table addresses the financial results of the City as a whole.

City of Sacramento							
Summary of Net Position							
As of June 30, 2018 and 2017							
(in millions)							
	Governmental		Business-type		Total Primary		Total
	Activities		Activities		Government		
	2018	2017	2018	2017	2018	2017	Percent
							Change
Current and other assets	\$ 955	\$ 926	\$ 437	\$ 466	\$ 1,392	\$ 1,392	0.0%
Capital assets	1,790	1,772	1,353	1,268	3,143	3,040	3.4%
Total assets	<u>2,745</u>	<u>2,698</u>	<u>1,790</u>	<u>1,734</u>	<u>4,535</u>	<u>4,432</u>	2.3%
Deferred outflows of resources	244	180	34	28	278	208	33.7%
Long-term liabilities	1,927	1,724	727	710	2,654	2,434	9.0%
Other liabilities	102	84	58	49	160	133	20.3%
Total Liabilities	<u>2,029</u>	<u>1,808</u>	<u>785</u>	<u>759</u>	<u>2,814</u>	<u>2,567</u>	9.6%
Deferred inflows of resources	48	29	5	4	53	33	60.6%
Net position							
Net investment in							
capital assets	1,336	1,296	869	807	2,205	2,103	4.9%
Restricted	243	189	41	42	284	231	22.9%
Unrestricted	<u>(667)</u>	<u>(444)</u>	<u>124</u>	<u>150</u>	<u>(543)</u>	<u>(294)</u>	84.7%
Total net position	<u>\$ 912</u>	<u>\$ 1,041</u>	<u>\$ 1,034</u>	<u>\$ 999</u>	<u>\$ 1,946</u>	<u>\$ 2,040</u>	-4.6%

The June 30, 2018 balances reflect the implementation of GASB Statement No. 75. The prior year balances were not restated because information was not available. Additional information on the restatement required by GASB Statement No. 75 is presented at Note 17 to the Financial Statements.

Analysis of net position

As noted in the financial highlights, total net position of the primary government decreased by \$94 million in fiscal year 2018. Total assets increased \$103 million and total liabilities increased \$247 million. Deferred outflows of resources increased \$70 million and deferred inflows of resources increased \$20 million.

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

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2018

Governmental activities

Current and other assets increased \$29 million primarily due to an increase in cash in the governmental funds from higher than expected property tax revenues.

Capital assets of governmental activities increased \$18 million primarily due to current year capital asset additions. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Deferred outflows of resources increased \$64 million, primarily due to \$121 million in new deferred outflows related to changes in assumptions for pension. The increase was offset primarily by a \$69 million decrease in the net difference between projected and actual earnings on pension plan investments. More detailed information about pension plans is presented in Note 8 to the financial statements. In addition, the City recognized \$17 million in deferred outflows related to OPEB contributions subsequent to the measurement date due to the implementation of GASB 75. More detailed information about the OPEB plan is presented in Note 9 to the financial statements.

Long-term liabilities increased \$203 million primarily due to a \$153 million increase in the net OPEB liability and a \$100 million increase in the net pension liability. These increases were offset by principal payments on existing obligations. More detailed information about long-term liabilities is presented in Note 7 to the financial statements.

Deferred inflows of resources increased \$19 million primarily due to \$17 million in new deferred inflows for changes in assumptions for OPEB with the implementation of GASB 75.

Restricted net position, representing amounts that must be used in accordance with external restrictions, increased \$54 million primarily due to increases in restrictions for capital projects.

Business-type activities

Current and other assets of business-type activities decreased \$29 million primarily due to continued water and wastewater capital project spending of 2013 and 2017 bond proceeds.

Capital assets increased \$85 million due to capital asset additions including the convention center expansion, community center theater renovation, memorial auditorium upgrades, and water mains and meters installation, offset by current year depreciation. More detailed capital asset information is presented in Note 4 to the financial statements.

Deferred outflows of resources increased \$6 million, primarily due to \$15 million in new deferred outflows related to changes in assumptions for pension. The increase was offset primarily by a \$10 million decrease in the net difference between projected and actual earnings on pension plan investments. More detailed information about pension plans is presented in Note 8 to the financial statements.

Long-term liabilities increased \$17 million primarily due to a \$28 million increase in the net OPEB liability and a \$14 million increase in the net pension liability. These increases were offset by principal payments on existing obligations. More detailed information is presented in Note 7 to the financial statements.

Net investments in capital assets increased \$62 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, 2018

City of Sacramento							
Changes in Net Position							
For the Fiscal Years Ended June 30, 2018 and 2017							
(in thousands)							
	Governmental		Business-type		Total Primary		Total
	Activities		Activities		Government		
	2018	2017	2018	2017	2018	2017	Percent
							Change
Revenues							
Program revenues:							
Charges for services	\$ 186,621	\$ 158,817	\$ 295,313	\$ 278,425	\$ 481,934	\$ 437,242	10.2%
Operating grants & contributions	41,811	36,938	2,179	3,967	43,990	40,905	7.5%
Capital grants & contributions	101,476	86,856	23,726	6,229	125,202	93,085	34.5%
General revenues:							
Property taxes	156,710	146,697	-	-	156,710	146,697	6.8%
Local sales taxes	45,484	45,465	-	-	45,484	45,465	0.0%
Utility users tax	62,989	62,997	-	-	62,989	62,997	0.0%
Other taxes	38,497	32,143	26,839	23,866	65,336	56,009	16.7%
Unrestricted:							
Sales taxes shared state revenue	82,987	81,296	-	-	82,987	81,296	2.1%
Investment earnings	5,593	9,178	1,013	1,292	6,606	10,470	-36.9%
Miscellaneous	17,328	14,221	37	20	17,365	14,241	21.9%
Gain (loss) disposal of capital assets		(79,916)	424	17	424	(79,899)	0.0%
Total revenues	739,496	594,692	349,531	313,816	1,089,027	908,508	19.9%
Expenses							
General government	100,625	72,430	-	-	100,625	72,430	38.9%
Police	199,746	176,955	-	-	199,746	176,955	12.9%
Fire	160,216	146,693	-	-	160,216	146,693	9.2%
Public works	122,340	106,328	-	-	122,340	106,328	15.1%
Convention and cultural services	21,066	20,380	-	-	21,066	20,380	3.4%
Parks & recreation	55,518	50,156	-	-	55,518	50,156	10.7%
Community development	50,879	41,726	-	-	50,879	41,726	21.9%
Library	17,376	16,122	-	-	17,376	16,122	7.8%
Interest on long-term debt	23,144	27,626	-	-	23,144	27,626	-16.2%
Water	-	-	87,745	80,176	87,745	80,176	9.4%
Wastewater	-	-	28,251	29,075	28,251	29,075	-2.8%
Storm drainage	-	-	41,199	40,479	41,199	40,479	1.8%
Solid waste	-	-	56,698	51,693	56,698	51,693	9.7%
Community center	-	-	17,795	16,607	17,795	16,607	7.2%
Parking	-	-	13,475	11,955	13,475	11,955	12.7%
Child development	-	-	6,589	5,743	6,589	5,743	14.7%
Total expenses	750,910	658,416	251,752	235,728	1,002,662	894,144	12.1%
Revenue over (under) expenses	(11,414)	(63,724)	97,779	78,088	86,365	14,364	501.3%
Transfers	34,525	31,443	(34,525)	(31,443)	-	-	-
Change in net position	23,111	(32,281)	63,254	46,645	86,365	14,364	501.3%
Net position, beginning of year, as restated	888,638	1,073,117	971,036	952,170	1,859,674	2,025,287	-8.2%
Net position, end of year	\$ 911,749	\$ 1,040,836	\$ 1,034,290	\$ 998,815	\$ 1,946,039	\$ 2,039,651	-4.6%

The beginning net position for fiscal year 2018 does not agree to the prior year ending net position because the activity presented for the prior year was not restated for GASB Statement No. 75. Additional information on the restatement required by GASB Statement No. 75 is presented at Note 17 to the Financial Statements. In addition, fiscal year 2017 amounts for Economic Development have been reclassified to General Government due to the combining of the departments in fiscal year 2018.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2018

Analysis of the changes in net position

Total government-wide revenues of the primary government increased \$181 million, a 19.9 percent increase compared to the prior fiscal year, and total expenses increased \$109 million, a 12.1 percent increase compared to the prior fiscal year. These changes are discussed in more detail below.

Governmental activities

Total revenues for governmental activities increased \$145 million, a 24.3 percent increase compared to the prior fiscal year. Total expenses increased \$92 million, a 14.0 percent increase compared to the prior fiscal year. Net transfers from business-type activities increased \$3 million, a 9.8 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 2018 primarily because no capital assets were transferred out of governmental activities.

Revenue

Charges for services increased \$28 million primarily due to \$24 million increase in the general fund, i.e. \$6 million in ambulance services, \$2 million in fire suppression payments, \$4 million in homeless program funding through the California State Intergovernmental Transfers (IGT), and \$6 million for construction permits due to the recovery of the economy.

Capital grants and contributions revenue increased \$15 million primarily due to a \$6 million increase in the capital project special districts, Natomas Meadows CFD 2007-01, related to the bond proceeds to finance the improvements and costs of eligible public facilities and a \$8 million increase in developer capital contribution for infrastructure related to McKinley Village and Delta Shore projects.

Property tax revenue increased \$10 million due to continued increases in Sacramento area commercial and residential real estate property assessed valuations.

Other tax revenues, including sales and utility user tax, increased \$6 million primarily due to the sustained economic recovery.

Investment earnings decreased by \$4 million primarily due to larger current year unrealized losses compared to the prior fiscal year.

Expenses

Total governmental expenses increased \$92 million primarily due to increase in department functional expenses, i.e. \$28 million in general government, \$23 million in police, \$14 million in fire, \$16 million in public works, \$5 million in parks and recreation, \$9 million in community development, and \$1 million in library, offset by \$4 million decrease in interest expense on long-term debt.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2018

Business-type activities

Total revenues for business-type activities increased \$36 million, a 11.4 percent increase compared to the prior fiscal year. Total expenses for business-type activities increased \$16 million, a 6.8 percent increase compared to the prior fiscal year. Net transfers to governmental activities increased \$3 million, a 9.8 percent increase compared to the prior fiscal year. Transfers out primarily consist of in-lieu taxes paid by the business-type activities to the General Fund. Transfers in primarily consist of capital assets transferred from governmental activities to business-type activities. Net transfers were higher in fiscal year 2018 primarily because no capital assets were transferred in business-type activities.

Revenue

Charges for services increased \$17 million as a result of water and wastewater rate increases in fiscal year 2018 of 10 and 9 percent respectively.

Capital grants and contribution revenue increased by \$17 million as a result of increases in water, wastewater and storm drainage infrastructure dedications by developers of \$5 million, \$5 million, and \$6 million respectively.

Other tax revenue increased \$3 million due to an increase in transient occupancy tax revenue generated from an increase in hotel occupancy and room rates.

Expenses

Water Fund expenses increased \$8 million primarily due to an increase in the interest expense. The City is no longer capitalizing interest due to early implementation of GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Solid Waste Fund expenses increased \$5 million primarily due to a \$4 million increase in labor and pension expenses.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

Funds are accounting devices 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 revenues for governmental funds increased \$29 million compared to the prior fiscal year. Total expenditures increased \$72 million compared to the prior fiscal year. Net other financing sources decreased \$2 million compared to the prior fiscal year. These changes are discussed in more detail below.

General Fund

Total General Fund revenue increased \$43 million compared to prior fiscal year. Tax revenues increased by \$20 million, i.e. \$3 million in business operations, \$4 million in sales and use tax, and \$13 million in property taxes. Charges for services increased by \$14 million primarily attributable to increases in development activity, marijuana permit fees, Advance Life Support (ALS), and planning permit fees.

Total General Fund expenditures increased \$31 million compared to prior fiscal year. Expenditures in Fire and Police department increased \$13 million in total, general government increased \$12 million, and Community development increased \$5 million. These increases are primarily due to labor and pension cost increases, additional staffing, and reduced cost reimbursements from other funds. Capital outlay expenditures increased by \$2.2 million due to the community center theater renovation and streetcar projects.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2018

General Fund Budgetary Highlights

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

After accounting for these budget adjustments, General Fund revenues were \$20 million higher than final budgeted amounts. Collection of various taxes exceeded the budget by \$5.2 million. Charges for services and intergovernmental revenue exceeded budget by \$7.4 million and \$8.1 million, respectively. Interest revenue was lower than budget by \$1.3 million. Fines, forfeitures and penalties were lower than budget by \$0.2 million.

General Fund budgetary expenditures were \$52.2 million lower than final budgeted amounts. All General Fund departments reported favorable operating expenditure budget variances primarily due to an increase in grant labor reimbursements. Capital outlay expenditures were less than budgeted amounts by \$18.7 million due to the multi-year nature of 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 \$1 million and \$9 million, respectively. Revenues are higher primarily due to an increase in taxable sales within the City. Expenditures are higher primarily due to funding of additional police officer positions, capital improvements to fire stations and park maintenance. Measure U resources are used to restore police, fire, gang prevention and intervention, library, animal care and parks and recreation services.

1997 Lease Revenue Bond Fund

Contributions and donations revenue decreased \$26 million primarily due to the remarketing agreement requiring an advance payment from the Kings ownership group in fiscal year 2017.

Other Governmental Funds

Other governmental fund revenues increased \$31 million primarily due to the following:

- \$13 million net increase in revenue in the Special Revenue funds:
 - ❖ \$9 million in additional grant funding of the operating grants;
 - ❖ \$2 million in the transportation and development funds primarily due to fees collected from communication companies for installation of wireless and fiber optic lines;
 - ❖ \$3 million in assessments for special districts; and
 - ❖ \$2 million in contributions and donations related to the Homeless Program.These increases were partially offset by \$3 million reduction in grant funding in the Parks and Recreation fund.

- \$18 million increase in Capital Project Revenue funds:
 - ❖ \$14 million is a result of the reclassification of the capital grant fund from major to non-major fund.
 - ❖ \$4 million in special districts funds, Natomas Meadows CFD 2007-01, related to the bond proceeds to finance the improvements and costs of eligible public facilities.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2018

Other governmental fund expenditures increased \$28 million primarily due to the following:

- \$15 million is a result of the reclassification of the capital grant fund from major to non-major fund;
- \$9 million in special revenue grant funds for various programs, including \$5 million for the Homeless program implemented in 2018; and
- \$4 million in special districts funds, Natomas Meadows CFD 2007-01, developer payments related to the improvements and costs of eligible public facilities.

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 \$17 million, and operating expenses increased \$3 million compared to the prior fiscal year. Net non-operating revenues decreased \$12 million and capital contributions increased \$14 million compared to the prior fiscal year. These changes are discussed in more detail below.

Water Fund

Water Fund operating revenues increased \$11 million primarily due to a 10 percent rate increase in fiscal year 2018. Operating expenses decreased \$4 million primarily due to a decrease in consulting and professional costs related to operating projects. Net non-operating expenses increased \$13 million primarily due to an increase in interest expense. The City is no longer capitalizing interest due to early implementation of GASB 89. Capital contributions increased \$5 million, i.e. \$1 million from Delta Shores Circle South, \$1 million from Westshore Village, and \$2 million in water development impact fees.

Wastewater Fund

Wastewater Fund operating revenues increased \$3 million primarily due to a 9 percent rate increase in fiscal year 2018. Operating expenses decreased \$2 million primarily due to a decrease in planning and design costs for several wastewater operating projects. Net non-operating expenses increased \$1 million primarily due to an increase in interest expense. The City is no longer capitalizing interest due to early implementation of GASB 89. Capital contributions increased \$6 million, i.e. \$3 million in capital grant revenue and \$1 million in wastewater development impact fees.

Storm Drainage Fund

Capital contributions increased \$4 million primarily due to current year nonrecurring contributions of capital assets, i.e. \$1 million related McKinley Village and \$2 million related to Delta Shores Circle South.

Solid Waste Fund

Solid Waste Fund operating revenues increased by \$2 million primarily due to increased utility fee charges. Operating expenses increased \$5 million primarily due to increase in labor and pension expenses.

Community Center Fund

Community Center Fund non-operating revenues, i.e. transient occupancy tax, increased by \$3 million primarily due to an on-going increase in Sacramento area hotel room occupancy and room rates.

Parking Fund

Parking Fund operating expenses increased by \$2 million primarily due to an increase in labor and pension expenses.

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

For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, 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. Current year capital asset additions of \$335 million were offset by current year depreciation expense of \$123 million and retirements of \$109 million, for a net increase in capital assets of \$103 million.

City of Sacramento
Capital Assets
As of June 30, 2018 and 2017
(net of depreciation, in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital assets not being depreciated						
Land	\$ 206	\$ 204	\$ 50	\$ 50	\$ 256	\$ 254
Easements	1	1	-	-	1	1
Construction in progress	137	108	307	261	444	369
Depreciable capital assets:						
Buildings and improvements	430	440	134	134	564	574
Equipment	22	20	27	18	49	38
Software	4	4	2	1	6	5
Vehicles	62	55	-	-	62	55
Transmission and distribution systems	4	4	833	804	837	808
Road network	627	647	-	-	627	647
Street light network	154	152	-	-	154	152
Park and park improvements	143	137	-	-	143	137
Total capital assets	\$ 1,790	\$ 1,772	\$ 1,353	\$ 1,268	\$ 3,143	\$ 3,040

This year's major capital asset additions include:

- Addition of \$13.5 million for the North Sacramento Meter Retrofit Project,
- Addition of \$10.6 million for the Convention Center Expansion Project,
- Addition of \$10.6 million for the Tahoe Park Water Meter Replacement Project,
- Other capital project additions in progress including the Shasta Park Water Facility; Land Park, South Sacramento, and Elmhurst/Oak Park Water Meter Projects; and Old Sacramento Infrastructure Project. Many other capital projects were completed during the year and transferred from construction in progress to the appropriate capital asset categories.

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

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2018

Long-term Debt

The following table summarizes the City's outstanding debt:

City of Sacramento						
Outstanding Debt						
As of June 30, 2018 and 2017						
(in millions)						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2018	2017	2018	2017	2018	2017
Revenue and other bonds, net	\$ 565	\$ 606	\$ 510	\$ 533	\$ 1,075	\$ 1,139
Notes payable	14	15	23	23	37	38
Capital lease obligations	2	4	4	6	6	10
Total outstanding debt	\$ 581	\$ 625	\$ 537	\$ 562	\$ 1,118	\$ 1,187

Total outstanding debt for governmental activities decreased \$44 million due to principal payments on existing obligations and net amortization of bond discounts and premiums.

Total outstanding debt for business-type activities decreased \$25 million due to \$29 million in principal payments on existing obligations and net amortization of bond discounts and premiums, offset by the issuance of \$4 million of Drinking Water State Revolving Fund Note.

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, 2018, as determined by Standard & Poor's (S & P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch):

Bond issues:	<u>S & P</u>	<u>Moody's</u>
• 1993 Refunded Lease Revenue Bonds, Series A	A+	A1
• 1993 Refunded Lease Revenue Bonds, Series B	A+	Aa3
• 2006 Capital Improvement Revenue Bonds, Series B	A+	Aa3
• 2006 Capital Improvement Revenue Bonds, Series E	A+	Aa3
• 2013 Water Revenue Bonds	AA	AA-
• 2013 Wastewater Revenue Bonds	AA-	AA
• 2015 Refunding Revenue Bonds	A+/AA	Aa3
• 2015 Lease Revenue Bonds (Golden 1 Center)	A+	A
• 2017 Water Revenue Bonds	AA	AA-

The City's issuer credit rating as of June 30, 2018, 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, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

Sacramento's economy continues to see great growth and its pioneering spirit is woven into projects such as the Railyards development, branding of the Waterfront, adoption of the Creative Edge Cultural Plan, establishing Sacramento as an Innovation Hub, and much more. In fiscal year 2018, Sacramento delivered over 3,000 new housing units, the most in over a decade. Unemployment in the Sacramento metropolitan area has fallen from 4.8 percent at the end of fiscal year 2017 to 3.8 percent at the end of fiscal year 2018. Although the trend reflects an increase in revenues, commitments for labor contracts, increases in 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 2019 are \$487.9 million, an increase of 6.2 percent compared to the fiscal year 2018 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget appropriates \$1 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, 2018
(in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 603,355	\$ 306,195	\$ 909,550
Receivables, net	285,231	59,203	344,434
Internal balances	13,305	(13,305)	-
Inventories	-	1,311	1,311
Prepaid items	5,523	357	5,880
Restricted cash and investments	47,977	81,946	129,923
Intangible assets	-	144	144
Land and other capital assets not being depreciated	344,110	357,868	701,978
Other capital assets, net of depreciation	1,445,961	995,403	2,441,364
Total assets	2,745,462	1,789,122	4,534,584
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of debt	3,297	4,916	8,213
Deferred outflows related to pensions	222,797	26,723	249,520
Deferred outflows related to OPEB	17,820	3,252	21,072
Total deferred outflows of resources	243,914	34,891	278,805
LIABILITIES			
Payables	98,051	51,108	149,159
Unearned revenue	4,789	5,654	10,443
Long-term liabilities:			
Due within one year	51,552	31,911	83,463
Due in more than one year	1,875,006	695,633	2,570,639
Total liabilities	2,029,398	784,306	2,813,704
DEFERRED INFLOWS OF RESOURCES			
Service concession arrangement	3,722	-	3,722
Gain on debt refunding	-	1,127	1,127
Deferred inflows related to pensions	26,761	1,051	27,812
Deferred inflows related to OPEB	17,746	3,239	20,985
Total deferred inflows of resources	48,229	5,417	53,646
NET POSITION			
Net investment in capital assets	1,335,576	869,183	2,204,759
Restricted for:			
Capital projects	136,831	38,473	175,304
Debt service	606	-	606
Public works programs	24,750	-	24,750
Economic development programs	44,920	-	44,920
Other programs	26,786	2,633	29,419
Trust and endowments:			
Expendable	8,656	-	8,656
Nonexpendable	878	-	878
Unrestricted	(667,254)	124,001	(543,253)
Total net position	\$ 911,749	\$ 1,034,290	\$ 1,946,039

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, 2018

(in thousands)

Functions/Programs	Operating Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:						
Governmental activities:						
General government	\$ 115,621	\$ (14,996)	\$ 19,438	\$ 12,936	\$ 2,794	\$ (65,457)
Police	199,746	-	12,586	3,693	3,075	(180,392)
Fire	160,216	-	42,898	2,337	-	(114,981)
Public works	122,340	-	50,159	12,481	58,837	(863)
Convention and cultural services	21,066	-	12,456	916	-	(7,694)
Parks and recreation	55,518	-	13,065	1,598	11,736	(29,119)
Community development	50,879	-	36,019	309	25,034	10,483
Library	17,376	-	-	7,541	-	(9,835)
Interest on long-term debt	23,144	-	-	-	-	(23,144)
Total governmental activities	765,906	(14,996)	186,621	41,811	101,476	(421,002)
Business-type activities:						
Water	82,820	4,925	119,379	1,216	10,154	43,004
Wastewater	26,064	2,187	37,596	66	7,238	16,649
Storm drainage	39,173	2,026	39,512	7	6,334	4,654
Solid waste	53,626	3,072	63,556	405	-	7,263
Community center	16,245	1,550	9,848	-	-	(7,947)
Parking	12,239	1,236	19,003	5	-	5,533
Child development	6,589	-	6,419	480	-	310
Total business-type activities	236,756	14,996	295,313	2,179	23,726	69,466
Total primary government	\$ 1,002,662	\$ -	\$ 481,934	\$ 43,990	\$ 125,202	\$ (351,536)

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, 2018
(in thousands)

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	\$ (421,002)	\$ 69,466	\$ (351,536)
General revenues:			
Taxes:			
Property taxes	156,710	-	156,710
Utility user taxes	62,989	-	62,989
Local sales tax	45,484	-	45,484
Property transfer tax	15,069	-	15,069
Business operations tax	15,749	-	15,749
Transient occupancy tax	5,368	26,839	32,207
Other taxes	2,311	-	2,311
Unrestricted sales taxes shared state revenue	82,987	-	82,987
Unrestricted investment earnings	5,593	1,013	6,606
Unrestricted miscellaneous	17,328	37	17,365
Gain on sale of capital assets	-	424	424
Transfers	34,525	(34,525)	-
Total general revenues and transfers	444,113	(6,212)	437,901
Change in net position	23,111	63,254	86,365
Net position, beginning of year	1,040,836	998,815	2,039,651
Prior period adjustments	(152,198)	(27,779)	(179,977)
Net position, beginning of year, as restated	888,638	971,036	1,859,674
Net position, end of year	<u>\$ 911,749</u>	<u>\$ 1,034,290</u>	<u>\$ 1,946,039</u>

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

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Fund Financial Statements

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City of Sacramento
Governmental Funds
Balance Sheet

June 30, 2018
(in thousands)

	General Fund	Measure U Fund	1997 Lease Revenue Bond Fund
<u>ASSETS</u>			
Cash and investments held by City	\$ 168,940	\$ 31,031	\$ 69
Cash and investments held by fiscal agent	-	-	8
Receivables, net:			
Taxes	25,464	7,471	-
Accounts	22,318	-	-
Loans	-	-	32,733
Intergovernmental	1,445	-	-
Interest	920	169	274
Due from other funds	3,800	-	-
Prepaid items	45	-	-
Restricted assets:			
Cash and investments held by City	-	-	57
Cash and investments held by fiscal agent	-	-	-
Total assets	\$ 222,932	\$ 38,671	\$ 33,141
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 20,939	\$ 2,437	\$ -
Accrued payroll	25,194	-	-
Accrued claims and judgements	400	-	-
Matured notes and interest payable	-	-	-
Due to other funds	-	-	-
Deposits	167	-	-
Unearned revenue	755	-	-
Advances from other funds	-	-	-
Total liabilities	47,455	2,437	-
Deferred inflows of resources:			
Unavailable revenue	3,108	-	33,007
Fund balances:			
Nonspendable:			
Prepaid items	45	-	-
Due from other funds	3,800	-	-
Noncurrent assets	-	-	-
Permanent fund principal	-	-	-
Restricted:			
Capital projects	-	-	-
Debt service	-	-	57
Public works programs	-	-	-
Economic development programs	-	-	-
Other programs	-	-	-
Committed:			
Economic uncertainty	52,700	-	-
Capital projects	37,583	16,643	-
Debt service	-	-	-
Fire programs	6,189	-	-
Pension	5,000	-	-
OPEB	2,619	-	-
Gas tax	2,087	-	-
Other programs	37,325	19,591	-
Assigned:			
Debt service	-	-	-
Other programs	-	-	77
Unassigned	25,021	-	-
Total fund balances (deficit)	172,369	36,234	134
Total liabilities, deferred inflows of resources and fund balances	\$ 222,932	\$ 38,671	\$ 33,141

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

City of Sacramento
Governmental Funds
Balance Sheet

June 30, 2018
(in thousands)

	2015 Golden 1 Center Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments held by City	\$ 18,755	\$ 271,054	\$ 489,849
Cash and investments held by fiscal agent	62	51	121
Receivables, net:			
Taxes	-	4,952	37,887
Accounts	-	6,990	29,308
Loans	141,433	2,432	176,598
Intergovernmental	-	33,286	34,731
Interest	43	332	1,738
Due from other funds	-	3,800	7,600
Prepaid items		-	45
Restricted assets:			
Cash and investments held by City	-	14,388	14,445
Cash and investments held by fiscal agent	18,682	14,850	33,532
Total assets	\$ 178,975	\$ 352,135	\$ 825,854
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -	\$ 31,749	\$ 55,125
Accrued payroll	-	70	25,264
Accrued claims and judgements	-	31	431
Matured notes and interest payable	-	3,109	3,109
Due to other funds	-	327	327
Deposits	-	3,093	3,260
Unearned revenue	-	3,743	4,498
Advances from other funds	-	6,815	6,815
Total liabilities	-	48,937	98,829
Deferred inflows of resources:			
Unavailable revenue	141,446	29,156	206,717
Fund balances:			
Nonspendable:			
Prepaid items	-	-	45
Due from other funds	-	-	3,800
Noncurrent assets	-	98	98
Permanent fund principal	-	878	878
Restricted:			
Capital projects	-	159,439	159,439
Debt service	18,682	9,800	28,539
Public works programs	-	18,857	18,857
Economic development programs	-	44,920	44,920
Other programs	-	35,025	35,025
Committed:			
Economic uncertainty	-	-	52,700
Capital projects	-	1,602	55,828
Debt service	18,755	2,788	21,543
Fire programs	-	-	6,189
Pension	-	-	5,000
OPEB	-	-	2,619
Gas tax	-	-	2,087
Other programs	-	21,092	78,008
Assigned:			
Debt service	92	1,916	2,008
Other programs	-	283	360
Unassigned	-	(22,656)	2,365
Total fund balances (deficit)	37,529	274,042	520,308
Total liabilities, deferred inflows of resources and fund balances	\$ 178,975	\$ 352,135	\$ 825,854

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, 2018
(in thousands)

Fund balances - total governmental funds		\$ 520,308
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds		206,717
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.		257
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	3,229,113	
Less: accumulated depreciation	<u>(1,504,100)</u>	1,725,013
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		(5,658)
Deferred outflows of resources are not recognized in the current period and therefore not reported in the governmental funds.		
Deferred outflows related to pension	219,722	
Deferred outflows related to OPEB	17,389	
Deferred inflows related to pensions	(26,738)	
Deferred inflows related to OPEB	(17,317)	
Loss on refunding of debt	<u>3,297</u>	196,353
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	(37,713)	
Accrued claims and judgements	(3,096)	
Financing plan fee credits	(35,066)	
Net pension liability	(845,376)	
Net OPEB liability	(321,420)	
Pollution remediation obligations	(630)	
Revenue and other bonds payable, net	(563,721)	
Capital lease obligations payable	(2,255)	
Notes payable	<u>(13,476)</u>	(1,822,753)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>91,512</u>
Net position of governmental activities		<u>\$ 911,749</u>

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

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City of Sacramento
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018
(in thousands)

	General Fund	Measure U Fund	1997 Lease Revenue Bond Fund
Revenues:			
Taxes	\$ 337,406	\$ 46,484	\$ -
Intergovernmental	22,380	-	-
Charges for services	100,205	-	-
Fines, forfeits, and penalties	12,069	-	-
Interest, rents, and concessions	1,195	180	831
Community service fees	-	-	-
Assessment levies	291	-	-
Contributions and donations	85	-	1,448
Miscellaneous	301	-	-
Total revenues	473,932	46,664	2,279
Expenditures:			
Current:			
General government	48,694	-	-
Police	138,473	24,625	-
Fire	119,437	13,832	-
Public works	13,607	-	-
Convention and cultural services	5,620	-	-
Parks and recreation	21,428	8,477	-
Community development	33,340	250	-
Library	8,380	506	-
Utilities	1,816	-	-
Citywide and community support	46,576	-	-
Capital outlay	21,513	7,483	-
Debt service:			
Principal	2,016	-	21,917
Interest and fiscal charges	86	-	1,588
Bond issuance costs	-	-	1,411
Total expenditures	460,986	55,173	24,916
Excess (deficiency) of revenues over (under) expenditures	12,946	(8,509)	(22,637)
Other financing sources (uses):			
Transfers in	35,414	-	-
Transfers out	(31,545)	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	3,869	-	-
Net change in fund balances	16,815	(8,509)	(22,637)
Fund balances (deficit), beginning of year	155,554	44,743	22,771
Fund balances (deficit), end of year	<u>\$ 172,369</u>	<u>\$ 36,234</u>	<u>\$ 134</u>

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

City of Sacramento
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018

(in thousands)

	2015 Golden 1 Center Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ 22,121	\$ 406,011
Intergovernmental	-	58,035	80,415
Charges for services	-	21,163	121,368
Fines, forfeits, and penalties	-	574	12,643
Interest, rents, and concessions	1,563	7,025	10,794
Community service fees	-	30,654	30,654
Assessment levies	-	46,757	47,048
Contributions and donations	-	12,720	14,253
Miscellaneous	-	430	731
Total revenues	1,563	199,479	723,917
Expenditures:			
Current:			
General government	-	24,078	72,772
Police	-	6,175	169,273
Fire	-	2,892	136,161
Public works	-	36,234	49,841
Convention and cultural services	-	8,752	14,372
Parks and recreation	-	8,710	38,615
Community development	-	12,197	45,787
Library	-	7,535	16,421
Utilities	-	218	2,034
Citywide and community support	-	-	46,576
Capital outlay	-	61,401	90,397
Debt service:			
Principal	3,425	21,087	48,445
Interest and fiscal charges	9,710	13,145	24,529
Bond issuance costs	4	-	1,415
Total expenditures	13,139	202,424	756,638
Excess (deficiency) of revenues over (under) expenditures	(11,576)	(2,945)	(32,721)
Other financing sources (uses):			
Transfers in	6,400	28,744	70,558
Transfers out	-	(4,256)	(35,801)
Issuance of long-term debt	-	8	8
Total other financing sources (uses)	6,400	24,496	34,765
Net change in fund balances	(5,176)	21,551	2,044
Fund balances (deficit), beginning of year	42,705	252,491	518,264
Fund balances (deficit), end of year	<u>\$ 37,529</u>	<u>\$ 274,042</u>	<u>\$ 520,308</u>

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

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

For the Fiscal Year Ended June 30, 2018

(in thousands)

Net change in fund balances - total governmental funds		\$ 2,044
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	68,626	
Depreciation expense	<u>(72,184)</u>	(3,558)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>		
Infrastructure dedications		13,645
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Issuance of long-term debt, including premium	(8)	
Principal repayments on long-term debt	<u>48,445</u>	48,437
<p>Revenue and other resources not available to liquidate liabilities of the current period are not recognized in governmental funds. Revenue in the statement of activities is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in revenues - unavailable revenues at the end of the year were less than beginning unavailable revenues by this amount.</p>		
		454
<p>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.</p>		
Compensated absences	(2,356)	
Accrued claims and judgements	(478)	
Pension expense	(54,627)	
Other post-employment benefits	(287)	
Pollution remediation	1,164	
Interest	480	
Amortization of prepaid bond insurance	(17)	
Amortization of bond discount	(2)	
Amortization of bond premium	1,147	
Amortization of gain/loss on refunding	<u>(220)</u>	(55,196)
<p>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.</p>		
		<u>17,285</u>
Change in net position of governmental activities		\$ 23,111

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

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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, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Budget</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts -</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>	<u>to GAAP</u> <u>Reconciliation</u>	<u>Amounts -</u> <u>GAAP</u> <u>Basis</u>
Revenues:						
Taxes	\$ 322,858	\$ 332,184	\$ 337,406	\$ 5,222	\$ -	\$ 337,406
Intergovernmental	8,604	14,227	22,380	8,153	-	22,380
Charges for services	86,230	92,795	100,205	7,410	-	100,205
Fines, forfeits and penalties	13,522	12,277	12,069	(208)	-	12,069
Interest, rents, and concessions	827	2,480	1,195	(1,285)	-	1,195
Assessment levies	74	74	291	217	-	291
Contributions and donations	-	3	85	82	-	85
Miscellaneous	154	154	301	147	-	301
Total revenues	432,269	454,194	473,932	19,738	-	473,932
Expenditures:						
Current:						
Mayor/Council	5,330	7,898	6,048	1,850	(92)	5,956
City Manager	7,605	21,285	10,972	10,313	(124)	10,848
City Attorney	6,096	6,612	5,849	763	(29)	5,820
City Clerk	1,768	1,798	1,584	214	-	1,584
City Treasurer	2,336	2,352	2,028	324	(65)	1,963
Finance	8,258	13,792	6,096	7,696	(384)	5,712
Information technology	13,986	14,528	13,988	540	(970)	13,018
Human resources	3,883	4,301	3,823	478	(30)	3,793
Subtotal - General government	49,262	72,566	50,388	22,178	(1,694)	48,694
Police	130,462	144,513	138,713	5,800	(240)	138,473
Fire	108,470	117,410	119,595	(2,185)	(158)	119,437
Public works	9,039	14,210	14,169	41	(562)	13,607
Convention and cultural services	5,592	6,567	5,598	969	22	5,620
Parks and recreation	20,822	23,254	21,562	1,692	(134)	21,428
Community development	31,862	36,554	33,863	2,691	(523)	33,340
Library	8,380	8,380	8,380	-	-	8,380
Utilities	2,116	4,649	1,816	2,833	-	1,816
Citywide and community support	41,118	46,425	46,876	(451)	(300)	46,576
Capital outlay	46,962	46,354	27,686	18,668	(6,173)	21,513
Debt service:						
Principal	2,016	2,016	2,016	-	-	2,016
Interest and fiscal charges	86	86	86	-	-	86
Total expenditures	456,187	522,984	470,748	52,236	(9,762)	460,986
Excess (deficiency) of revenues over (under) expenditures	(23,918)	(68,790)	3,184	71,974	9,762	12,946
Other financing sources (uses):						
Transfers in	33,772	33,809	35,414	1,605	-	35,414
Transfers out	(29,149)	(31,810)	(31,545)	265	-	(31,545)
Total other financing sources (uses)	4,623	1,999	3,869	1,870	-	3,869
Net change in fund balance	\$ (19,295)	\$ (66,791)	\$ 7,053	\$ 73,844	\$ 9,762	\$ 16,815

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, 2018

(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	\$ 46,542	\$ 46,542	\$ 46,484	\$ (58)	\$ -	\$ 46,484
Interest, rents, and concessions	-	-	180	180	-	180
Total revenues	<u>46,542</u>	<u>46,542</u>	<u>46,664</u>	<u>122</u>	<u>-</u>	<u>46,664</u>
Expenditures:						
Current:						
Police	23,272	25,552	24,688	864	(63)	24,625
Fire	13,138	13,738	13,866	(128)	(34)	13,832
Parks and recreation	9,488	9,768	9,667	101	(1,190)	8,477
Community development	262	262	250	12	-	250
Library	506	506	506	-	-	506
Capital outlay	<u>22,665</u>	<u>24,090</u>	<u>8,086</u>	<u>16,004</u>	<u>(603)</u>	<u>7,483</u>
Total expenditures	<u>69,331</u>	<u>73,916</u>	<u>57,063</u>	<u>16,853</u>	<u>(1,890)</u>	<u>55,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,789)</u>	<u>(27,374)</u>	<u>(10,399)</u>	<u>16,975</u>	<u>1,890</u>	<u>(8,509)</u>
Net change in fund balance	<u>\$ (22,789)</u>	<u>\$ (27,374)</u>	<u>\$ (10,399)</u>	<u>\$ 16,975</u>	<u>\$ 1,890</u>	<u>\$ (8,509)</u>

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

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ 117,111	\$ 39,365	\$ 35,979	\$ 43,730
Cash and investments held by fiscal agent	-	-	-	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	18,471	11,814	5,870	8,978
Loans	99	136	451	-
Intergovernmental	675	1,164	1,313	-
Interest	932	255	236	243
Due from other funds	11,075	-	-	-
Inventories	872	45	394	-
Prepaid items	306	1	8	-
Intangible asset, current portion	-	-	-	-
Total current assets	<u>149,541</u>	<u>52,780</u>	<u>44,251</u>	<u>52,951</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	50,325	6,510	4,748	1,110
Cash and investments held by fiscal agent	7,289	981	745	-
Advances to other funds	-	-	-	-
Loans receivable	792	281	1,948	-
Intangible assets	-	-	-	-
Capital assets:				
Land	1,754	1,138	18,724	1,133
Buildings and improvements	43,526	27,183	8,907	32,153
Machinery and equipment	25,681	5,147	17,613	12,437
Vehicles	-	-	-	-
Transmission and distribution system	724,638	184,638	407,212	-
Construction in progress	263,193	11,858	3,006	528
Software	822	568	1,113	245
Easements	134	-	157	-
Less: accumulated depreciation/amortization	<u>(274,088)</u>	<u>(80,231)</u>	<u>(193,624)</u>	<u>(30,532)</u>
Total noncurrent assets	<u>844,066</u>	<u>158,073</u>	<u>270,549</u>	<u>17,074</u>
Total assets	<u>993,607</u>	<u>210,853</u>	<u>314,800</u>	<u>70,025</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	4,916	-	-	-
Deferred outflows related to pensions	11,752	2,624	3,356	4,411
Deferred outflows related to OPEB	<u>1,000</u>	<u>356</u>	<u>450</u>	<u>1,163</u>
Total deferred outflows of resources	<u>17,668</u>	<u>2,980</u>	<u>3,806</u>	<u>5,574</u>

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

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
ASSETS				
Current assets:				
Cash and investments held by City	\$ 43,386	\$ 26,624	\$ 306,195	\$ 113,189
Cash and investments held by fiscal agent	-	-	-	196
Receivables, net:				
Taxes	3,806	-	3,806	-
Accounts	258	1,064	46,455	782
Loans	23	-	709	-
Intergovernmental	-	-	3,152	-
Interest	236	137	2,039	465
Due from other funds	-	-	11,075	577
Inventories	-	-	1,311	-
Prepaid items	6	36	357	5,221
Intangible asset, current portion	-	8	8	-
Total current assets	<u>47,715</u>	<u>27,869</u>	<u>375,107</u>	<u>120,430</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	-	746	63,439	-
Cash and investments held by fiscal agent	7,746	1,746	18,507	-
Advances to other funds	-	-	-	12,270
Loans receivable	20	1	3,042	-
Intangible assets	-	136	136	-
Capital assets:				
Land	21,740	5,825	50,314	-
Buildings and improvements	113,040	62,937	287,746	7,159
Machinery and equipment	4,831	6,235	71,944	543
Vehicles	-	-	-	156,537
Transmission and distribution system	-	-	1,316,488	-
Construction in progress	25,088	3,590	307,263	391
Software	46	32	2,826	256
Easements	-	-	291	-
Less: accumulated depreciation/amortization	(65,977)	(39,149)	(683,601)	(99,828)
Total noncurrent assets	<u>106,534</u>	<u>42,099</u>	<u>1,438,395</u>	<u>77,328</u>
Total assets	<u>154,249</u>	<u>69,968</u>	<u>1,813,502</u>	<u>197,758</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding of debt	-	-	4,916	-
Deferred outflows related to pensions	2,058	2,522	26,723	3,075
Deferred outflows related to OPEB	107	176	3,252	431
Total deferred outflows of resources	<u>2,165</u>	<u>2,698</u>	<u>34,891</u>	<u>3,506</u>

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, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	16,015	14,041	1,515	1,837
Accrued payroll	1,578	453	700	697
Accrued compensated absences	111	30	178	127
Due to other funds	-	-	-	-
Interest payable	4,754	472	130	56
Liability for landfill closure	-	-	-	157
Deposits	15	-	15	-
Unearned revenue	3,744	-	-	-
Accrued claims and judgements	142	92	127	322
Capital leases payable	-	-	-	-
Revenue and other bonds payable, net	13,527	687	699	1,085
Notes payable	448	766	2,381	-
	<u>40,334</u>	<u>16,541</u>	<u>5,745</u>	<u>4,281</u>
Total current liabilities				
Noncurrent liabilities:				
Accrued compensated absences	2,055	587	1,951	1,141
Advances from other funds	-	-	-	-
Water fee credits	214	-	-	-
Net OPEB liability	18,489	6,573	8,324	21,506
Accrued claims and judgements	-	-	-	-
Liability for landfill closure	-	-	-	2,214
Capital leases payable	-	-	-	-
Revenue and other bonds payable, net	405,201	29,817	1,524	15,129
Notes payable	11,120	1,499	6,705	-
Net pension liability	39,526	13,213	28,434	20,934
	<u>476,605</u>	<u>51,689</u>	<u>46,938</u>	<u>60,924</u>
Total noncurrent liabilities				
Total liabilities	<u>516,939</u>	<u>68,230</u>	<u>52,683</u>	<u>65,205</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Gain on debt refunding	572	-	-	288
Deferred inflows related to pensions	318	63	175	332
Deferred inflows related to OPEB	996	354	449	1,159
	<u>1,886</u>	<u>417</u>	<u>624</u>	<u>1,779</u>
Total deferred inflows of resources				
<u>NET POSITION</u>				
Net investment in capital assets	388,191	119,578	252,680	-
Restricted for:				
Capital projects	32,602	5,521	-	350
Other programs	-	-	1,559	1,074
Unrestricted	71,657	20,087	11,060	7,191
	<u>492,450</u>	<u>145,186</u>	<u>265,299</u>	<u>8,615</u>
Total net position	<u>\$ 492,450</u>	<u>\$ 145,186</u>	<u>\$ 265,299</u>	<u>\$ 8,615</u>

(continued)

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

City of Sacramento
Proprietary Funds
Statement of Net Position
June 30, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	6,035	1,650	41,093	5,642
Accrued payroll	267	427	4,122	540
Accrued compensated absences	41	45	532	85
Due to other funds	18,925	-	18,925	-
Interest payable	197	110	5,719	5
Liability for landfill closure	-	-	157	-
Deposits	-	144	174	-
Unearned revenue	1,474	436	5,654	291
Accrued claims and judgements	14	50	747	18,878
Capital leases payable	-	1,345	1,345	29
Revenue and other bonds payable, net	6,898	2,639	25,535	403
Notes payable	-	-	3,595	-
Total current liabilities	33,851	6,846	107,598	25,873
Noncurrent liabilities:				
Accrued compensated absences	409	544	6,687	897
Advances from other funds	5,455	-	5,455	-
Water fee credits	-	-	214	-
Net OPEB liability	1,971	3,257	60,120	7,972
Accrued claims and judgements	-	-	-	59,896
Liability for landfill closure	-	-	2,214	-
Capital leases payable	-	2,340	2,340	15
Revenue and other bonds payable, net	14,958	17,852	484,481	805
Notes payable	-	-	19,324	-
Net pension liability	8,008	10,138	120,253	13,842
Total noncurrent liabilities	30,801	34,131	701,088	83,427
Total liabilities	64,652	40,977	808,686	109,300
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Gain on debt refunding	-	267	1,127	-
Deferred inflows related to pensions	54	109	1,051	23
Deferred inflows related to OPEB	106	175	3,239	429
Total deferred inflows of resources	160	551	5,417	452
<u>NET POSITION</u>				
Net investment in capital assets	90,756	17,978	869,183	63,807
Restricted for:				
Capital projects	-	-	38,473	-
Other programs	-	-	2,633	-
Unrestricted	846	13,160	124,001	27,705
Total net position	\$ 91,602	\$ 31,138	\$ 1,034,290	\$ 91,512

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, 2018
(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	\$ 119,379	\$ 36,724	\$ 38,226	\$ 63,117
Rents and concessions	-	-	-	150
Charge to other agencies for contract services	-	860	1,286	-
Miscellaneous	-	12	-	289
Total operating revenues	<u>119,379</u>	<u>37,596</u>	<u>39,512</u>	<u>63,556</u>
Operating expenses:				
Employee services	38,080	10,568	16,894	17,421
Services and supplies	12,485	12,294	13,503	37,217
Depreciation/amortization	20,728	3,893	10,308	1,358
Insurance premiums	-	-	-	-
Claims and judgements	-	148	86	196
Total operating expenses	<u>71,293</u>	<u>26,903</u>	<u>40,791</u>	<u>56,192</u>
Operating income (loss)	<u>48,086</u>	<u>10,693</u>	<u>(1,279)</u>	<u>7,364</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	725	82	104	39
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	1,216	-	7	405
Insurance and other claim recoveries	-	-	-	-
Interest (expense)	(16,429)	(1,348)	(408)	(506)
Amortization of bond prepaid insurance	(23)	-	-	-
Gain or (loss) on disposition of capital assets	424	-	-	-
Total nonoperating revenues (expenses)	<u>(14,087)</u>	<u>(1,266)</u>	<u>(297)</u>	<u>(62)</u>
Income (loss) before contributions and transfers	33,999	9,427	(1,576)	7,302
Capital contributions	10,154	7,304	6,334	-
Transfers in	28	92	142	97
Transfers out	(13,299)	(4,078)	(4,268)	(6,973)
Change in net position	30,882	12,745	632	426
Total net position, beginning of year, as restated	<u>461,568</u>	<u>132,441</u>	<u>264,667</u>	<u>8,189</u>
Total net position, end of year	<u>\$ 492,450</u>	<u>\$ 145,186</u>	<u>\$ 265,299</u>	<u>\$ 8,615</u>

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

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

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Operating revenues:				
Charges for services:				
User fees and charges	\$ 3,641	\$ 24,701	\$ 285,788	\$ 87,671
Rents and concessions	6,165	717	7,032	-
Charge to other agencies for contract services	-	-	2,146	-
Miscellaneous	42	41	384	4
Total operating revenues	<u>9,848</u>	<u>25,459</u>	<u>295,350</u>	<u>87,675</u>
Operating expenses:				
Employee services	6,999	10,334	100,296	12,698
Services and supplies	7,261	7,170	89,930	28,132
Depreciation/amortization	1,944	1,671	39,902	10,925
Insurance premiums	-	-	-	4,987
Claims and judgements	6	8	444	15,424
Total operating expenses	<u>16,210</u>	<u>19,183</u>	<u>230,572</u>	<u>72,166</u>
Operating income (loss)	<u>(6,362)</u>	<u>6,276</u>	<u>64,778</u>	<u>15,509</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	-	63	1,013	747
Transient occupancy taxes	26,839	-	26,839	-
Revenue from other agencies	-	485	2,113	510
Insurance and other claim recoveries	-	-	-	715
Interest (expense)	(1,585)	(881)	(21,157)	(27)
Amortization of bond prepaid insurance	-	-	(23)	-
Gain or (loss) on disposition of capital assets	-	-	424	63
Total nonoperating revenues (expenses)	<u>25,254</u>	<u>(333)</u>	<u>9,209</u>	<u>2,008</u>
Income (loss) before contributions and transfers	18,892	5,943	73,987	17,517
Capital contributions	-	-	23,792	-
Transfers in	-	5,204	5,563	432
Transfers out	(1,940)	(9,530)	(40,088)	(664)
Change in net position	16,952	1,617	63,254	17,285
Total net position, beginning of year, as restated	<u>74,650</u>	<u>29,521</u>	<u>971,036</u>	<u>74,227</u>
Total net position, end of year	<u>\$ 91,602</u>	<u>\$ 31,138</u>	<u>\$ 1,034,290</u>	<u>\$ 91,512</u>

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, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 119,023	\$ 36,987	\$ 38,581	\$ 63,265
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(11,714)	(11,827)	(13,562)	(37,020)
Payments to employees	(35,334)	(9,718)	(14,352)	(16,425)
Claims and judgements paid	(31)	(127)	(84)	(115)
Net cash provided by (used for) operating activities	71,944	15,315	10,583	9,705
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Interfund cashflow loans	(18,780)	-	-	-
Transfers in from other funds	28	92	142	97
Transfers out to other funds	(12,760)	(4,014)	(4,268)	(6,821)
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	7,705	-	-	-
Loans received from other funds	-	-	-	-
Intergovernmental revenue received	3,971	-	-	405
Claim and judgement recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(19,836)	(3,922)	(4,126)	(6,319)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(76,272)	(9,911)	(1,543)	324
Proceeds from sale of capital assets	424	-	-	-
Proceeds from issuance of debt	3,843	-	-	-
Principal payments on capital debt	(10,022)	(1,394)	(3,120)	(1,450)
Interest payments on capital debt	(18,227)	(1,422)	(431)	(697)
Intergovernmental revenue received	-	-	7	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	(538)	(64)	-	(152)
Capital contributions received	5,990	1,638	-	-
Loan repayments received	1,206	134	439	-
Net cash used for capital and related financing activities	(93,596)	(11,019)	(4,648)	(1,975)
Cash flows from investing activities:				
Collection/payment of interest and investment	627	6	38	(35)
Loan repayments received	-	-	-	-
Net cash provided by investing activities	627	6	38	(35)
Net increase (decrease) in cash and cash equivalents	(40,861)	380	1,847	1,376
Cash and cash equivalents, beginning of year	215,586	46,476	39,625	43,464
Cash and cash equivalents, end of year	\$ 174,725	\$ 46,856	\$ 41,472	\$ 44,840

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, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,327	\$ 25,082	\$ 292,265	\$ -
Receipts from interfund services provided	-	-	-	152,869
Payments to suppliers	(7,791)	(7,730)	(89,644)	(99,397)
Payments to employees	(6,371)	(9,604)	(91,804)	(11,483)
Claims and judgements paid	(7)	-	(364)	(17,441)
Net cash provided by (used for) operating activities	<u>(4,842)</u>	<u>7,748</u>	<u>110,453</u>	<u>24,548</u>
Cash flows from noncapital financing activities:				
Transient occupancy taxes	25,955	-	25,955	-
Interfund cashflow loans	-	-	(18,780)	-
Transfers in from other funds	-	5,204	5,563	4
Transfers out to other funds	(1,940)	(2,026)	(31,829)	(600)
Collections on interfund loans	-	-	-	1,133
Loans made to other funds	-	534	534	(327)
Interfund loan repayments	(250)	-	7,455	-
Loans received from other funds	11,075	-	11,075	-
Intergovernmental revenue received	-	522	4,898	510
Claim and judgement recoveries	-	-	-	148
Net cash provided by (used for) noncapital financing activities	<u>34,840</u>	<u>4,234</u>	<u>4,871</u>	<u>868</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(12,705)	(869)	(100,976)	(21,591)
Proceeds from sale of capital assets	-	-	424	568
Proceeds from issuance of debt	-	-	3,843	-
Principal payments on capital debt	(6,568)	(3,716)	(26,270)	(390)
Interest payments on capital debt	(1,529)	(1,053)	(23,359)	(69)
Intergovernmental revenue received	-	-	7	-
Transfers in from other funds	-	-	-	364
Transfers out to other funds	-	(7,504)	(8,258)	-
Capital contributions received	-	-	7,628	-
Loan repayments received	-	-	1,779	-
Net cash used for capital and related financing activities	<u>(20,802)</u>	<u>(13,142)</u>	<u>(145,182)</u>	<u>(21,118)</u>
Cash flows from investing activities:				
Collection/payment of interest and investment	(103)	30	563	584
Loan repayments received	23	-	23	-
Net cash provided by investing activities	<u>(80)</u>	<u>30</u>	<u>586</u>	<u>584</u>
Net increase (decrease) in cash and cash equivalents	9,116	(1,130)	(29,272)	4,882
Cash and cash equivalents, beginning of year	42,016	30,246	417,413	108,503
Cash and cash equivalents, end of year	<u>\$ 51,132</u>	<u>\$ 29,116</u>	<u>\$ 388,141</u>	<u>\$ 113,385</u>

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

(continued)

City of Sacramento
Proprietary Funds
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 117,111	\$ 39,365	\$ 35,979	\$ 43,730
Cash and investments held by fiscal agent	-	-	-	-
Restricted cash and investments held by City	50,325	6,510	4,748	1,110
Restricted cash and investments held by fiscal agent	<u>7,289</u>	<u>981</u>	<u>745</u>	<u>-</u>
Total cash and cash equivalents, end of year	<u>\$ 174,725</u>	<u>\$ 46,856</u>	<u>\$ 41,472</u>	<u>\$ 44,840</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 48,086	\$ 10,693	\$ (1,279)	\$ 7,364
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	20,644	3,839	10,250	1,330
Amortization of intangible assets	84	54	58	28
Pension expense	3,358	937	1,633	842
OPEB expense	17	5	8	20
Changes in assets and liabilities:				
Accounts receivable, net	(761)	(609)	(607)	(291)
Intergovernmental receivables	-	-	(323)	-
Other receivables	200	-	-	-
Inventories	461	(17)	(4)	-
Prepaid items	40	4	2	4
Accounts payable	70	480	(57)	(1,001)
Accrued payroll	16	39	84	61
Accrued compensated absences	(624)	(131)	817	73
Accrued claims and judgements	(52)	21	2	81
Liability for landfill closure	-	-	-	1,194
Deposits	1	-	-	-
Unearned revenue	<u>404</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 71,944</u>	<u>\$ 15,315</u>	<u>\$ 10,583</u>	<u>\$ 9,705</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 4,021	\$ 3,736	\$ 6,334	\$ -
Capitalized interest	-	-	-	-
Amortization of bond premium and discount	2,717	57	(10)	160
Amortization of bond loss on refunding	(328)	-	-	-
Amortization of bond gain on refunding	190	-	-	26
Amortization of bond prepaid insurance	(23)	-	-	-
Capital asset acquisitions on accounts payable	13,172	1,177	705	-
Purchase of capital assets on accounts payable	-	-	-	527

(continued)

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

City of Sacramento
Proprietary Funds
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 43,386	\$ 26,624	\$ 306,195	\$ 113,189
Cash and investments held by fiscal agent	-	-	-	196
Restricted cash and investments held by City	-	746	63,439	-
Restricted cash and investments held by fiscal agent	7,746	1,746	18,507	-
Total cash and cash equivalents, end of year	\$ 51,132	\$ 29,116	\$ 388,141	\$ 113,385
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,362)	\$ 6,276	\$ 64,778	\$ 15,509
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	1,944	1,657	39,664	10,908
Amortization of intangible assets	-	14	238	17
Pension expense	725	677	8,172	1,120
OPEB expense	1	2	53	8
Changes in assets and liabilities:				
Accounts receivable, net	(20)	(268)	(2,556)	21
Intergovernmental receivables	-	-	(323)	-
Other receivables	-	-	200	-
Inventories	-	-	440	-
Prepaid items	15	(1)	64	9
Accounts payable	(545)	(559)	(1,612)	(1,060)
Accrued payroll	(16)	10	194	44
Accrued compensated absences	(82)	46	99	55
Accrued claims and judgements	(1)	3	54	(2,026)
Liability for landfill closure	-	-	1,194	-
Deposits	-	144	145	-
Unearned revenue	(501)	(253)	(351)	(57)
Net cash provided by (used for) operating activities	\$ (4,842)	\$ 7,748	\$ 110,453	\$ 24,548
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 14,091	\$ -
Capitalized interest	269	-	269	-
Amortization of bond premium and discount	(25)	127	3,026	40
Amortization of bond loss on refunding	-	-	(328)	-
Amortization of bond gain on refunding	-	24	240	-
Amortization of bond prepaid insurance	-	-	(23)	-
Capital asset acquisitions on accounts payable	-	-	15,054	3,083
Purchase of capital assets on accounts payable	-	-	527	-

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

City of Sacramento
Fiduciary Funds
Statement of Net Position

June 30, 2018
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>				
Cash and cash equivalents held by City	\$ 4,149	\$ 156,239	\$ 11,084	\$ 15,106
Cash and investments held by fiscal agent	-	-	21,352	17,899
Prepays	-	-	348	-
Receivables, net:				
Taxes	-	-	-	165
Accounts	-	-	-	8
Interest	1,481	542	-	33
Investments, at fair value:				
U.S. government obligations	973	-	-	-
Corporate bonds/notes	29,338	-	-	-
Equity securities	33,029	-	-	-
Exchange traded funds	166,072	-	-	-
Municipal bonds/notes	51,185	-	-	-
Mortgage loans	1,527	-	-	-
Loans receivable	-	-	6,108	-
Capital assets:				
Land	-	-	7,601	-
Buildings and improvements	-	-	751	-
Less: accumulated depreciation/amortization	-	-	(184)	-
Total assets	287,754	156,781	47,060	\$ 33,211
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	-	-	2,192	-
<u>LIABILITIES</u>				
Accounts payable	11	-	2,043	\$ 8
Benefits payable	1,134	-	-	-
Due to bondholders	-	-	-	33,203
Interest payable	-	-	447	-
Contracts payable	-	-	14,118	-
Pollution remediation obligations	-	-	195	-
Bonds payable	-	-	88,065	-
Notes payable	-	-	167,593	-
Total liabilities	1,145	-	272,461	\$ 33,211
<u>NET POSITION</u>				
Held in trust for:				
Net position restricted for pensions	286,609	-	-	
External pool participants	-	156,781	-	
Redevelopment dissolution	-	-	(223,209)	
Total net position (deficit)	\$ 286,609	\$ 156,781	\$ (223,209)	

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

City of Sacramento
Fiduciary Funds
Statement of Changes in Net Position

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund
Additions:			
Property taxes	\$ -	\$ -	\$ 28,901
Contributions:			
Employer	8,645	-	-
Employees	55	-	-
Total contributions	8,700	-	-
Investment income:			
From investment activities:			
Net appreciation (depreciation) in fair value of investments	13,305	(1,541)	-
Interest	4,378	2,555	591
Dividends	4,444	-	-
Other income	-	-	11
Total investment income	22,127	1,014	602
Investment expenses:			
Banking, interest, and fiscal agent expenses	57	160	-
Professional services	1,088	-	-
Total investment expenses	1,145	160	-
Net income from investment activities	20,982	854	602
Deposits	-	69,264	-
Total additions	29,682	70,118	29,503
Deductions:			
Benefits	31,583	-	-
Withdrawals	-	65,782	-
Interest expense	-	-	11,699
Other enforceable obligation payments	-	-	6,297
Loan forgiveness	-	-	220
Loss on disposal of capital asset	-	-	4,236
Depreciation expense	-	-	93
Total deductions	31,583	65,782	22,545
Change in net position	(1,901)	4,336	6,958
Net position (deficit), beginning of year	288,510	152,445	(230,167)
Net position (deficit), end of year	\$ 286,609	\$ 156,781	\$ (223,209)

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

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Notes to the Basic Financial Statements

City of Sacramento

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018
(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, 4th Floor, Sacramento, CA 95814.

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

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, 2018
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements

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 nonemployer 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 applicable provisions were implemented July 1, 2017 and as a result, the City has restated beginning net position for certain City funds, as well as, governmental and business-type activities. See note 17 for more information.

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 applicable provisions were implemented July 1, 2017 and did not have a material impact to the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 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 applicable provisions were implemented July 1, 2017 and did not have a material impact to the financial statements.

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 applicable provisions were implemented July 1, 2017 and did not have a material impact to the financial statements.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. The provisions in Statement 89 are effective for fiscal years beginning after December 15, 2019. The City has early implemented the applicable provisions of this Statement effective July 1, 2017.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

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

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, 2018. 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. 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.

GASB Statement No. 88 – In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This provisions in Statement 88 are effective for fiscal years beginning after June 15, 2018. The City has not determined the effect of implementing this statement.

GASB Statement No. 90 – In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in a legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions in Statement 90 are effective for fiscal years beginning after December 15, 2018. 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, 2018
(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 user 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.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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 1997 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 X1 26 which dissolved redevelopment agencies in California.

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

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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 U Fund, the City/County Office of Metropolitan Water Planning (CCOMWP) Fund, the Cal EPA Fund, as well as certain activities within the Transportation and Development Fund, the Culture and Leisure Fund, and the Parks and Recreation Fund, and the Special Districts Fund. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Multi-year project-length budgets are adopted for the General Fund, Capital projects funds, and the Operating Grants special revenue fund where appropriations remain authorized for each project until closed, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

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, 2018. 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.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statements Elements (Continued)

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

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

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

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

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

City of Sacramento
Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2018
 (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.

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 and deferred outflows related to pensions and OPEB, 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 four items recognized in the statement of net position, gain on refunding, deferred service concession arrangement revenue and deferred inflows related to pensions and OPEB. 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, 2018
(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 accrues expected cash payments of accumulated sick leave at fiscal year-end. Employees who leave the City and are not retiring forfeit any remaining sick leave.

Employees receive 14 holidays per calendar year. Employees accrue all or a portion of these 14 days during the year depending on their job classification. Classifications that accrue all 14 days get paid in cash throughout the year whenever their holiday leave balances exceed the 14 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, 2018
(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 2018-0235 adopted with the fiscal year 2018/19 annual budget. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund revenues and a target reserve equal to two months of regular ongoing 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.

Other Post-Employment Benefits (OPEB) - For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments 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, 2018
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2018:

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 909,550	\$ 507,953	\$ 1,417,503
Restricted cash and investments	129,923	-	129,923
Total	\$ 1,039,473	\$ 507,953	\$ 1,547,426

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2017-0324, 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 22, 2017. 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 22, 2017. 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 2018, the asset allocations consisted of the following: 35% Fixed Income securities, 35% Large Cap Growth stocks, 25% 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, 2018
(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
Supranational securities	5 years	30%	None	AA
Bankers acceptance	180 days	40%	30%	None
Commerical paper	270 days	25%	10%	A1/P1
Negotiable certificates of deposit	5 years	30%	None	None
Repurchase agreements	1 year	None	None	None
Reverse repurchase and securities lending agreements	92 days	20% of base value	None	None
Medium term notes (bank notes and corporate bonds)	5 years*	30%	None	A
Mutual funds	N/A	20%	10%	Aaa
Money market mutual funds	N/A	20%	10%	Aaa
Collateralized bank deposits	5 years	None	None	None
Mortgage pass-through securities	5 years	20%	None	AA
Time deposits	5 years	None	None	None
Joint Powers Authority pool	N/A	None	None	None
County pooled investment	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

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

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

Interest Rate Risk

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

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

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Total
		Under 1	1-5	Over 5	
Certificates of deposit	\$ -	\$ 71,996	\$ 27,295	\$ -	\$ 99,291
Commercial paper	-	214,543	-	-	214,543
Corporate bonds/notes	-	170,028	192,636	16,987	379,651
Deposits	18,797	-	-	-	18,797
Equities	38,213	-	-	-	38,213
Exchange traded funds	168,224	-	-	-	168,224
Investment Trust of California (CalTRUST)	-	93,704	21,153	-	114,857
Mortgage loans	-	-	-	1,526	1,526
Municipal bonds/notes	-	17,038	103,736	49,691	170,465
Mutual funds	-	31,306	-	-	31,306
Supranational securities	-	7,969	24,330	-	32,299
U.S. agency securities	-	36,352	208,653	953	245,958
U.S. Treasury bills	-	22,338	253	-	22,591
U.S. Treasury notes	-	-	9,705	-	9,705
Total Cash and Investments	\$ 225,234	\$ 665,274	\$ 587,761	\$ 69,157	\$ 1,547,426

Investments in callable securities are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such securities earlier than their respective maturity dates. The investor must then replace the called securities with investments that may have lower yield than the original securities. The fair values of the callable securities held at June 30, 2018 by investment type are as follows:

Investment Type	Total
Certificates of deposit	\$ 2,995
Corporate bonds/notes	58,282
Municipal bonds/notes	30,145
Supranational Securities	14,607
U.S. agencies	116,068

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018 are as follows:

Cash and Investment Type	S & P	Moody's	Total
Certificates of deposit	A	P1	\$ 65,002
	not rated	not rated	34,289
Commercial paper	A	P1	214,543
Corporate bonds/notes	A	A	147,861
	A	Aa	17,160
	A	Baa	8,124
	A	not rated	19,203
	AA	A	21,458
	AA	Aa	118,018
	AA	not rated	969
	AAA	Aaa	16,822
	BBB	A	8,697
	BBB	Baa	18,480
	BBB	not rated	2,783
Deposits	not rated	withdrawn	76
	not rated	not rated	18,797
Equities (exempt from disclosure)	N/A	N/A	38,213
Exchange traded funds (exempt from disclosure)	N/A	N/A	168,224
Investment Trust of California (CalTRUST)	not rated	not rated	114,857
Mortgage loans	not rated	not rated	1,526
Municipal bonds/notes	A	A	6,868
	A	Baa	3,317
	A	not rated	5,925
	AA	A	12,934
	AA	Aa	99,335
	AA	not rated	23,521
	AAA	not rated	1,542
	not rated	A	10,483
	not rated	Aa	6,440
	not rated	not rated	100
Mutual funds	AAA	Aaa	26,173
	AAA	not rated	5,133

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Cash and Investment Type	S & P	Moody's	Total
Supranational securities	AAA	Aaa	22,588
	not rated	Aaa	9,711
U.S. agency securities	AA	Aaa	207,065
	AAA	Aaa	88
	not rated	not rated	37,921
	N/A	N/A	884
U.S. Treasury bills (exempt from disclosure)	N/A	N/A	22,591
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	9,705
			9,705
Total Cash and Investments			\$ 1,547,426

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, 2018:

Federal Home Loan Banks	\$	92,474
JP Morgan		80,527

Custodial Credit Risk

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

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.

City of Sacramento

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value 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, 2018 was \$22,393 and \$8,913 respectively, with \$0 unfunded commitments. The redemption frequently 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 CALTRUST, 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.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018. 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.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018:

	Balance at June 30, 2018	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)
Investments by Fair Value Level				
Certificates of deposit	\$ 97,291	\$ -	\$ 97,291	\$ -
Commercial paper	214,543	-	-	214,543
Corporate bonds/notes	372,669	-	372,669	-
Equities	38,213	38,213	-	-
Exchange traded funds	168,224	168,224	-	-
Mortgage loans	1,526	-	-	1,526
Municipal bonds/notes	170,465	-	170,465	-
Supranational securities	32,299	-	32,299	-
U. S. agency securities	193,263	-	193,263	-
U.S. Treasury notes	9,705	9,705	-	-
Total Investments by Fair Value Level	1,298,198	\$ 216,142	\$ 865,987	\$ 216,069
Investments Not Measured at Fair Value				
Certificates of deposit (Non Negotiable)	2,000			
Total Investments Not Measured at Fair Value	2,000			
Investments Measured at Net Asset Value				
Mutual funds	22,393			
Total Investments Measured at Net Asset Value	22,393			
Investments Uncategorized				
Investment Trust of California (CalTRUST)	114,857			
Total Investments Uncategorized	114,857			
Total City's Pooled Investments	1,437,448			
Investments Held Outside City Pool by Fair Value Level				
Corporate bonds/notes	6,982	\$ -	\$ 6,982	\$ -
U.S. agency securities	52,695	-	52,695	-
U.S. Treasury bills	22,591	22,591	-	-
Total Investments Held Outside City Pool by Fair Value Level	82,268	\$ 22,591	\$ 59,677	\$ -
Investments Held Outside City Pool Measured at Net Asset Value				
Mutual funds	8,913			
Total Investments Held Outside City Pool Measured at Net Asset Value	8,913			
Total Investments Held Outside City Pool	91,181			
Total Investments	1,528,629			
Total Deposits	18,797			
Total Cash and Investments	\$ 1,547,426			

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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 6.49% 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, 2018:

Statement of Net Position:

Investments at fair value	\$ 1,079,102
Interest receivables	4,152
Net Position	<u>\$ 1,083,254</u>
Equity of internal pool participants	\$ 1,012,952
Equity of external pool participants	70,302
Total equity	<u>\$ 1,083,254</u>

Statement of Changes in Net Position:

Net position at July 1, 2017	\$ 1,050,921
Net change in investments by pool participants	32,333
Net position at June 30, 2018	<u>\$ 1,083,254</u>

A summary of the investment classifications as of June 30, 2018 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Certificates of deposit	\$ 97,365	\$ 97,870	0.93-3.12%	07/18-09/22
Commercial paper	214,543	214,647	1.47-2.54%	07/18-03/19
Corporate bonds/notes	318,382	323,530	0.50-7.62%	10/18-06/23
Deposits	17,387	17,387	0.00-1.85%	N/A
Investment Trust of California (CalTRUST)	84,603	84,603	1.73-2.02%	N/A
Municipal bonds/notes	105,573	107,276	1.15-6.09%	07/18-10/22
Mutual funds	19,950	19,950	0.77-1.45%	N/A
Supranational securities	32,299	32,913	1.35-2.12%	08/18-01/23
U.S. agency securities	179,295	182,732	1.09-3.27%	09/18-06/23
U.S. Treasury notes	9,705	9,951	1.75%	11/21
Total cash and investments in City sponsored investment pool	<u>\$ 1,079,102</u>	<u>\$ 1,090,859</u>		

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Participation in External Investment Pools

The City is 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, 2018, the City's investment in CalTRUST is \$114,857, of which \$75,103 was invested in the Short-term pool, \$21,153 in the Medium-term pool, and \$18,601 in the BlackRock federal funds 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, 2018
(dollar amounts expressed in thousands)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2018, were as follows:

	Taxes	Accounts	Loans	Inter- govern- mental	Interest	Total
Governmental activities						
General Fund	\$ 25,464	\$ 22,318	\$ -	\$ 1,445	\$ 920	\$ 50,147
Measure U Fund	7,471	-	-	-	169	7,640
1997 Lease Revenue Bond Fund	-	-	32,733	-	274	33,007
2015 Golden 1 Center Lease Revenue Bond Fund	-	-	141,433	-	43	141,476
Other governmental funds	4,952	6,990	6,154	33,286	332	51,714
Internal service funds	-	782	-	-	465	1,247
	<u>\$ 37,887</u>	<u>\$ 30,090</u>	<u>\$ 180,320</u>	<u>\$ 34,731</u>	<u>\$ 2,203</u>	<u>\$ 285,231</u>
Amounts not scheduled for collection during the subsequent year						
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,402</u>	<u>\$ 13,106</u>	<u>\$ -</u>	<u>\$ 183,508</u>
Business-type activities						
Water Fund	\$ -	\$ 18,471	\$ 891	\$ 675	\$ 932	\$ 20,969
Wastewater Fund	-	11,814	417	1,164	255	13,650
Storm Drainage Fund	-	5,870	2,399	1,313	236	9,818
Solid Waste Fund	-	8,978	-	-	243	9,221
Community Center Fund	3,806	258	43	-	236	4,343
Other enterprise funds	-	1,064	1	-	137	1,202
	<u>\$ 3,806</u>	<u>\$ 46,455</u>	<u>\$ 3,751</u>	<u>\$ 3,152</u>	<u>\$ 2,039</u>	<u>\$ 59,203</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$21,310 in governmental activities and \$508 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 \$3,722, 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 fiscal year ended June 30, 2017. The agreed-upon minimum lease payments to be received from the Kings is \$407,699 over 36 years. The present value of these minimum lease payments discounted at 5.674% is \$143,412. Loan receivable balance as of June 30, 2018 is \$141,433. 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, 2018
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS

Summary

The following is a summary of capital assets as of June 30, 2018:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated/amortized			
Land	\$ 205,856	\$ 50,314	\$ 256,170
Easements	928	291	1,219
Construction in progress	137,326	307,263	444,589
Total capital assets not being depreciated/amortized	344,110	357,868	701,978
Depreciable/amortizable capital assets			
Buildings and improvements	679,506	287,746	967,252
Equipment	79,370	71,944	151,314
Software	6,413	2,826	9,239
Vehicles	156,537	-	156,537
Transmission and distribution system	4,777	1,316,488	1,321,265
Roadway network	1,672,385	-	1,672,385
Streetlight network	243,880	-	243,880
Park improvements	207,021	-	207,021
Total depreciable/amortizable capital assets	3,049,889	1,679,004	4,728,893
Less accumulated depreciation/amortization for:			
Buildings and improvements	(249,225)	(154,634)	(403,859)
Equipment	(57,055)	(44,759)	(101,814)
Software	(2,725)	(1,140)	(3,865)
Vehicles	(94,318)	-	(94,318)
Transmission and distribution system	(921)	(483,068)	(483,989)
Roadway network	(1,045,829)	-	(1,045,829)
Street light network	(89,497)	-	(89,497)
Park improvements	(64,358)	-	(64,358)
Total accumulated depreciation/amortization	(1,603,928)	(683,601)	(2,287,529)
Depreciable/amortizable capital assets, net	1,445,961	995,403	2,441,364
Total capital assets, net	\$ 1,790,071	\$ 1,353,271	\$ 3,143,342

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

Governmental Activities

Governmental capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 204,014	\$ 1,842	\$ -	\$ -	\$ 205,856
Easements	913	15	-	-	928
Construction in progress	108,497	72,993	(44,164)	-	137,326
Total capital assets not being depreciated/amortized	<u>313,424</u>	<u>74,850</u>	<u>(44,164)</u>	<u>-</u>	<u>344,110</u>
Depreciable/amortizable capital assets					
Buildings and improvements	676,206	3,300	-	-	679,506
Equipment	73,726	5,644	-	-	79,370
Software	6,138	275	-	-	6,413
Vehicles	145,626	18,744	(7,833)	-	156,537
Transmission and distribution system	4,777	-	-	-	4,777
Roadway network	1,660,276	21,395	(9,286)	-	1,672,385
Streetlight network	236,223	7,657	-	-	243,880
Park improvements	193,517	13,504	-	-	207,021
Total depreciable/amortizable capital assets	<u>2,996,489</u>	<u>70,519</u>	<u>(17,119)</u>	<u>-</u>	<u>3,049,889</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(236,035)	(13,190)	-	-	(249,225)
Equipment	(54,117)	(2,938)	-	-	(57,055)
Software	(2,118)	(607)	-	-	(2,725)
Vehicles	(90,859)	(10,782)	7,323	-	(94,318)
Transmission and distribution system	(834)	(87)	-	-	(921)
Roadway network	(1,012,730)	(42,385)	9,286	-	(1,045,829)
Streetlight network	(83,720)	(5,777)	-	-	(89,497)
Park improvements	(57,014)	(7,344)	-	-	(64,358)
Total accumulated depreciation/amortization	<u>(1,537,427)</u>	<u>(83,110)</u>	<u>16,609</u>	<u>-</u>	<u>(1,603,928)</u>
Depreciable/amortizable capital assets, net	<u>1,459,062</u>	<u>(12,591)</u>	<u>(510)</u>	<u>-</u>	<u>1,445,961</u>
Governmental activities capital assets, net	<u>\$ 1,772,486</u>	<u>\$ 62,259</u>	<u>\$ (44,674)</u>	<u>\$ -</u>	<u>\$ 1,790,071</u>

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 5,570
Police	873
Fire	1,115
Public works	49,532
Convention and cultural services	4,213
Parks and recreation	9,679
Community development	247
Library	955
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets	<u>10,926</u>
Total governmental activities depreciation/amortization expense	<u>\$ 83,110</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 50,314	\$ -	\$ -	\$ -	\$ 50,314
Easements	291	-	-	-	291
Construction in progress	261,264	110,652	(64,653)	-	307,263
Total capital assets not being depreciated/amortized	<u>311,869</u>	<u>110,652</u>	<u>(64,653)</u>	<u>-</u>	<u>357,868</u>
Depreciable/amortizable capital assets					
Buildings and improvements	281,831	5,915	-	-	287,746
Equipment	60,344	11,600	-	-	71,944
Software	2,237	589	-	-	2,826
Transmission and distribution system	1,255,850	60,638	-	-	1,316,488
Total depreciable/amortizable capital assets	<u>1,600,262</u>	<u>78,742</u>	<u>-</u>	<u>-</u>	<u>1,679,004</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(148,683)	(5,951)	-	-	(154,634)
Equipment	(42,171)	(2,588)	-	-	(44,759)
Software	(878)	(262)	-	-	(1,140)
Transmission and distribution system	(451,974)	(31,094)	-	-	(483,068)
Total accumulated depreciation/amortization	<u>(643,706)</u>	<u>(39,895)</u>	<u>-</u>	<u>-</u>	<u>(683,601)</u>
Depreciable/amortizable capital assets, net	<u>956,556</u>	<u>38,847</u>	<u>-</u>	<u>-</u>	<u>995,403</u>
Business-type activities capital assets, net	<u>\$ 1,268,425</u>	<u>\$ 149,499</u>	<u>\$ (64,653)</u>	<u>\$ -</u>	<u>\$ 1,353,271</u>

Depreciation/amortization expense was charged to functions as follows:

Water	\$ 20,728
Wastewater	3,893
Storm drainage	10,308
Solid waste	1,358
Community center	1,944
Parking	1,586
Child development	<u>78</u> ⁽¹⁾
Total business-type activities depreciation/amortization expense	<u>\$ 39,895</u>

(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, 2018
(dollar amounts expressed in thousands)

NOTE 5 – PAYABLES

Payables as of June 30, 2018, were as follows:

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
Governmental activities					
General Fund	\$ 20,939	\$ 25,594	\$ -	\$ 167	\$ 46,700
Measure U Fund	2,437	-	-	-	2,437
1997 Lease Revenue Bond Fund	-	-	274	-	274
Other governmental funds	31,749	101	7,510	3,093	42,453
Internal service funds	<u>5,642</u>	<u>540</u>	<u>5</u>	<u>-</u>	<u>6,187</u>
Total governmental activities	<u>\$ 60,767</u>	<u>\$ 26,235</u>	<u>\$ 7,789</u>	<u>\$ 3,260</u>	<u>\$ 98,051</u>
Business-type activities					
Water Fund	\$ 16,015	\$ 1,578	\$ 4,754	\$ 15	\$ 22,362
Wastewater Fund	14,041	453	472	-	14,966
Storm Drainage Fund	1,515	700	130	15	2,360
Solid Waste Fund	1,837	697	56	-	2,590
Community Center Fund	6,035	267	197	-	6,499
Other enterprise funds	<u>1,650</u>	<u>427</u>	<u>110</u>	<u>144</u>	<u>2,331</u>
Total business-type activities	<u>\$ 41,093</u>	<u>\$ 4,122</u>	<u>\$ 5,719</u>	<u>\$ 174</u>	<u>\$ 51,108</u>

Included in the Interest Payable amount related to 1997 Lease Revenue Bond Fund above is the interest payable accrual of \$274, 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 \$5,384, reported in the government-wide statement of net position.

City of Sacramento
Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2018
 (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, 2018, were \$1,021.

Sublease rental income for the fiscal year ended June 30, 2018 was \$672. The total amount of minimum rentals to be received in the future under non-cancelable subleases is \$1,400.

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

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2019	\$ 911
2020	807
2021	703
2022	670
2023	788
2024-2028	3,056
2029-2033	3,196
2034-2038	2,889
2039-2043	2,567
2044-2048	2,706
2049-2053	2,837
2054-2058	766
2059-2063	179
Total future minimum lease payments	<u><u>\$ 22,075</u></u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018. Certain long-term liabilities provide financing to both governmental and business-type activities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 6,408	\$ -	\$ (1,479)	\$ 4,929	\$ 1,558
1993 Refunded Revenue Bonds, Series B	10,744	-	(2,478)	8,266	2,612
1997 Lease Revenue Bonds	54,650	-	(21,917)	32,733	2,523
2006 Capital Improvement Revenue Bonds, Series B	45,865	-	(1,255)	44,610	1,335
2006 Capital Improvement Revenue Bonds, Series E	80,803	-	-	80,803	460
2015 Refunding Revenue Bonds	106,080	-	(8,994)	97,086	7,900
2015 Lease Revenue Bonds - Golden 1 Center	272,870	-	(3,425)	269,445	3,510
2016 Lease Financing	8,380	-	(435)	7,945	450
Subtotal, revenue and other bonds	<u>585,800</u>	<u>-</u>	<u>(39,983)</u>	<u>545,817</u>	<u>20,348</u>
Notes Payable:					
1997 State Department of Boating & Waterways	193	-	(95)	98	98
1985 Marina Phase I	1,445	-	(48)	1,397	53
1985 Marina Phase II	2,243	-	(67)	2,176	69
1985 Marina Phase III	280	-	(137)	143	143
1985 Marina Phase IV	245	-	(77)	168	82
2008 Sacramento Marina South Basin	10,477	-	-	10,477	1,208
Subtotal, notes payable	<u>14,883</u>	<u>-</u>	<u>(424)</u>	<u>14,459</u>	<u>1,653</u>
Capital Lease Obligations:					
JP Morgan Fleet Financing	289	-	(289)	-	-
Fire trucks and equipment #3	1,580	-	(504)	1,076	526
Liquid nitrate gas (LNG) - Refueling Trailer	74	-	(30)	44	29
Parking meters system with AutoVu	1,839	-	(1,222)	617	617
Bank of America - Marina South Basin	673	-	(111)	562	116
Subtotal, capital lease obligations	<u>4,455</u>	<u>-</u>	<u>(2,156)</u>	<u>2,299</u>	<u>1,288</u>
Plus deferred amounts:					
For issuance discounts	(6)	-	2	(4)	(2)
For issuance premiums	20,303	-	(1,187)	19,116	1,187
Subtotal deferred amounts	<u>20,297</u>	<u>-</u>	<u>(1,185)</u>	<u>19,112</u>	<u>1,185</u>
Subtotal, debt governmental activities	<u>625,435</u>	<u>-</u>	<u>(43,748)</u>	<u>581,687</u>	<u>24,474</u>
Other Long-term Liabilities:					
Accrued claims and judgements	83,418	15,902	(17,450)	81,870	21,973
Compensated absences	36,282	39,417	(37,004)	38,695	2,710
Net OPEB liability	347,293	369	(18,270)	329,392	-
Net pension liability	758,731	175,888	(75,401)	859,218	-
Pollution remediation obligations	1,794	596	(1,760)	630	122
Derivative instrument - interest rate swap	571	-	(571)	-	-
Financing plan fee credits:					
North Natomas	39,102	3	(5,365)	33,740	1,833
Jacinto Creek	1,002	4	-	1,006	-
Park Development	1,014	-	(694)	320	440
Subtotal, other long-term liabilities	<u>1,269,207</u>	<u>232,179</u>	<u>(156,515)</u>	<u>1,344,871</u>	<u>27,078</u>
Total governmental activities	<u>\$ 1,894,642</u>	<u>\$ 232,179</u>	<u>\$ (200,263)</u>	<u>\$ 1,926,558</u>	<u>\$ 51,552</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

BUSINESS-TYPE ACTIVITIES:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 26,459	\$ -	\$ (6,102)	\$ 20,357	\$ 6,432
1993 Refunded Revenue Bonds, Series B	11,736	-	(2,707)	9,029	2,853
2006 Capital Improvement Revenue Bonds, Ser. E	92,277	-	-	92,277	-
Water Revenue Bonds, Series 2013	204,230	-	(3,960)	200,270	4,150
Water Revenue Bonds, Series 2017	52,610	-	-	52,610	785
Wastewater Revenue Bonds, Series 2013	29,715	-	(605)	29,110	630
2015 Refunding Revenue Bonds	60,620	-	(7,335)	53,285	7,660
Subtotal, revenue and other bonds	<u>477,647</u>	<u>-</u>	<u>(20,709)</u>	<u>456,938</u>	<u>22,510</u>
Notes Payable:					
State Water Resources Control Board	162	-	(162)	-	-
State Water Resources Control Board	8,964	-	(2,163)	6,801	2,217
State Water Resources Control Board	974	-	(316)	658	325
State Water Resources Control Board	1,493	-	(361)	1,132	368
State Water Resources Control Board	622	-	(152)	470	153
California Department of Public Health	8,162	-	(437)	7,725	448
California Infrastructure and Economic Development Bank (I-Bank)	2,371	-	(81)	2,290	84
Drinking Water State Revolving Fund	-	3,843	-	3,843	-
Subtotal, notes payable	<u>22,748</u>	<u>3,843</u>	<u>(3,672)</u>	<u>22,919</u>	<u>3,595</u>
Capital Lease Obligations:					
JP Morgan Capital Lease Refinance	564	-	(564)	-	-
Parking Equipment - Schedule 19	2,831	-	(795)	2,036	805
Parking Equipment - Schedule 20	2,179	-	(530)	1,649	540
Subtotal, capital lease obligations	<u>5,574</u>	<u>-</u>	<u>(1,889)</u>	<u>3,685</u>	<u>1,345</u>
Less deferred amounts:					
For issuance discounts	(186)	-	56	(130)	(60)
For issuance premiums	56,290	-	(3,082)	53,208	3,085
Subtotal, deferred amounts	<u>56,104</u>	<u>-</u>	<u>(3,026)</u>	<u>53,078</u>	<u>3,025</u>
Subtotal, debt, business type activities	<u>562,073</u>	<u>3,843</u>	<u>(29,296)</u>	<u>536,620</u>	<u>30,475</u>
Other Long-term Liabilities:					
Compensated absences	7,120	7,773	(7,674)	7,219	532
Net OPEB liability	63,389	66	(3,335)	60,120	-
Net pension liability	106,016	26,452	(12,215)	120,253	-
Accrued claims and judgements	693	54	-	747	747
Water fee credits	214	-	-	214	-
Liability for landfill closure	1,177	1,194	-	2,371	157
Subtotal, other long-term liabilities	<u>178,609</u>	<u>35,539</u>	<u>(23,224)</u>	<u>190,924</u>	<u>1,436</u>
Total business-type activities	<u>\$ 740,682</u>	<u>\$ 39,382</u>	<u>\$ (52,520)</u>	<u>\$ 727,544</u>	<u>\$ 31,911</u>
Total long-term liabilities	<u>\$ 2,635,324</u>	<u>\$ 271,560</u>	<u>\$ (252,782)</u>	<u>\$ 2,654,102</u>	<u>\$ 83,463</u>

The June 30, 2017 beginning balance of governmental activities and business-type activities have been restated to reflect the Net OPEB (other post-employment benefits) liability required by GASB Statement No. 75, in the amounts of \$347,293 and \$63,389, respectively.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018, 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 and remarketed in July 2017, due in annual installments of \$4,136 to \$4,275 through July 2027, bearing an interest rate of 5.625%. The bonds were issued to finance the acquisition and lease back of a sports and entertainment arena. Prior to remarketing, 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 \$42,307 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$23,505 and lease revenue was \$2,279.
\$55,235	2006 Capital Improvement Revenue Bonds, Series B (Taxable) Authorized and issued June 15, 2006, due in annual installments of \$720 to \$3,760 through December 1, 2036, bearing interest rates of 5.4% to 5.8%. Net proceeds of \$50,692 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento.
\$186,950	2006 Capital Improvement Revenue Bonds, Series E (Refunding) Authorized and issued December 12, 2006, due in annual installments of \$402 to \$8,570 through December 1, 2033, bearing interest rates of 4% to 5.25%. Net proceeds of \$216,661 plus cash of \$13,441 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000 principal amount of the outstanding 2001 Capital Improvement Revenue Bonds and a portion of the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, and the associated liabilities have been removed from the governmental and business-type activities columns of the statement of net position.
\$215,195	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 \$350,392 as of June 30, 2018. Current year principal and interest paid was \$14,018 and water fee revenue was \$119,379.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

Issued Amount

- \$30,855 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 \$48,885 as of June 30, 2018. Current year principal and interest paid was \$1,957 and wastewater fee revenue was \$37,596.
- \$183,380 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.
- \$272,870 2015 Lease Revenue Bonds – Golden 1 Center
The bonds were originally issued on August 13, 2015, in the aggregate principal amount of \$299,995, 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, \$27,125 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%.
- \$9,115 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.
- \$52,610 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 \$101,306 as of June 30, 2018. Current year principal and interest paid was \$1,806 and water fee revenue was \$119,379.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable

Issued Amount

- \$2,220 1985 Sacramento Marina Note Payable, Phase I
Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$3,229 1985 Sacramento Marina Note Payable, Phase II
Authorized July 1985, issued September 1987, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$27 to \$150 through August 2037, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,829 1985 Sacramento Marina Note Payable, Phase III
Authorized July 1985, issued March 1988, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$50 to \$120 through August 2018, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,117 1985 Sacramento Marina Note Payable, Phase IV
Authorized July 1985, issued February 1989, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$29 to \$73 through August 2019, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$10,477 2008 Sacramento Marina Note Payable, South Basin
Authorized February 2005, the City 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&W on a loan restructure. As of June 30, 2018, the DB&W and the City have not executed a formal agreement to restructure this loan.
- \$1,380 1997 State Department of Boating and Waterways Note Payable
Authorized January 1997, issued May 1999, due in annual installments of \$89 to \$98 through 2018, for the purpose of financing a visitor dock at Old Sacramento.
- \$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 \$7,101. Current year principal and interest paid was \$2,367 and wastewater and storm drainage fee revenue was \$77,108.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

- \$5,177 State Water Resources Control Board Note Payable
Authorized March 2001, issued July 2001, due in annual installments of \$342 through September 2019, bearing an interest rate of 2.6%, for the purpose of financing the construction of underground storage and pumping facilities. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through September 2019. Total principal and interest remaining to be paid on the note is \$684. Current year principal and interest paid was \$342 and wastewater and storm drainage fee revenue was \$77,108.
- \$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 \$495. Current year principal and interest paid was \$165 and wastewater and storm drainage fee revenue was \$77,108.
- \$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 \$1,191. Current year principal and interest paid was \$397 and wastewater and storm drainage fee revenue was \$77,108.
- \$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, through 2033, with annual principal and interest payments of approximately \$639. The City pledged future water enterprise fund revenue to repay the note. Current year water fee revenue was \$119,379.
- \$2,975 California Infrastructure and Economic Development (I-Bank)
Authorized in December 2007, due in annual principal and interest installments from \$163 to \$155 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 \$3,170. Current year principal and interest paid was \$162 and storm drainage fee revenue was \$39,512.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

\$173,142 Drinking Water State Revolving Fund (DWSRF)
Authorized in May 2017, the DWSRF has agreed to fund the City's Accelerated Meter Installation and Pipe Replacement Program. Under the agreement, the City is to pay for project costs upfront and the DWSRF is to reimburse the City with loan amounts not to exceed \$173,142. Construction began in October 2017 with a projected end date of January 2021. The final reimbursement request deadline is July 2021, when required semi-annual note principal payments begin. The note will be repaid over a 20-year period, bearing an interest rate of 1.7%. Annual principal and interest payments will be approximately \$10,248. The City has pledged future water fee revenues to repay the note. Current year water fee revenues were \$119,379. The amount claimed and reimbursed by the City as of June 30, 2018 was \$3,843.

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, 2018, 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
2019	\$ 1,358	\$ 1,399	\$ 2,757
2020	722	1,400	2,122
2021	139	984	1,123
2022	139	-	139
2023	68	-	68
Total minimum lease payments	2,426	3,783	6,209
Less amounts representing interest	(127)	(98)	(225)
Net present value of minimum lease payments	<u>\$ 2,299</u>	<u>\$ 3,685</u>	<u>\$ 5,984</u>

The following is a schedule of property under capital leases by major classes at June 30, 2018:

	Governmental Activities	Business-Type Activities	Total
Buildings and improvements	\$ 1,523	\$ -	\$ 1,523
Equipment	10,441	6,028	16,469
Less: accumulated depreciation	(2,368)	(66)	(2,434)
Total	<u>\$ 9,596</u>	<u>\$ 5,962</u>	<u>\$ 15,558</u>

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, 2018
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Other Long-term Liabilities (Continued)

Net OPEB liability (other post-employment benefits) – Net liability for retiree medical benefits accounted for and reported in accordance with the newly introduced GASB Statement No. 75, which replaced GASB Statement No. 45. The net OPEB liability is \$329,392 and \$60,120 for governmental activities and business-type activities, respectively, at June 30, 2018. Refer to Note 9 for more detailed information.

Pollution remediation obligations – Estimated liabilities to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

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 \$859,218 and \$120,253 for governmental activities and business-type activities, respectively, at June 30, 2018. 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, 2018.

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
2019	\$ 20,348	\$ 28,319	\$ 1,653	\$ 616
2020	20,377	27,368	448	586
2021	20,697	26,396	377	567
2022	17,118	25,530	396	548
2023	18,607	24,802	414	530
2024 - 2028	105,948	108,918	2,370	2,350
2029 - 2033	109,747	80,758	2,963	1,758
2034 - 2038	76,650	54,689	3,470	1,021
2039 - 2043	52,985	38,414	2,368	279
2044 - 2048	69,670	21,702	-	-
2049 - 2053	33,670	2,873	-	-
Subtotals	545,817	439,769	14,459	8,255
Less: Issuance discounts	(4)	-	-	-
Plus: Issuance premiums	19,116	-	-	-
Totals	\$ 564,929	\$ 439,769	\$ 14,459	\$ 8,255

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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
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	777	225
2023	15,346	18,140	792	209
2024 - 2028	89,358	77,908	4,201	801
2029 - 2033	104,628	53,159	4,323	354
2034 - 2038	64,350	32,395	1,724	64
2039 - 2043	82,160	14,571	404	-
2044 - 2048	14,847	2,030	-	-
Subtotals	456,938	280,228	22,919	2,827
Less: Issuance discounts	(130)	-	-	-
Plus: Issuance premiums	53,208	-	-	-
Totals	<u>\$ 510,016</u>	<u>\$ 280,228</u>	<u>\$ 22,919</u>	<u>\$ 2,827</u>

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, 2018.

Special Assessment Debt

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$161,815 at June 30, 2018. 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 \$188,609 at June 30, 2018. Special facility revenue bonds were issued to provide administrative and service facilities for four non-profit organizations and for offices leased to the State of California Department of General Services (State). The bonds issued are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from loan or lease agreements between the City and the non-profit organizations or the State. The redevelopment agency bonds were issued by the Sacramento City Financing Authority to finance redevelopment activities and to refund certain other obligations of the redevelopment agency. The City is not liable for repayment of these bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

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, 2018, 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:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous Plan	\$ 349,931	\$ 87,555	\$ 739
Safety Plan	591,480	161,965	24,910
SCERS	38,060	-	2,163
Total	<u>\$ 979,471</u>	<u>\$ 249,520</u>	<u>\$ 27,812</u>

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.

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>.

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.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 8 – PENSION PLANS (Continued)

General Information about the Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of annual salary	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.72%	6.75%
Required employer contribution rates	17.19%	17.19%

	Safety	
	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of annual salary	3.0%	2.0% to 2.7%
Required employee contribution rates	9.18%	11.50%
Required employer contribution rates	38.89%	38.89%

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	2,279	1,160
Inactive employees entitled to but not yet receiving benefits	4,218	405
Active employees	2,576	1,212
Total	<u>9,073</u>	<u>2,777</u>

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, 2018, the contributions for the miscellaneous and safety plans were \$26,947 and \$49,102 respectively.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 8 – PENSION PLANS (Continued)

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾	3.3% - 14.2% ⁽¹⁾
Mortality	2014 CalPERS Experience Study	2014 CalPERS Experience Study

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 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 <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 8 – PENSION PLANS (Continued)

Net Pension Liability (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan, a decrease from the previous rate, 7.65%. 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 considered 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 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	(0.40%)	(0.90%)
Total	100%		

(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
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

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)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	<u>\$ 1,111,622</u>	<u>\$ 817,697</u>	<u>\$ 293,925</u>
Changes in the year:			
Service cost	27,795	-	27,795
Interest on the total pension liability	84,334	-	84,334
Changes of assumptions	75,970	-	75,970
Difference between Expected and Actual Experience	(838)	-	(838)
Plan to Plan resource movement	-	74	(74)
Contribution - employer	-	28,719	(28,719)
Contribution - employee	-	12,190	(12,190)
Net investment income	-	91,481	(91,481)
Benefit payments, including refunds of employee contributions	(42,305)	(42,305)	-
Administrative expense	-	(1,209)	1,209
Net changes	<u>144,956</u>	<u>88,950</u>	<u>56,006</u>
Balance at June 30, 2018	<u>\$ 1,256,578</u>	<u>\$ 906,647</u>	<u>\$ 349,931</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	<u>\$ 1,650,594</u>	<u>\$ 1,128,142</u>	<u>\$ 522,452</u>
Changes in the year:			
Service cost	37,372	-	37,372
Interest on the total pension liability	123,132	-	123,132
Changes of assumptions	107,046	-	107,046
Difference between Expected and Actual Experience	(15,086)	-	(15,086)
Plan to Plan resource movement	-	(74)	74
Contribution - employer	-	40,609	(40,609)
Contribution - employee	-	18,980	(18,980)
Net investment income	-	125,586	(125,586)
Benefit payments, including refunds of employee contributions	(78,232)	(78,232)	-
Administrative expense	-	(1,665)	1,665
Net changes	<u>174,232</u>	<u>105,204</u>	<u>69,028</u>
Balance at June 30, 2018	<u>\$ 1,824,826</u>	<u>\$ 1,233,346</u>	<u>\$ 591,480</u>
Totals of both Miscellaneous and Safety Plans	<u>\$ 3,081,404</u>	<u>\$ 2,139,993</u>	<u>\$ 941,411</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

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 discount rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 537,260	\$ 853,190	\$ 1,390,450
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 349,931	\$ 591,480	\$ 941,411
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 196,569	\$ 377,785	\$ 574,354

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, 2018 the City recognized pension expense of \$60,510 and \$77,791 for the Miscellaneous and Safety Plans respectively. At June 30, 2018, the City reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 26,947	\$ -	\$ 49,102	\$ -	\$ 76,049	\$ -
Changes of assumption	48,838	-	86,849	12,413	135,687	12,413
Differences between actual and expected experience	-	648	8,860	12,497	8,860	13,145
Net differences between projected and actual earnings on plan investments	11,679	-	17,154	-	28,833	-
Proportionate share	91	91	-	-	91	91
Total	<u>\$ 87,555</u>	<u>\$ 739</u>	<u>\$ 161,965</u>	<u>\$ 24,910</u>	<u>\$ 249,520</u>	<u>\$ 25,649</u>

The amount of \$76,049 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
2019	\$ 26,677	\$ 14,358	\$ 41,035
2020	34,929	33,996	68,925
2021	4,910	25,640	30,550
2022	(6,647)	8,754	2,107
2023	-	5,205	5,205
Total	<u>\$ 59,869</u>	<u>\$ 87,953</u>	<u>\$ 147,822</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

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, 4th Floor, Sacramento, CA 95814. The following is a summary of significant accounting policies:

Basis of Accounting – SCERS’ financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value, except mortgage loans which are recorded at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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 50 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.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 8 – PENSION PLANS (Continued)

General Information about the Pension Plan (Continued)

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

<u>Retirement Age</u>	<u>Section 175</u>	<u>Section 399 and Equal Share</u>
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, 2018 the following employees were covered by the benefit terms for each Plan:

	<u>Section 399</u>	<u>Equal Shares</u>	<u>Section 175</u>	<u>Total</u>
Inactive members or beneficiaries receiving benefits	902	51	56	1,009
Inactive members entitled to but not yet receiving benefits	8	-	1	9
Active plan members	11	-	-	11
Total plan members	<u>921</u>	<u>51</u>	<u>57</u>	<u>1,029</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 3% for fiscal year 2018. 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 Adjustments – For members participating in Social Security, their benefit will be adjusted at the later of age 62 or actual retirement age. The amount of the adjustment 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 at the time of retirement. 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, 2018, the average active employee contribution rate was 5.97% of annual pay, and the City's average contribution rate was 1.4% of annual payroll. For the fiscal year ended June 30, 2018, the contributions for the SCERS plan were \$8,645.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 8 – PENSION PLANS (Continued)

Net Pension Liability

The City’s net pension liability for SCERS was measured as of June 30, 2018 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increase	2.75%	CPI Plus 0.5% merit, average
Investment rate of return	6.50%	percent, net of pension plan investment including inflation

Mortality rates for service retirements and beneficiaries were based on CalPERS 1997-2015 Mortality Table projected for future mortality improvement utilizing Society of Actuaries Scale MP-2017. Mortality rates for disability retirements were based on CalPERS 1997-2015 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 1997-2015 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected for future mortality improvement utilizing Society of Actuaries Scale MP-2017.

The actuarial assumption used in the June 30, 2018 valuation were based on the results from the CalPERS 1997-2015 Experience Study, project with fully generational Scale MP-2017.

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	35.0%	1.47%
Large Cap Growth	35.0%	4.36%
Equity Income	25.0%	4.36%
International	5.0%	4.93%
Total	100.0%	

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

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, 2018 is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 336,878	\$ 288,510	\$ 48,368
Changes in the year:			
Service Cost	92	-	92
Interest	20,877	-	20,877
Change of assumptions	862		862
Differences between expected and actual experience	(2,457)		(2,457)
Contribution - employer	-	8,645	(8,645)
Contribution - employee	-	55	(55)
Net investment income	-	20,982	(20,982)
Benefit payments, including refunds of employee contributions	(31,583)	(31,583)	-
Net changes	(12,209)	(1,901)	(10,308)
Balance at June 30, 2018	\$ 324,669	\$ 286,609	\$ 38,060

Change of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date – Mortality improvement was changed from fully generational projection with Society of Actuaries Scale MP-2016 to fully generational projection with Society of Actuaries Scale MP-2017. Mortality tables were updated from the CalPERS 1997-2011 Experience Study to the CalPERS 1997-2015 Experience Study. Inflation and salary scale remained consistent since the prior measurement date, at 2.75% and 3.25% respectively.

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 discount rate:

	1% decrease (5.5%)	Current Discount Rate (6.5%)	1% increase (7.5%)
SCERS net pension liability	\$ 65,476	\$ 38,060	\$ 14,329

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
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 8 – PENSION PLANS (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$2,336 attributable to the SCERS plans. At June 30, 2018, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	<u>\$ 2,163</u>

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

Fiscal Year Ended June 30,	Net Deferred Outflows/(Inflows) of Resources
2019	\$ 1,027
2020	(198)
2021	(2,399)
2022	(593)
Total	<u>\$ (2,163)</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 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, 2018, employees contributed \$3,966 and the City contributed \$3,238 to the 401(a).

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information

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 an Agent-multiple employer defined benefit OPEB plan (the plan) through CalPERS. The post-retirement health, dental, and vision care employer contributions range from \$0 to \$834.73 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 eligibility of the City’s post-retirement health contributions has been eliminated for employees hired after a certain date dependent upon the employee’s labor agreement. 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.

In addition, the City established an irrevocable trust to pre-fund the other post-employment Annual Required Contribution benefits with the California Employers’ Retiree Benefit Trust (CERBT). The CERBT financial statements and additional reports can be obtained from the CalPERS website www.calpers.ca.gov.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

General Information (Continued)

Employees Covered – At June 30, 2018, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefits	2,826
Inactive employees entitled to but not yet receiving benefits	420
Active employees	<u>3,716</u>
Total	<u><u>6,962</u></u>

Contributions – The plan and its contribution requirements are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. 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 establish an OPEB trust fund with CalPERS. Contributions recognized by the plan from the employer for the year ended June 30, 2018 were \$21,072.

Net OPEB Liability

Actuarial Assumptions – The total OPEB liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.95%
Inflation	2.75%
Salary Increases	3.0%
Investment Rate of Return	6.75%
Healthcare cost trend rate	Non-Medicare - 7.5% for 2019, decreasing to 4% for 2076 and later. Medicare - 6.5% for 2019, decreasing to 4% for 2076 and later.

Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov, under Forms and Publications.

Pre-retirement turnover information was developed based on CalPERS' specific data. For further details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov, under Forms and Publications.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 3.95% for the 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 Plan’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the 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 the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on the OPEB 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 OPEB 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 asset allocation and most recent 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
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5%	1.29%
Commodities	3%	0.84%
Real Estate Investment Trusts (REITs)	8%	3.76%
Total	100%	

Changes in the Net OPEB Liability – The changes in the OPEB liability for the OPEB plan as of June 30, 2018 are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2017	\$ 425,766	\$ 15,084	\$ 410,682
Changes in the year:			
Service cost	11,872	-	11,872
Interest on the total OPEB liability	15,313	-	15,313
Changes of assumptions	(24,429)	-	(24,429)
Contribution - employer	-	21,605	(21,605)
Contribution - employee	-	297	(297)
Net investment income	-	2,034	(2,034)
Benefit payments, including refunds	(12,565)	(12,565)	-
Administrative expense	-	(10)	10
Net changes	(9,809)	11,361	(21,170)
Balance at June 30, 2018	\$ 415,957	\$ 26,445	\$ 389,512

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's net OPEB liability, as well as what the City's net OPEB 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 discount rate:

	Discount Rate		
	1% decrease (2.95%)	Current Rate (3.95%)	1% increase (4.95%)
Net OPEB liability	\$ 454,908	\$ 389,512	\$ 336,829

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates – The following presents the City's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Trend Rate		
	1% decrease 6.5%-5.5% decreasing to (3%)	Current Rate 7.5% - 6.5% decreasing to (4%)	1% increase 8.5%-7.5% decreasing to (5%)
Net OPEB liability	\$ 331,170	\$ 389,512	\$ 463,363

OPEB Plan Fiduciary Net Position – Detailed information about OPEB plan's fiduciary net position is available in the separately issued CalPERS financial reports.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the City recognized OPEB expense of \$21,420. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	\$ 21,072	\$ -
Changes of assumption	-	20,424
Net differences between projected and actual earnings on plan investments	-	561
Total	\$ 21,072	\$ 20,985

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability (Continued)

The amount of \$21,072 reported as deferred outflows of resources related to OPEB resulting from the OPEB plan contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30,	Net Deferred Outflows/(Inflows) of Resources
2019	\$ (4,145)
2020	(4,145)
2021	(4,145)
2022	(4,146)
2023	(4,005)
2024	(399)
Total	<u>\$ (20,985)</u>

NOTE 10 – FUND EQUITY AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the government-wide statement of net position reported restricted net position of \$233,893 in governmental activities. Of this amount, \$37,697 is restricted for enabling legislation.

The Capital Grants Fund, a capital project fund, had a deficit fund balance of \$6,299 as of June 30, 2018. The deficit represents grant expenditures unreimbursed by granting agencies within the 60-day period of availability for which corresponding revenues have not been recorded. The deficit will be recovered upon receipt of grantor reimbursements.

The Culture and Leisure Fund, a special revenue fund, had a deficit fund balance of \$4,039 as of June 30, 2018. Both the Golf and Marina programs within this fund had deficit fund balances of \$5,361 and \$1,766, respectively. It is anticipated that this deficit will be funded by future operating subsidies and surpluses.

The 4th R Child Development Fund, an enterprise fund, had a deficit net position of \$1,742 as of June 30, 2018. It is anticipated that this deficit will be funded by future operating subsidies.

For the fiscal year ended June 30, 2018, General Fund expenditures for Fire and Citywide Community Support exceeded appropriations by \$2,185 and \$451 respectively and 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, 2018
(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, 2018:

	<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental activities:				
General Fund	Debt service	\$ 2,737	\$ (23,005)	\$ (20,268)
General Fund	In-lieu tax transfers	31,688	-	31,688
General Fund	Program support	989	(8,540)	(7,551)
2015 Golden 1 Center				
Lease Revenue Bond Fund	Debt service	6,400	-	6,400
Other Governmental Funds	Debt service	23,697	(2,321)	21,376
Other Governmental Funds	Program support	5,047	(1,935)	3,112
Internal Service Funds	Debt service	428	(64)	364
Internal Service Funds	Program support	4	(600)	(596)
Total governmental activities		<u>70,990</u>	<u>(36,465)</u>	<u>34,525</u>
Business-type activities:				
Water Fund	Debt service	-	(49)	(49)
Water Fund	In-lieu tax transfers	-	(12,760)	(12,760)
Water Fund	Program support	28	(490)	(462)
Wastewater Fund	Debt service	-	(64)	(64)
Wastewater Fund	In-lieu tax transfers	-	(4,014)	(4,014)
Wastewater Fund	Program support	92	-	92
Storm Drainage Fund	Debt service	-	(105)	(105)
Storm Drainage Fund	In-lieu tax transfers	-	(4,163)	(4,163)
Storm Drainage Fund	Program support	142	-	142
Solid Waste Fund	Debt service	-	(152)	(152)
Solid Waste Fund	In-lieu tax transfers	-	(6,821)	(6,821)
Solid Waste Fund	Program support	97	-	97
Community Center Fund	In-lieu tax transfers	-	(1,904)	(1,904)
Community Center Fund	Program support	-	(36)	(36)
Other Enterprise Funds	Debt service	-	(7,504)	(7,504)
Other Enterprise Funds	In-lieu tax transfers	-	(2,026)	(2,026)
Other Enterprise Funds	Program support	5,204	-	5,204
Total business-type activities		<u>5,563</u>	<u>(40,088)</u>	<u>(34,525)</u>
Total government-wide statements		<u>\$ 76,553</u>	<u>\$ (76,553)</u>	<u>\$ -</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018:

	<u>Receivables</u>	<u>Payables</u>	<u>Interfund Balances</u>
General Fund	\$ 3,800	\$ -	\$ 3,800
Other Governmental Funds	3,800	(7,142)	(3,342)
Internal Service Funds	12,847	-	12,847
Total governmental activities	<u>20,447</u>	<u>(7,142)</u>	<u>13,305</u>
Water Fund	11,075	-	11,075
Community Center Fund	-	(24,380)	(24,380)
Total business-type activities	<u>11,075</u>	<u>(24,380)</u>	<u>(13,305)</u>
Total	<u>\$ 31,522</u>	<u>\$ (31,522)</u>	<u>\$ -</u>

\$12,847 was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$327) and to assist in development of community resources (approximately \$12,520). Included in the \$12,520 of interfund loans is \$12,270 that is not expected to be repaid within one year.

\$327 was borrowed by the Capital Grants Fund for short-term loans.

\$6,815 was borrowed by the Golf Fund for development of community resources.

\$5,705 was borrowed by the Community Center Fund for development of community resources.

\$18,675 was borrowed by the Community Center Fund for short-term, i.e. \$3,800 from the General Fund, \$3,800 from the Innovation and Growth Fund and \$11,075 from the Water 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, 2018
(dollar amounts expressed in thousands)

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to the 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 auto liability claims provides \$35,000 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, 2018 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, 2018, the Risk Management Internal Service Fund had a net position of \$19,484.

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 claim liability estimate.

Changes in the Risk Management Internal Service Fund’s claims liability for the past two fiscal years are summarized as follows:

	2018	2017
Accrued claims and judgements, July 1	\$ 80,749	\$ 71,939
Incurred claims and adjustment expenses	15,424	27,187
Claim payments	<u>(17,428)</u>	<u>(18,377)</u>
Accrued claims and judgements, June 30	<u>\$ 78,745</u>	<u>\$ 80,749</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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 Drinking Water State Revolving Fund 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 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 California Infrastructure and Economic Development Bank Loan. See Note 7 for more detailed information.

Construction and Other Commitments

The City has commitments of \$149,711 for contracts awarded but not completed as of June 30, 2018. The following table shows the distribution of those commitments among major and non-major funds.

Governmental Activities:		Business-type Activities:	
General Fund	\$ 10,310	Water Fund	\$ 76,518
Measure U	1,890	Wastewater Fund	6,838
Other governmental funds	26,632	Storm Drainage Fund	3,218
Internal service funds	15,120	Solid Waste Fund	2,178
		Community Center Fund	6,246
		Other enterprise funds	761
Total governmental activities	<u>\$ 53,952</u>	Total business-type activities	<u>\$ 95,759</u>

The major contracts outstanding are \$57,670 for residential water meter projects; \$16,673 for renovation of the convention center complex; \$15,000 for the purchase of vehicles, primarily replacement refuse trucks and garbage trucks; \$5,484 for Ramona Avenue extension; \$4,206 for design and construction of a 3 million gallon water storage reservoir; \$3,913 for upgrade of the utility billing system; \$3,907 for the development of 20,400 square foot space to house a workforce development and employment initiative for the medical and health related fields for the Oak Park Project; \$3,519 for the Whole Person Care program, a statewide initiative for the coordination of health, behavioral health, and social services for the homeless population; \$2,781 for sewer system upgrades; and \$2,118 for design and construction of a fixed-rail streetcar system between downtown West Sacramento and Midtown Sacramento.

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, 2018 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, 2018. 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, 2018
(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 \$2,371 is required for future post closure monitoring costs as of June 30, 2018. 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 post closure 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 \$1,794 at June 30, 2017 and \$630 at June 30, 2018. Pollution remediation outlays totaled approximately \$1,029 for the fiscal year ended June 30, 2018. 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 \$600.

NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

JOINT VENTURES

Sacramento Housing and Redevelopment Agency

The City is a participant with the County of Sacramento in the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a stand-alone agency governed by the County Board of Supervisors over County housing activities and the City Council over City housing activities. Although the City does not have an equity interest in SHRA, it does have an ongoing financial interest. Based upon the approval process for activities of the Housing Authority of the City of Sacramento (Housing Authority), the City has the ability to directly influence SHRA to undertake projects for the citizenry of the City. Because the City's primary government does not have an equity interest in SHRA, SHRA's financial information is not included in these financial statements. Separately issued financial statement may be obtained from the Sacramento Housing and Redevelopment Agency, 801 12th Street, Sacramento, California, 95814.

SHRA administered the redevelopment agencies of the City and County until February 1, 2012. In 2011 the California Legislature enacted AB 1x 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies. Upon the dissolution of the redevelopment agency, the City elected to become the successor agency for the non-housing redevelopment agency activities. More information can be found in Note 15 – Successor Agency Trust Fund. The City designated the Housing Authority as the local authority to retain the housing assets and functions previously performed by the redevelopment agency, and the Housing Authority affirmatively elected pursuant to Health and Safety Code Section 34176 that it would serve as the "Successor Housing Agency" to the former redevelopment agency.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

JOINT VENTURES

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, 2018, 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, 2018, were \$8,886. In addition, the City paid cost reimbursements and program support of \$17 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 levies and passes through to the Library a parcel tax which totaled \$7,535 for the fiscal year ended June 30, 2018. 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 \$3,550 of support to SRFECC during the fiscal year ended June 30, 2018. 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, 2018, the City provided \$467 of annual support to the NCRPSTA. Payments for rent and training during the fiscal year ended June 30, 2018 were \$4. 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, 2018, the City provided general support of \$45, paid \$112 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 funds for design and construction of the fixed-rail system.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(dollar amounts expressed in thousands)

NOTE 14 – JOINT VENTURES 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, 2018:

The City provided \$112 in annual support and \$23 in project/program expenses to the Regional Water Authority.

The City provided \$144 in annual support to the Sacramento Groundwater Authority.

The City provided \$91 in annual support, \$54 in program expenses and \$1,488 for Downtown/Riverfront Transit Project to the Sacramento Area Council of Governments.

The City received \$414 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 \$172 in Workforce Investment Act grants from the Sacramento Employee 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, 2018, the successor agency had a deficit of \$223,209 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 bond's covenants after compliance with certain requirements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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 is now able to spend the unencumbered bond funds in a manner consistent with the original bond covenants. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that RASA does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

On August 25, 2015, the State Department of Finance (DOF) approved the Agency’s Oversight Board action authorizing the Agency to refund certain outstanding tax-allocation obligations of the former Redevelopment Agency in accordance with Assembly Bill Nos. x1 26 and 1484. The Redevelopment Agency Successor Agency of the City of Sacramento (RASA) 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) and RASA 2015 Tax Allocation Refunding Bonds, Series B (Federally Taxable) were issued under the Indenture of Trust, dated as of October 1, 2015, to refund certain obligations of the former Redevelopment Agency of the City of Sacramento currently outstanding in the 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 issuance of the Bonds.

On October 6, 2015, the DOF approved the Agency’s Oversight Board action approving the Excess Bond Expenditure Plan, approving the Master Excess Bond Expenditure Agreement between the Agency 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 housing bond proceeds to the Housing Authority of the City as the Housing Successor. The City is to finance public and private development projects previously planned by the Agency; and the Housing Authority is to use the funds for low-moderate income housing projects.

On December 31, 2015, DOF completed the review of RASA’s Long-Ranged Property Management Plan (LRPMP). DOF approved 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.

As of June 30, 2018, contracts payable of \$14,118 reported in the private-purpose trust fund are allocations of the Sacramento Housing Redevelopment Agency’s (SHRA) OPEB and pension unfunded liabilities for the former redevelopment agency employees.

Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized				
Land	\$ 12,020	\$ -	\$ (4,419)	\$ 7,601
Depreciable/amortizable capital assets				
Buildings and improvements	3,721	-	(2,970)	751
Less accumulated depreciation/amortization for:				
Buildings and improvements	<u>(1,001)</u>	<u>(93)</u>	<u>910</u>	<u>(184)</u>
Depreciable/amortizable capital assets, net	<u>2,720</u>	<u>(93)</u>	<u>(2,060)</u>	<u>567</u>
Total activities capital assets, net	<u>\$ 14,740</u>	<u>\$ (93)</u>	<u>\$ (6,479)</u>	<u>\$ 8,168</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds:					
2015 Tax Allocation Refunding Bonds TE, Series A	\$ 59,927	\$ -	\$ (7,967)	\$ 51,960 ⁽²⁾	\$ 7,460
2015 Tax Allocation Refunding Bonds TX, Series B	39,428	-	(3,323)	36,105 ⁽²⁾	11,720
Subtotal, revenue bonds	99,355	-	(11,290)	88,065	19,180
Notes Payable:					
1993 Merged Downtown TABS	11,173	332 ⁽¹⁾	(11,505)	-	-
2003 Del Paso TE TABS, Series A	5,223	312 ⁽¹⁾	(24)	5,511 ⁽²⁾	-
2005 Merged Downtown TE, Series A	125,454	7,022 ⁽¹⁾	(532)	131,944 ⁽²⁾	-
2005 Oak Park TE, Series A	3,316	183 ⁽¹⁾	(14)	3,485 ⁽²⁾	-
2006 65th Street TX Master Lease, Series B	3,485	-	(95)	3,390	100
2006 North Sacramento TX Master Lease, Series B	4,070	-	(110)	3,960	120
2006 Stockton Blvd Master Lease	1,990	-	-	1,990	20
2008 BOA Public Capital Corporation	2,087	-	(143)	1,944	152
2009 Army Depot TX Swap	2,806	-	(78)	2,728	83
2009 River District TX Swap	2,625	-	(73)	2,552	77
Boating and Waterways Loan	192	-	(94)	98	98
City of Sacramento CIEDB - Utilities/Detention Basin	1,186	-	(41)	1,145	42
Globe Mills	3,560	-	(267)	3,293	284
North Sacramento CIEDB Loan	3,152	-	(125)	3,027	129
Stockton Blvd CIEDB Loan	2,633	-	(107)	2,526	109
Subtotal, notes payable	172,952	7,849	(13,208)	167,593	1,214
Total, long-term debt	\$ 272,307	\$ 7,849	\$ (24,498)	\$ 255,658	\$ 20,394

(1) Change in accreted value is recorded as adjustment of Notes Payable.

(2) 2015 Refunded and Refunding debts.

Future Debt Service Requirements

The following tables disclose the annual debt service requirements outstanding as of June 30, 2018:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 19,180	\$ 2,953	\$ 1,214	\$ 1,321
2020	10,675	2,491	11,192	1,260
2021	19,855	1,984	1,491	1,202
2022	2,630	1,591	19,005	1,140
2023	2,560	1,461	19,227	1,070
2024 - 2028	10,210	5,504	93,594	4,119
2029 - 2033	10,630	3,395	77,335	2,276
2034 - 2038	7,684	462	18,145	565
Subtotal	83,424	19,841	241,203	12,953
Less: Unaccreted interest	-	-	(73,610)	-
Less: Issuance discounts	(29)	-	-	-
Plus: Issuance premiums	4,670	-	-	-
Total	\$ 88,065	\$ 19,841	\$ 167,593	\$ 12,953

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018
(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 \$3,722 in the government-wide statement of net position as of June 30, 2018.

NOTE 17 – RESTATEMENT OF BEGINNING NET POSITION

For the year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, in accordance with the pronouncement, the beginning net position of governmental and business-type activities has been restated as follows:

	Net position, as of June 30, 2017, as originally reported	Restatement due to implementation of GASB 75	Net position, as of June 30, 2017, as restated
Governmental activities	\$ 1,040,836	\$ (152,198)	\$ 888,638
Business-type activities	998,815	(27,779)	971,036
Total	<u>\$ 2,039,651</u>	<u>\$ (179,977)</u>	<u>\$ 1,859,674</u>

Beginning net position of the proprietary funds has been restated as follows:

	Net position, as of June 30, 2017, as originally reported	Restatement due to implementation of GASB 75	Net position, as of June 30, 2017, as restated
Water fund	\$ 470,111	\$ (8,543)	\$ 461,568
Wastewater Fund	135,478	(3,037)	132,441
Storm Drainage Fund	268,513	(3,846)	264,667
Solid Waste Fund	18,126	(9,937)	8,189
Community Center Fund	75,561	(911)	74,650
Other enterprise funds	31,026	(1,505)	29,521
Total	<u>\$ 998,815</u>	<u>\$ (27,779)</u>	<u>\$ 971,036</u>
Internal Service Funds	<u>\$ 77,910</u>	<u>\$ (3,683)</u>	<u>\$ 74,227</u>

NOTE 18 – SUBSEQUENT EVENT

On November 1, 2018, the City issued the 2018 Transient Occupancy Tax (TOT) Revenue Bonds, Senior Series A and B, and Subordinate Series C as authorized by City Resolution 2018-0386. The TOT Revenue Bonds were issued at total par of \$283,315 plus premium of \$32,555, to fund \$305,200 of project costs, \$8,103 of capitalized interest, and \$2,567 of costs of issuance. Project costs will include costs of renovating the City's Convention Center, Community Center Theater, and Memorial Auditorium among other eligible projects.

Required Supplementary Information

City of Sacramento
Required Supplementary Information
Agent Multiple-Employer Defined Benefit Pension Plan
CalPERS - Miscellaneous Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years*
 (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 23,110	\$ 22,342	\$ 23,374	\$ 27,795
Interest on the total pension liability	70,942	74,835	79,515	84,334
Changes of assumptions	-	(20,153)	-	75,970
Differences between expected and actual experience	-	(8,865)	(333)	(838)
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)	(37,980)	(42,305)
Net change in total pension liability	63,812	33,769	64,576	144,956
Total pension liability -- beginning	949,465	1,013,277	1,047,046	1,111,622
Total pension liability -- ending (a)	\$ 1,013,277	\$ 1,047,046	\$ 1,111,622	\$ 1,256,578
Plan fiduciary net position				
Contributions - employer	\$ 21,613	\$ 22,827	\$ 25,963	\$ 28,719
Contributions - employee	11,670	11,302	11,991	12,190
Net investment income	118,326	18,047	4,260	91,481
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)	(37,980)	(42,305)
Plan to plan resource movement	-	(3,066)	531	74
Administrative expense	-	(922)	(496)	(1,209)
Net change in fiduciary net position	121,369	13,798	4,269	88,950
Plan fiduciary net position -- beginning	678,261	799,630	813,428	817,697
Plan fiduciary net position -- ending (b)	\$ 799,630	\$ 813,428	\$ 817,697	\$ 906,647
Net pension liability -- ending (a) - (b)	\$ 213,647	\$ 233,618	\$ 293,925	\$ 349,931
Plan fiduciary net position as a percentage of the total pension liability	78.92%	77.69%	73.56%	72.15%
Covered payroll **	\$ 156,032	\$ 157,449	\$ 166,403	\$ 176,795
Net pension liability as a percentage of covered payroll	136.93%	148.38%	176.63%	197.93%
Measurement date	June 30, 2014	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 four 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
Schedule of Contributions
Last Ten Years*
(in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 22,711	\$ 26,156	\$ 30,084	\$ 26,947
Contributions in relation to the actuarially determined contribution	22,711	26,156	30,084	26,947
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 157,449	\$ 166,403	\$ 177,179	\$ 179,827
Contributions as a percentage of covered payroll	14.42%	15.72%	16.98%	14.98%

Notes to the Required Supplementary Information

Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary Increase	3.3% to 14.2% depending on Age, Service, and type of employment
Investment rate of return	7.5% (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 four 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
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years*
(in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 29,539	\$ 29,653	\$ 31,672	\$ 37,372
Interest on the total pension liability	107,189	112,331	118,821	123,132
Changes of assumptions	-	(28,604)	-	107,046
Differences between expected and actual experience	-	(593)	14,398	(15,086)
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)	(74,572)	(78,232)
Net change in total pension liability	70,513	42,242	90,319	174,232
Total pension liability -- beginning	1,447,520	1,518,033	1,560,275	1,650,594
Total pension liability -- ending (a)	\$ 1,518,033	\$ 1,560,275	\$ 1,650,594	\$ 1,824,826
Plan fiduciary net position				
Contributions - employer	\$ 27,935	\$ 30,798	\$ 36,001	\$ 40,609
Contributions - employee	16,094	15,565	18,465	18,980
Net investment income	171,795	25,341	4,971	125,586
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)	(74,572)	(78,232)
Plan to plan resource movement	-	1	-	(74)
Administrative expense	-	(1,288)	(697)	(1,665)
Net change in fiduciary net position	149,609	(128)	(15,832)	105,204
Plan fiduciary net position -- beginning	994,493	1,144,102	1,143,974	1,128,142
Plan fiduciary net position -- ending (b)	\$ 1,144,102	\$ 1,143,974	\$ 1,128,142	\$ 1,233,346
Net pension liability -- ending (a) - (b)	\$ 373,931	\$ 416,301	\$ 522,452	\$ 591,480
Plan fiduciary net position as a percentage of the total pension liability	75.37%	73.32%	68.35%	67.59%
Covered payroll **	\$ 107,176	\$ 112,067	\$ 120,120	\$ 126,438
Net pension liability as a percentage of covered payroll	348.89%	371.48%	434.94%	467.80%
Measurement date	June 30, 2014	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 four 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
Schedule of Contributions
Last Ten Years*
(in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 36,638	\$ 40,959	\$ 47,222	\$ 49,102
Contributions in relation to the actuarially determined contribution	36,638	40,959	47,222	49,102
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 112,067	\$ 120,120	\$ 125,152	\$ 135,628
Contributions as a percentage of covered payroll	32.69%	34.10%	37.73%	36.20%

Notes to the Required Supplementary Information

Valuation date: 6/30/2012 6/30/2013 6/30/2014 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary Increase	3.3% to 14.2% depending on age, service, and type of employment
Investment rate of return	7.5% (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 four 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
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years*
 (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 131	\$ 103	\$ 96	\$ 92
Interest on the total pension liability	23,134	23,416	22,759	20,877
Changes of assumptions	23,117	-	(16,246)	862
Differences between expected and actual experience	(8,783)	(1,173)	(3,701)	(2,457)
Benefit payments, including refunds of employee contributions	(33,791)	(32,683)	(32,171)	(31,583)
Net change in total pension liability	3,808	(10,337)	(29,263)	(12,209)
Total pension liability -- beginning	372,670	376,478	366,141	336,878
Total pension liability -- ending (a)	<u>\$ 376,478</u>	<u>\$ 366,141</u>	<u>\$ 336,878</u>	<u>\$ 324,669</u>
Plan fiduciary net position				
Contributions - employer	\$ 9,183	\$ 8,645	\$ 8,645	\$ 8,645
Contributions - employee	82	146	63	55
Net investment income	13,375	7,799	26,803	20,982
Benefits payments, including refunds of employee contributions	(33,791)	(32,683)	(32,171)	(31,583)
Net change in fiduciary net position	(11,151)	(16,093)	3,340	(1,901)
Plan fiduciary net position -- beginning	312,414	301,263	285,170	288,510
Plan fiduciary net position -- ending (b)	<u>\$ 301,263</u>	<u>\$ 285,170</u>	<u>\$ 288,510</u>	<u>\$ 286,609</u>
Net pension liability -- ending (a) - (b)	<u>\$ 75,215</u>	<u>\$ 80,971</u>	<u>\$ 48,368</u>	<u>\$ 38,060</u>
Plan fiduciary net position as a percentage of the total pension liability	80.02%	77.89%	85.64%	88.28%
Covered payroll **	<u>\$ 1,180</u>	<u>\$ 1,020</u>	<u>\$ 1,049</u>	<u>\$ 921</u>
Net pension liability as a percentage of covered payroll	6374.15%	7938.33%	4610.87%	4132.46%
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018

Notes to the Required Supplementary Information

* Fiscal year 2015 was the first year of implementation, therefore, only four 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 P
Schedule of Contributions
Last Ten Years*
(in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 9,183	\$ 8,645	\$ 8,645	\$ 8,645
Contributions in relation to the actuarially determined contribution	9,183	8,645	8,645	8,645
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 1,180	\$ 1,020	\$ 1,049	\$ 921
Contributions as a percentage of covered payroll	778%	848%	824%	939%

Notes to the Required Supplementary Information

Valuation date:	6/30/2015	6/30/2016	6/30/2017	6/30/2018
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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	3.50%
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

City of Sacramento
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years*
(in thousands)

	Fiscal Year
	2018
Total pension liability	
Service cost	\$ 11,872
Interest on the total OPEB liability	15,313
Changes of assumptions	(24,429)
Benefit payments	(12,565)
Net change in total OPEB liability	(9,809)
Total OPEB liability -- beginning	425,766
Total OPEB liability -- ending (a)	\$ 415,957
Plan fiduciary net position	
Contributions - employer	\$ 21,605
Contributions - employee	297
Net investment income	2,034
Benefit payments	(12,565)
Administrative expense	(10)
Net change in fiduciary net position	11,361
Plan fiduciary net position -- beginning	15,084
Plan fiduciary net position -- ending (b)	\$ 26,445
Net OPEB liability -- ending (a) - (b)	\$ 389,512
Plan fiduciary net position as a percentage of the total OPEB liability	6.36%
Covered payroll	\$ 237,926
Net OPEB liability as a percentage of covered payroll	163.71%
Measurement date	June 30, 2017

Notes to the Required Supplementary Information

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

City of Sacramento
Required Supplementary Information
OPEB Schedule of Contributions
Last Ten Years*
(in thousands)

	<u>Fiscal Year</u>
	<u>2018</u>
Actuarially determined contributions	\$ 36,393
Contributions in relation to the actuarially determined contribution	21,072
Contribution deficiency (excess)	<u>15,321</u>
Covered payroll	\$ 237,926
Contributions as a percentage of covered payroll	8.86%

Notes to the Required Supplementary Information

Valuation date: 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a closed rolling 18 year period
Asset valuation method	Market value
Inflation	2.75%
Salary Increase	3%
Investment rate of return	6.75%
Healthcare cost trend rate	Non- Medicare - 7.5% for 2019, decreasing to 4% for 2076 and later Medicare - 6.5% for 2019, decreasing to 4% for 2076 and later
Mortality	Mortality assumptions are based on mortality rates resulting from the CalPERS 1997-2011 Experience Study and SCERS June 30, 2013 valuation assumptions

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

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, 2018
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS					
Cash and investments held by City	\$ 130,515	\$ 4,653	\$ 130,151	\$ 5,735	\$ 271,054
Cash and investments held by fiscal agent	-	51	-	-	51
Receivables, net:					
Taxes	4,952	-	-	-	4,952
Accounts	3,776	-	3,214	-	6,990
Loans	2,334	98	-	-	2,432
Intergovernmental	5,260	13,486	14,540	-	33,286
Interest	173	3	142	14	332
Due from other funds	3,800	-	-	-	3,800
Restricted assets:					
Cash and investments held by City	116	-	14,272	-	14,388
Cash and investments held by fiscal agent	714	9,617	4,519	-	14,850
Total assets	\$ 151,640	\$ 27,908	\$ 166,838	\$ 5,749	\$ 352,135
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,964	\$ -	\$ 17,785	\$ -	\$ 31,749
Accrued payroll	70	-	-	-	70
Accrued claims and judgements	31	-	-	-	31
Matured notes and interest payable	3,109	-	-	-	3,109
Due to other funds	-	-	327	-	327
Deposits	2,446	647	-	-	3,093
Unearned revenue	23	-	3,720	-	3,743
Advances from other funds	6,815	-	-	-	6,815
Total liabilities	26,458	647	21,832	-	48,937
Deferred Inflows of resources:					
Unavailable revenue	3,811	13,489	11,856	-	29,156
Total deferred inflows of resources	3,811	13,489	11,856	-	29,156
Fund balances:					
Nonspendable:					
Noncurrent assets	-	98	-	-	98
Permanent fund principal	-	-	-	878	878
Restricted:					
Capital projects	17,097	-	142,342	-	159,439
Debt service	830	8,970	-	-	9,800
Public works programs	18,857	-	-	-	18,857
Economic development programs	44,920	-	-	-	44,920
Other programs	28,268	-	1,886	4,871	35,025
Committed:					
Capital projects	1,602	-	-	-	1,602
Debt service	-	2,788	-	-	2,788
Other programs	21,092	-	-	-	21,092
Assigned:					
Debt service	-	1,916	-	-	1,916
Other programs	283	-	-	-	283
Unassigned	(11,578)	-	(11,078)	-	(22,656)
Total fund balances	121,371	13,772	133,150	5,749	274,042
Total liabilities, deferred inflows of resources and fund balances	\$ 151,640	\$ 27,908	\$ 166,838	\$ 5,749	\$ 352,135

City of Sacramento
Other Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:					
Taxes	\$ 17,355	\$ -	\$ 4,766	\$ -	\$ 22,121
Intergovernmental	22,838	355	34,842	-	58,035
Charges for services	20,957	-	206	-	21,163
Fines, forfeits and penalties	574	-	-	-	574
Interest, rents, and concessions	3,308	1,538	2,005	174	7,025
Community service fees	1,406	-	29,248	-	30,654
Assessment levies	46,542	-	215	-	46,757
Contributions and donations	2,918	-	9,802	-	12,720
Miscellaneous	402	-	28	-	430
Total revenues	116,300	1,893	81,112	174	199,479
Expenditures:					
Current:					
General government	21,371	-	2,549	158	24,078
Police	6,175	-	-	-	6,175
Fire	2,892	-	-	-	2,892
Public works	23,634	-	12,600	-	36,234
Convention and cultural services	8,752	-	-	-	8,752
Parks and recreation	8,555	-	155	-	8,710
Community development	10,208	-	1,989	-	12,197
Library	7,535	-	-	-	7,535
Utilities	214	-	4	-	218
Capital outlay	10,798	-	50,603	-	61,401
Debt service:					
Principal	1,351	13,679	6,057	-	21,087
Interest and fiscal charges	1,023	12,479	(357)	-	13,145
Total expenditures	102,508	26,158	73,600	158	202,424
Excess (deficiency) of revenues over (under) expenditures	13,792	(24,265)	7,512	16	(2,945)
Other financing sources (uses):					
Transfers in	2,065	23,697	2,982	-	28,744
Transfers out	(660)	-	(3,596)	-	(4,256)
Issuance of long-term debt	-	-	8	-	8
Total other financing sources (uses)	1,405	23,697	(606)	-	24,496
Net change in fund balances	15,197	(568)	6,906	16	21,551
Fund balances, beginning of year	106,174	14,340	126,244	5,733	252,491
Fund balances, end of year	<u>\$ 121,371</u>	<u>\$ 13,772</u>	<u>\$ 133,150</u>	<u>\$ 5,749</u>	<u>\$ 274,042</u>

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 is used to account 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.

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.

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City of Sacramento
Other Special Revenue Funds
Combining Balance Sheet

June 30, 2018

(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
ASSETS				
Cash and investments held by City	\$ 49,395	\$ 5,184	\$ 9,463	\$ 35,038
Receivables, net:				
Taxes	-	-	-	4,952
Accounts	778	265	13	-
Loans	-	-	-	2,334
Intergovernmental	-	-	48	-
Interest	169	-	4	-
Due from other funds	-	-	-	3,800
Restricted assets:				
Cash and investments held by City	-	116	-	-
Cash and investments held by fiscal agent	-	714	-	-
Total assets	<u>\$ 50,342</u>	<u>\$ 6,279</u>	<u>\$ 9,528</u>	<u>\$ 46,124</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,240	\$ 139	\$ 332	\$ 1,187
Accrued payroll	-	30	-	17
Accrued claims and judgements	-	-	31	-
Matured notes and interest payable	-	3,109	-	-
Deposits	2,111	151	-	-
Unearned revenue	-	23	-	-
Advances from other funds	-	6,815	-	-
Total liabilities	<u>4,351</u>	<u>10,267</u>	<u>363</u>	<u>1,204</u>
Deferred inflows of resources:				
Unavailable revenue	112	51	23	-
Total deferred inflows of resources	<u>112</u>	<u>51</u>	<u>23</u>	<u>-</u>
Fund balances:				
Restricted:				
Capital projects	8,043	49	5,327	-
Debt service	-	830	-	-
Public works programs	18,857	-	-	-
Economic development programs	-	-	-	44,920
Other programs	-	1,596	3,056	-
Committed:				
Capital projects	197	405	-	-
Other programs	18,782	1,034	476	-
Assigned:				
Other programs	-	-	283	-
Unassigned	-	(7,953)	-	-
Total fund balances (deficit)	<u>45,879</u>	<u>(4,039)</u>	<u>9,142</u>	<u>44,920</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,342</u>	<u>\$ 6,279</u>	<u>\$ 9,528</u>	<u>\$ 46,124</u>

City of Sacramento
Other Special Revenue Funds
Combining Balance Sheet

June 30, 2018

(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Total Other Special Revenue Funds
ASSETS					
Cash and investments held by City	\$ 7,776	\$ 2,067	\$ 19,834	\$ 1,758	\$ 130,515
Receivables, net:					
Taxes	-	-	-	-	4,952
Accounts	878	-	1,842	-	3,776
Loans	-	-	-	-	2,334
Intergovernmental	5,035	145	-	32	5,260
Interest	-	-	-	-	173
Due from other funds	-	-	-	-	3,800
Restricted assets:					
Cash and investments held by City	-	-	-	-	116
Cash and investments held by fiscal agent	-	-	-	-	714
Total assets	<u>\$ 13,689</u>	<u>\$ 2,212</u>	<u>\$ 21,676</u>	<u>\$ 1,790</u>	<u>\$ 151,640</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,790	\$ 229	\$ 5,047	\$ -	\$ 13,964
Accrued payroll	-	23	-	-	70
Accrued claims and judgements	-	-	-	-	31
Matured notes and interest payable	-	-	-	-	3,109
Deposits	184	-	-	-	2,446
Unearned revenue	-	-	-	-	23
Advances from other funds	-	-	-	-	6,815
Total liabilities	<u>4,974</u>	<u>252</u>	<u>5,047</u>	<u>-</u>	<u>26,458</u>
Deferred inflows of resources:					
Unavailable revenue	<u>3,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,811</u>
Total deferred inflows of resources	<u>3,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,811</u>
Fund balances:					
Restricted:					
Capital projects	-	-	3,678	-	17,097
Debt service	-	-	-	-	830
Public works programs	-	-	-	-	18,857
Economic development programs	-	-	-	-	44,920
Other programs	8,715	1,960	12,941	-	28,268
Committed:					
Capital projects	-	-	-	1,000	1,602
Other programs	-	-	10	790	21,092
Assigned:					
Other programs	-	-	-	-	283
Unassigned	<u>(3,625)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,578)</u>
Total fund balances (deficit)	<u>5,090</u>	<u>1,960</u>	<u>16,629</u>	<u>1,790</u>	<u>121,371</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,689</u>	<u>\$ 2,212</u>	<u>\$ 21,676</u>	<u>\$ 1,790</u>	<u>\$ 151,640</u>

City of Sacramento
Other Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018

(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
Revenues:				
Taxes	\$ 11,321	\$ -	\$ -	\$ 6,034
Intergovernmental	-	-	652	-
Charges for services	17,241	1,929	-	-
Fines, forfeits and penalties	574	-	-	-
Interest, rents, and concessions	133	1,773	366	554
Community service fees	510	-	896	-
Assessment levies	528	-	-	-
Contributions and donations	-	50	455	-
Miscellaneous	-	17	35	350
Total revenues	<u>30,307</u>	<u>3,769</u>	<u>2,404</u>	<u>6,938</u>
Expenditures:				
Current:				
General government	-	-	-	1,101
Police	-	-	-	-
Fire	-	-	-	-
Public works	9,487	-	-	-
Convention and cultural services	-	1,455	-	-
Parks and recreation	-	-	1,531	-
Community development	9,780	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	1,685	208	1,989	2,470
Debt service:				
Principal	-	1,351	-	-
Interest and fiscal charges	-	1,023	-	-
Total expenditures	<u>20,952</u>	<u>4,037</u>	<u>3,520</u>	<u>3,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,355</u>	<u>(268)</u>	<u>(1,116)</u>	<u>3,367</u>
Other financing sources (uses):				
Transfers in	1,315	-	253	5
Transfers out	(544)	-	-	-
Total other financing sources (uses)	<u>771</u>	<u>-</u>	<u>253</u>	<u>5</u>
Net change in fund balances	10,126	(268)	(863)	3,372
Fund balances (deficit), beginning of year	<u>35,753</u>	<u>(3,771)</u>	<u>10,005</u>	<u>41,548</u>
Fund balances (deficit), end of year	<u>\$ 45,879</u>	<u>\$ (4,039)</u>	<u>\$ 9,142</u>	<u>\$ 44,920</u>

City of Sacramento
Other Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018

(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Total Other Special Revenue Funds
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 17,355
Intergovernmental	20,076	1,931	-	179	22,838
Charges for services	1,787	-	-	-	20,957
Fines, forfeits and penalties	-	-	-	-	574
Interest, rents, and concessions	109	29	319	25	3,308
Community service fees	-	-	-	-	1,406
Assessment levies	-	-	46,014	-	46,542
Contributions and donations	2,413	-	-	-	2,918
Miscellaneous	-	-	-	-	402
Total revenues	24,385	1,960	46,333	204	116,300
Expenditures:					
Current:					
General government	8,222	2,230	9,818	-	21,371
Police	6,175	-	-	-	6,175
Fire	2,892	-	-	-	2,892
Public works	523	-	13,623	1	23,634
Convention and cultural services	363	-	6,934	-	8,752
Parks and recreation	575	-	6,449	-	8,555
Community development	302	-	126	-	10,208
Library	-	-	7,535	-	7,535
Utilities	-	-	214	-	214
Capital outlay	4,232	-	214	-	10,798
Debt service:					
Principal	-	-	-	-	1,351
Interest and fiscal charges	-	-	-	-	1,023
Total expenditures	23,284	2,230	44,913	1	102,508
Excess (deficiency) of revenues over (under) expenditures	1,101	(270)	1,420	203	13,792
Other financing sources (uses):					
Transfers in	-	492	-	-	2,065
Transfers out	(116)	-	-	-	(660)
Total other financing sources (uses)	(116)	492	-	-	1,405
Net change in fund balances	985	222	1,420	203	15,197
Fund balances (deficit), beginning of year	4,105	1,738	15,209	1,587	106,174
Fund balances (deficit), end of year	<u>\$ 5,090</u>	<u>\$ 1,960</u>	<u>\$ 16,629</u>	<u>\$ 1,790</u>	<u>\$ 121,371</u>

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, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 10,929	\$ 10,929	\$ 11,321	\$ 392
Fines, forfeits and penalties	600	600	574	(26)
Interest, rents, and concessions	40	40	58	18
Total revenues	<u>11,569</u>	<u>11,569</u>	<u>11,953</u>	<u>384</u>
Expenditures:				
Current:				
Public works	9,814	10,431	9,483	948
Capital outlay	3,714	3,714	1,120	2,594
Total expenditures	<u>13,528</u>	<u>14,145</u>	<u>10,603</u>	<u>3,542</u>
Net change in fund balance for budgeted activities	<u>\$ (1,959)</u>	<u>\$ (2,576)</u>	1,350	<u>\$ 3,926</u>
Net change in fund balance for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted.			<u>8,776</u>	
Net change in fund balance			<u>\$ 10,126</u>	

City of Sacramento
Culture and Leisure Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,486	\$ 1,486	\$ 1,929	\$ 443
Interest, rents and concessions	1,544	1,544	1,773	229
Contributions and donations	45	45	50	5
Miscellaneous	-	-	17	17
Total revenues	<u>3,075</u>	<u>3,075</u>	<u>3,769</u>	<u>694</u>
Expenditures:				
Current:				
Convention and cultural services	1,311	1,315	1,455	(140)
Capital outlay	462	575	208	367
Debt service:				
Principal	1,467	1,467	1,351	116
Interest and fiscal charges	1,094	1,094	1,023	71
Total expenditures	<u>4,334</u>	<u>4,451</u>	<u>4,037</u>	<u>414</u>
Net change in fund balance for budgeted activities	<u>\$ (1,259)</u>	<u>\$ (1,376)</u>	<u>\$ (268)</u>	<u>\$ 1,108</u>

City of Sacramento
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 560	\$ 1,106	\$ 652	\$ (454)
Charges for services	-	-	-	-
Interest, rents and concessions	45	45	57	12
Community service fees	46	46	70	24
Total revenues	<u>651</u>	<u>1,197</u>	<u>779</u>	<u>(418)</u>
Expenditures:				
Current:				
Parks and recreation	<u>1,052</u>	<u>1,467</u>	<u>1,169</u>	<u>298</u>
Total expenditures	<u>1,052</u>	<u>1,467</u>	<u>1,169</u>	<u>298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(401)</u>	<u>(270)</u>	<u>(390)</u>	<u>(120)</u>
Other financing sources (uses):				
Transfers in	<u>300</u>	<u>300</u>	<u>253</u>	<u>(47)</u>
Total other financing sources (uses)	<u>300</u>	<u>300</u>	<u>253</u>	<u>(47)</u>
Net change in fund balance for budgeted activities	<u>\$ (101)</u>	<u>\$ 30</u>	<u>(137)</u>	<u>\$ (167)</u>
Net change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			<u>(726)</u>	
Net change in fund balance			<u>\$ (863)</u>	

City of Sacramento
CCOMWP Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,137	\$ 1,137	\$ 1,933	\$ 796
Interest, rents and concessions	-	-	29	29
Total revenues	<u>1,137</u>	<u>1,137</u>	<u>1,962</u>	<u>825</u>
Expenditures:				
Current:				
General government	<u>1,870</u>	<u>2,375</u>	<u>2,230</u>	<u>145</u>
Total expenditures	<u>1,870</u>	<u>2,375</u>	<u>2,230</u>	<u>145</u>
Excess (deficiency) of revenues over (under) expenditures	(733)	(1,238)	(268)	970
Other financing sources				
Operating transfers in	<u>490</u>	<u>490</u>	<u>490</u>	<u>-</u>
Net change in fund balance for budgeted activities	<u>\$ (243)</u>	<u>\$ (748)</u>	<u>\$ 222</u>	<u>\$ 970</u>

City of Sacramento
Special Districts Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest, rents, and concessions	\$ -	\$ -	\$ 319	\$ 319
Assessment levies	43,901	44,897	46,014	1,117
Total revenues	<u>43,901</u>	<u>44,897</u>	<u>46,333</u>	<u>1,436</u>
Expenditures:				
Current:				
General government	9,170	9,474	9,818	(344)
Public works	14,161	14,434	13,623	811
Convention and cultural services	5,651	6,337	6,934	(597)
Parks and recreation	6,701	6,576	6,449	127
Community development	150	150	126	24
Library	7,649	7,649	7,535	114
Utilities	678	678	214	464
Capital outlay	<u>3,962</u>	<u>3,915</u>	<u>214</u>	<u>3,701</u>
Total expenditures	<u>48,122</u>	<u>49,213</u>	<u>44,913</u>	<u>4,300</u>
Net change in fund balance for budgeted activities	<u>\$ (4,221)</u>	<u>\$ (4,316)</u>	<u>\$ 1,420</u>	<u>\$ (2,864)</u>

City of Sacramento
Cal EPA Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 173	\$ 173	\$ 179	\$ 6
Interest, rents, and concessions	-	-	25	25
Total revenues	<u>173</u>	<u>173</u>	<u>204</u>	<u>31</u>
Expenditures:				
Current:				
Public Works	-	-	1	(1)
Capital outlay	<u>1,000</u>	<u>1,000</u>	-	<u>1,000</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>999</u>
Net change in fund balance for budgeted activities	<u>\$ (827)</u>	<u>\$ (827)</u>	<u>\$ 203</u>	<u>\$ 1,030</u>

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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, 2018

(in thousands)

	1993	1993	2006
	Series A	Series B	Series B
	Revenue	Revenue	Revenue
	Bond Fund	Bond Fund	Bond Fund
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ 26	\$ 31	\$ 2,746
Cash and investments held by fiscal agent	-	-	42
Receivables, net:			
Loans	-	-	-
Intergovernmental	-	-	11,496
Interest	1	2	-
Restricted assets:			
Cash and investments held by fiscal agent	1,181	3,231	3,958
Total assets	<u>\$ 1,208</u>	<u>\$ 3,264</u>	<u>\$ 18,242</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenue	1	2	11,496
Total deferred inflows of resources	1	2	11,496
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	1,181	3,231	3,958
Committed:			
Debt service	-	-	2,788
Assigned:			
Debt service	26	31	-
Total fund balances	1,207	3,262	6,746
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,208</u>	<u>\$ 3,264</u>	<u>\$ 18,242</u>

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2018

(in thousands)

	2006	2006	2015
	Series D	Series E	Refunding
	Revenue	Revenue	Revenue
	Bond Fund	Bond Fund	Bond Fund
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ 3	\$ -	\$ 1,846
Cash and investments held by fiscal agent	-	-	9
Receivables, net:			
Loans	-	-	-
Intergovernmental	-	1,990	-
Interest	-	-	-
Restricted assets:			
Cash and investments held by fiscal agent	-	-	-
Total assets	\$ 3	\$ 1,990	\$ 1,855
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Deferred Inflows of resources:			
Unavailable revenue	-	1,990	-
Total deferred inflows of resources	-	1,990	-
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	-	-	-
Committed:			
Debt service	-	-	-
Assigned:			
Debt service	3	-	1,855
Total fund balances	3	-	1,855
Total liabilities, deferred inflows of resources and fund balances	\$ 3	\$ 1,990	\$ 1,855

(continued)

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2018

(in thousands)

	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ -	\$ 1	\$ 4,653
Cash and investments held by fiscal agent	-	-	51
Receivables, net:			
Loans	-	98	98
Intergovernmental	-	-	13,486
Interest	-	-	3
Restricted assets:			
Cash and investments held by fiscal agent	1,247	-	9,617
Total assets	<u>\$ 1,247</u>	<u>\$ 99</u>	<u>\$ 27,908</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ 647	\$ -	\$ 647
Total liabilities	<u>647</u>	<u>-</u>	<u>647</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	13,489
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>13,489</u>
Fund balances:			
Nonspendable:			
Noncurrent assets	-	98	98
Restricted:			
Debt service	600	-	8,970
Committed:			
Debt service	-	-	2,788
Assigned:			
Debt service	-	1	1,916
Total fund balances	<u>600</u>	<u>99</u>	<u>13,772</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,247</u>	<u>\$ 99</u>	<u>\$ 27,908</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2006 Series B Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 355
Interest, rents, and concessions	(4)	(10)	889
Total revenues	<u>(4)</u>	<u>(10)</u>	<u>1,244</u>
Expenditures:			
Debt service:			
Principal	875	2,478	1,255
Interest and fiscal charges	181	513	2,699
Total expenditures	<u>1,056</u>	<u>2,991</u>	<u>3,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,060)</u>	<u>(3,001)</u>	<u>(2,710)</u>
Other financing sources:			
Transfers in	1,039	2,945	2,435
Total other financing sources (uses)	<u>1,039</u>	<u>2,945</u>	<u>2,435</u>
Net change in fund balances	(21)	(56)	(275)
Fund balances, beginning of year	<u>1,228</u>	<u>3,318</u>	<u>7,021</u>
Fund balances, end of year	<u>\$ 1,207</u>	<u>\$ 3,262</u>	<u>\$ 6,746</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	2015 Refunding Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Interest, rents, and concessions	-	105	39
Total revenues	-	105	39
Expenditures:			
Debt service:			
Principal	-	-	8,542
Interest and fiscal charges	-	4,132	4,710
Total expenditures	-	4,132	13,252
Excess (deficiency) of revenues over (under) expenditures	-	(4,027)	(13,213)
Other financing sources:			
Transfers in	-	4,027	13,251
Total other financing sources (uses)	-	4,027	13,251
Net change in fund balances	-	-	38
Fund balances, beginning of year	3	-	1,817
Fund balances, end of year	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 1,855</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 355
Interest, rents, and concessions	510	9	1,538
Total revenues	<u>510</u>	<u>9</u>	<u>1,893</u>
Expenditures:			
Debt service:			
Principal	435	94	13,679
Interest and fiscal charges	235	9	12,479
Total expenditures	<u>670</u>	<u>103</u>	<u>26,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(160)</u>	<u>(94)</u>	<u>(24,265)</u>
Other financing sources:			
Transfers in	-	-	23,697
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>23,697</u>
Net change in fund balances	(160)	(94)	(568)
Fund balances, beginning of year	<u>760</u>	<u>193</u>	<u>14,340</u>
Fund balances, end of year	<u>\$ 600</u>	<u>\$ 99</u>	<u>\$ 13,772</u>

(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 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 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, 2018
(in thousands)

	General Fund Capital Projects Fund	Transportation and Development Capital Projects Fund	Crocker Art Museum Expansion Fund	Capital Grants Fund
<u>ASSETS</u>				
Cash and investments held by City	\$ -	\$ 47,676	\$ -	\$ -
Receivables, net:				
Accounts	-	108	-	523
Interest	-	-	-	-
Intergovernmental	-	5,904	-	8,636
Restricted assets:				
Cash and investments held by City	631	-	127	30
Cash and investments held by fiscal agent	4,519	-	-	-
Total assets	<u>\$ 5,150</u>	<u>\$ 53,688</u>	<u>\$ 127</u>	<u>\$ 9,189</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 4,518	\$ 4,644	\$ -	\$ 6,249
Due to other funds	-	-	-	327
Unearned revenue	-	480	-	556
Total liabilities	<u>4,518</u>	<u>5,124</u>	<u>-</u>	<u>7,132</u>
Deferred Inflows of resources:				
Unavailable revenue	-	2,780	-	8,356
Total deferred inflows of resources	<u>-</u>	<u>2,780</u>	<u>-</u>	<u>8,356</u>
Fund balances:				
Restricted:				
Capital projects	632	48,506	127	2,057
Other programs	-	-	-	-
Unassigned	-	(2,722)	-	(8,356)
Total fund balances	<u>632</u>	<u>45,784</u>	<u>127</u>	<u>(6,299)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,150</u>	<u>\$ 53,688</u>	<u>\$ 127</u>	<u>\$ 9,189</u>

City of Sacramento
Other Capital Projects Funds
Combining Balance Sheet

June 30, 2018
(in thousands)

	Financing Plans Fund	Special Districts Capital Projects Fund	Economic Development Fund	Total Other Capital Projects Funds
<u>ASSETS</u>				
Cash and investments held by City	\$ 75,467	\$ 7,008	\$ -	\$ 130,151
Receivables, net:				
Accounts	623	3	1,957	3,214
Interest	142	-	-	142
Intergovernmental	-	-	-	14,540
Restricted assets:				
Cash and investments held by City	-	-	13,484	14,272
Cash and investments held by fiscal agent	-	-	-	4,519
Total assets	<u>\$ 76,232</u>	<u>\$ 7,011</u>	<u>\$ 15,441</u>	<u>\$ 166,838</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 2,046	\$ -	\$ 328	\$ 17,785
Due to other funds	-	-	-	327
Unearned revenue	2,684	-	-	3,720
Total liabilities	<u>4,730</u>	<u>-</u>	<u>328</u>	<u>21,832</u>
Deferred Inflows of resources:				
Unavailable revenue	359	-	361	11,856
Total deferred inflows of resources	<u>359</u>	<u>-</u>	<u>361</u>	<u>11,856</u>
Fund balances:				
Restricted:				
Capital projects	69,257	7,011	14,752	142,342
Other programs	1,886	-	-	1,886
Unassigned	-	-	-	(11,078)
Total fund balances	<u>71,143</u>	<u>7,011</u>	<u>14,752</u>	<u>133,150</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 76,232</u>	<u>\$ 7,011</u>	<u>\$ 15,441</u>	<u>\$ 166,838</u>

City of Sacramento
Other Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	General Fund Capital Projects Fund	Transportation and Development Capital Projects Fund	Crocker Art Museum Expansion Fund	Capital Grants Fund
Revenues:				
Interest, rents, and concessions	\$ 74	\$ 787	\$ 2	\$ 65
Community service fees	-	-	-	-
Assessment levies	-	-	-	-
Contributions and donations	-	-	-	2,148
Taxes	-	4,766	-	-
Intergovernmental	-	22,428	-	11,722
Charges for services	-	206	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>74</u>	<u>28,187</u>	<u>2</u>	<u>13,935</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	12,102	-	460
Parks and recreation	-	-	-	-
Community development	-	-	-	-
Utilities	-	-	-	-
Capital outlay	2,099	14,613	-	14,608
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,099</u>	<u>26,715</u>	<u>-</u>	<u>15,068</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(2,025)</u>	<u>1,472</u>	<u>2</u>	<u>(1,133)</u>
Other financing sources (uses):				
Transfers in	-	1,210	-	-
Transfers out	-	-	-	(1,275)
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,210</u>	<u>-</u>	<u>(1,275)</u>
Net change in fund balances	(2,025)	2,682	2	(2,408)
Fund balances, beginning of year	<u>2,657</u>	<u>43,102</u>	<u>125</u>	<u>(3,891)</u>
Fund balances, end of year	<u>\$ 632</u>	<u>\$ 45,784</u>	<u>\$ 127</u>	<u>\$ (6,299)</u>

City of Sacramento
Other Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Financing Plans Fund	Special Districts Capital Projects Fund	Economic Development Fund	Total Other Capital Projects Funds
Revenues:				
Interest, rents, and concessions	\$ 747	\$ 104	\$ 226	\$ 2,005
Community service fees	29,248	-	-	29,248
Assessment levies	-	215	-	215
Contributions and donations	-	6,059	1,595	9,802
Taxes	-	-	-	4,766
Intergovernmental	-	-	692	34,842
Charges for services	-	-	-	206
Miscellaneous	28	-	-	28
	<u>30,023</u>	<u>6,378</u>	<u>2,513</u>	<u>81,112</u>
Total revenues				
Expenditures:				
Current:				
General government	488	96	1,965	2,549
Public works	38	-	-	12,600
Parks and recreation	155	-	-	155
Community development	1,989	-	-	1,989
Utilities	4	-	-	4
Capital outlay	8,002	6,122	5,159	50,603
Debt service:				
Principal	6,057	-	-	6,057
Interest and fiscal charges	(357)	-	-	(357)
	<u>16,376</u>	<u>6,218</u>	<u>7,124</u>	<u>73,600</u>
Total expenditures				
(Deficiency) excess of revenues (under) over expenditures	<u>13,647</u>	<u>160</u>	<u>(4,611)</u>	<u>7,512</u>
Other financing sources (uses):				
Transfers in	-	-	1,772	2,982
Transfers out	(2,321)	-	-	(3,596)
Issuance of long-term debt	8	-	-	8
	<u>(2,313)</u>	<u>-</u>	<u>1,772</u>	<u>(606)</u>
Total other financing sources (uses)				
Net change in fund balances	11,334	160	(2,839)	6,906
Fund balances, beginning of year	<u>59,809</u>	<u>6,851</u>	<u>17,591</u>	<u>126,244</u>
Fund balances, end of year	<u>\$ 71,143</u>	<u>\$ 7,011</u>	<u>\$ 14,752</u>	<u>\$ 133,150</u>

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PERMANENT FUNDS

Permanent funds are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The resources must be spent as provided in legal trust agreements and related state laws. The following permanent funds have been classified as nonmajor funds:

THE ANN LAND FUND is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

THE BERTHA HENSCHEL FUND is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

THE GEORGE CLARK SCHOLARSHIP FUND is used to account for an endowment established by George Clark, Mayor of Sacramento in 1900. The investment income is available to provide college scholarships for Sacramento high school seniors.

THE ALICE MILLER FUND is used to account for gifts to the City. The investment income is available to care for a specific area of the Old City Cemetery.

THE SACRAMENTO HISTORY MUSEUM FUND is used to account for gifts to the Museum. The investment income is available to help pay the operating expenses of the Museum.

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City of Sacramento
Permanent Funds
Combining Balance Sheet

June 30, 2018
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>
<u>ASSETS</u>			
Cash and investments held by City	\$ 1,022	\$ 3,067	\$ 1,288
Receivables, net:			
Interest	<u>3</u>	<u>8</u>	<u>3</u>
Total assets	<u>\$ 1,025</u>	<u>\$ 3,075</u>	<u>\$ 1,291</u>
<u>FUND BALANCES</u>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 272	\$ 278	\$ 25
Restricted:			
Other programs	<u>753</u>	<u>2,797</u>	<u>1,266</u>
Total fund balances	<u>\$ 1,025</u>	<u>\$ 3,075</u>	<u>\$ 1,291</u>

City of Sacramento
Permanent Funds
Combining Balance Sheet

June 30, 2018
(in thousands)

	<u>Alice Miller Fund</u>	<u>Sacramento History Museum Fund</u>	<u>Total Permanent Funds</u>
<u>ASSETS</u>			
Cash and investments held by City	\$ 44	\$ 314	\$ 5,735
Receivables, net:			
Interest	-	-	14
Total assets	<u>\$ 44</u>	<u>\$ 314</u>	<u>\$ 5,749</u>
<u>FUND BALANCES</u>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 3	\$ 300	\$ 878
Restricted:			
Other programs	41	14	4,871
Total fund balances	<u>\$ 44</u>	<u>\$ 314</u>	<u>\$ 5,749</u>

City of Sacramento
Permanent Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>
Revenues:			
Interest, rents, and concessions	\$ 14	\$ 42	\$ 113
Total revenues	<u>14</u>	<u>42</u>	<u>113</u>
Expenditures:			
Current:			
General government	35	105	18
Total expenditures	<u>35</u>	<u>105</u>	<u>18</u>
Net change in fund balances	(21)	(63)	95
Fund balances, beginning of year	<u>1,046</u>	<u>3,138</u>	<u>1,196</u>
Fund balances, end of year	<u>\$ 1,025</u>	<u>\$ 3,075</u>	<u>\$ 1,291</u>

City of Sacramento
Permanent Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Alice Miller Fund</u>	<u>Sacramento History Museum Fund</u>	<u>Total Permanent Funds</u>
Revenues:			
Interest, rents, and concessions	\$ -	\$ 5	\$ 174
Total revenues	<u>-</u>	<u>5</u>	<u>174</u>
Expenditures:			
Current:			
General government	-	-	158
	<u>-</u>	<u>-</u>	<u>158</u>
Net change in fund balances	-	5	16
Fund balances, beginning of year	<u>44</u>	<u>309</u>	<u>5,733</u>
Fund balances, end of year	<u>\$ 44</u>	<u>\$ 314</u>	<u>\$ 5,749</u>

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OTHER ENTERPRISE FUNDS

Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the general public. The following enterprise funds have been classified as nonmajor funds:

THE PARKING FUND is used to account for the operation and maintenance of the City's off-street parking facilities throughout the City.

THE 4th R CHILD DEVELOPMENT FUND is used to account for a program that provides school age child care services at various locations throughout the City.

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City of Sacramento
Other Enterprise Funds
Combining Statement of Net Position
June 30, 2018
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ 24,221	\$ 2,403	\$ 26,624
Receivables, net:			
Accounts	770	294	1,064
Interest	137	-	137
Prepaid items	36	-	36
Intangible asset, current portion	-	8	8
Total current assets	<u>25,164</u>	<u>2,705</u>	<u>27,869</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	713	33	746
Cash and investments held by fiscal agent	1,746	-	1,746
Loans receivable	1	-	1
Intangible assets	-	136	136
Capital assets:			
Land	5,825	-	5,825
Buildings and improvements	61,391	1,546	62,937
Machinery and equipment	6,235	-	6,235
Construction in progress	3,590	-	3,590
Software	32	-	32
Less: accumulated depreciation/amortization	(38,046)	(1,103)	(39,149)
Total noncurrent assets	<u>41,487</u>	<u>612</u>	<u>42,099</u>
Total assets	<u>66,651</u>	<u>3,317</u>	<u>69,968</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	1,278	1,244	2,522
Deferred outflows related to OPEB	154	22	176
Total deferred outflows of resources	<u>1,432</u>	<u>1,266</u>	<u>2,698</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Net Position

June 30, 2018
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,557	93	1,650
Accrued payroll	178	249	427
Accrued compensated absences	32	13	45
Interest payable	110	-	110
Deposits	144	-	144
Unearned revenue	262	174	436
Accrued claims and judgements	1	49	50
Capital leases payable	1,345	-	1,345
Revenue and other bonds payable, net	2,639	-	2,639
Total current liabilities	6,268	578	6,846
Noncurrent liabilities:			
Accrued compensated absences	298	246	544
Net OPEB liability	2,846	411	3,257
Capital leases payable	2,340	-	2,340
Net pension liability	5,170	4,968	10,138
Revenue and other bonds payable, net	17,852	-	17,852
Total noncurrent liabilities	28,506	5,625	34,131
Total liabilities	34,774	6,203	40,977
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Gain on debt refundings	267	-	267
Deferred inflows related to pensions	9	100	109
Deferred inflows related to OPEB	153	22	175
Total deferred inflows of resources	429	122	551
<u>NET POSITION</u>			
Net investment in capital assets	17,535	443	17,978
Unrestricted	15,345	(2,185)	13,160
Total net position (deficit)	\$ 32,880	\$ (1,742)	\$ 31,138

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City of Sacramento
Other Enterprise Funds
Combining Statement of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 18,286	\$ 6,415	\$ 24,701
Rents and concessions	717	-	717
Miscellaneous	37	4	41
Total operating revenues	<u>19,040</u>	<u>6,419</u>	<u>25,459</u>
Operating expenses:			
Employee services	4,779	5,555	10,334
Services and supplies	6,229	941	7,170
Depreciation/amortization	1,586	85	1,671
Claims and judgements	-	8	8
Total operating expenses	<u>12,594</u>	<u>6,589</u>	<u>19,183</u>
Operating income (loss)	<u>6,446</u>	<u>(170)</u>	<u>6,276</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	37	26	63
Revenue from other agencies	5	480	485
Interest expense	(881)	-	(881)
Total nonoperating revenues (expenses)	<u>(839)</u>	<u>506</u>	<u>(333)</u>
Income (loss) before transfers	5,607	336	5,943
Transfers in	5,204	-	5,204
Transfers out	(9,530)	-	(9,530)
Change in net position	1,281	336	1,617
Total net position (deficit), beginning of year, as restated	<u>31,599</u>	<u>(2,078)</u>	<u>29,521</u>
Total net position (deficit), end of year	<u>\$ 32,880</u>	<u>\$ (1,742)</u>	<u>\$ 31,138</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 18,720	\$ 6,362	\$ 25,082
Payments to suppliers	(6,792)	(938)	(7,730)
Payments to employees	(4,399)	(5,205)	(9,604)
Net cash provided by (used for) operating activities	<u>7,529</u>	<u>219</u>	<u>7,748</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	5,204	-	5,204
Transfers out to other funds	(2,026)	-	(2,026)
Loans made to other funds	534	-	534
Intergovernmental revenue received	5	517	522
Net cash provided by (used for) noncapital financing activities	<u>3,717</u>	<u>517</u>	<u>4,234</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(882)	13	(869)
Principal payments on capital debt	(3,716)	-	(3,716)
Interest payments on capital debt	(1,053)	-	(1,053)
Transfers out to other funds	(7,504)	-	(7,504)
Net cash provided by (used for) capital and related financing activities	<u>(13,155)</u>	<u>13</u>	<u>(13,142)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	4	26	30
Net cash provided by (used for) investing activities	<u>4</u>	<u>26</u>	<u>30</u>
Net increase (decrease) in cash and cash equivalents	(1,905)	775	(1,130)
Cash and cash equivalents, beginning of year	28,585	1,661	30,246
Cash and cash equivalents, end of year	<u>\$ 26,680</u>	<u>\$ 2,436</u>	<u>\$ 29,116</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 24,221	\$ 2,403	\$ 26,624
Restricted cash and investments held by City	713	33	746
Restricted cash and investments held by fiscal agent	1,746	-	1,746
Total cash and cash equivalents, end of year	<u>\$ 26,680</u>	<u>\$ 2,436</u>	<u>\$ 29,116</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 6,446	\$ (170)	\$ 6,276
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	1,580	77	1,657
Amortization of intangible assets	6	8	14
Pension expense	340	337	677
OPEB expense	2	-	2
Changes in assets and liabilities:			
Accounts receivable, net	(211)	(57)	(268)
Prepaid items	(1)	-	(1)
Accounts payable	(562)	3	(559)
Accrued payroll	3	7	10
Accrued compensated absences	40	6	46
Accrued claims and judgements	(5)	8	3
Deposits	144	-	144
Unearned revenue	(253)	-	(253)
Net cash provided by (used for) operating activities	<u>\$ 7,529</u>	<u>\$ 219</u>	<u>\$ 7,748</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 127	\$ -	\$ 127
Amortization of bond gain on refunding	24	-	24

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WATER FUND

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City of Sacramento
Water Fund
Combining Schedule of Net Position

June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ -	\$ 117,111	\$ -	\$ -
Receivables, net:				
Accounts	9	18,462	-	-
Loans	99	-	-	-
Intergovernmental	-	-	675	-
Interest	5	927	-	-
Due from other funds	-	19,244	-	-
Inventories	-	872	-	-
Prepaid items	-	306	-	-
	<u>113</u>	<u>156,922</u>	<u>675</u>	<u>-</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	33,460	-	-	4,128
Cash and investments held by fiscal agent	-	351	-	6,938
Loans receivable	792	-	-	-
Capital assets:				
Land	584	1,170	-	-
Buildings and improvements	-	41,642	597	1,287
Machinery and equipment	-	16,153	582	47
Transmission and distribution systems	1,282	607,282	2,471	95,256
Construction in progress	16,368	24,371	812	176,584
Software	-	822	-	-
Easement	-	134	-	-
Less: accumulated depreciation/amortization	(113)	(267,399)	(706)	(5,268)
	<u>52,373</u>	<u>424,526</u>	<u>3,756</u>	<u>278,972</u>
Total noncurrent assets				
Total assets	<u>52,486</u>	<u>581,448</u>	<u>4,431</u>	<u>278,972</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	-	4,916	-	-
Deferred outflows related to pensions	-	11,752	-	-
Deferred outflows related to OPEB	-	1,000	-	-
	<u>-</u>	<u>17,668</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				

City of Sacramento
Water Fund
Combining Schedule of Net Position
June 30, 2018
(in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 117,111
Receivables, net:				
Accounts	-	-	-	18,471
Loans	-	-	-	99
Intergovernmental	-	-	-	675
Interest	-	-	-	932
Due from other funds	-	-	(8,169)	11,075
Inventories	-	-	-	872
Prepaid items	-	-	-	306
	<u>-</u>	<u>-</u>	<u>(8,169)</u>	<u>149,541</u>
Total current assets	-	-	(8,169)	149,541
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	12,737	-	-	50,325
Cash and investments held by fiscal agent	-	-	-	7,289
Loans receivable	-	-	-	792
Capital assets:				
Land	-	-	-	1,754
Buildings and improvements	-	-	-	43,526
Machinery and equipment	7,771	1,128	-	25,681
Transmission and distribution systems	17,257	1,090	-	724,638
Construction in progress	30,494	14,564	-	263,193
Software	-	-	-	822
Easement	-	-	-	134
Less: accumulated depreciation/amortization	(578)	(24)	-	(274,088)
	<u>67,681</u>	<u>16,758</u>	<u>-</u>	<u>844,066</u>
Total noncurrent assets	67,681	16,758	-	844,066
Total assets	<u>67,681</u>	<u>16,758</u>	<u>(8,169)</u>	<u>993,607</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	-	-	-	4,916
Deferred outflows related to pensions	-	-	-	11,752
Deferred outflows related to OPEB	-	-	-	1,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,668</u>
Total deferred outflows of resources	-	-	-	17,668

City of Sacramento
Water Fund
Combining Schedule of Net Position

June 30, 2018
(in thousands)

	<u>Development Impact Fee Fund</u>	<u>User Fee Fund</u>	<u>Grant Projects Fund</u>	<u>2013 Water Revenue Bonds Fund</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	562	4,530	187	-
Due to other funds	-	-	464	-
Accrued payroll	-	1,578	-	-
Accrued compensated absences	-	111	-	-
Interest payable	-	563	-	3,321
Deposits	-	15	-	-
Unearned revenue	1,201	2,541	2	-
Accrued claims and judgements	-	142	-	-
Revenue and other bonds payable, net	-	7,152	-	5,261
Notes payable	-	448	-	-
Total current liabilities	<u>1,763</u>	<u>17,080</u>	<u>653</u>	<u>8,582</u>
Noncurrent liabilities:				
Accrued compensated absences	-	2,055	-	-
Water fee credits	-	214	-	-
Net OPEB liability	-	18,489	-	-
Revenue and other bonds payable, net	-	121,623	-	222,218
Notes payable	-	7,277	-	-
Net pension liability	-	39,526	-	-
Total noncurrent liabilities	<u>-</u>	<u>189,184</u>	<u>-</u>	<u>222,218</u>
Total liabilities	<u>1,763</u>	<u>206,264</u>	<u>653</u>	<u>230,800</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Gain on debt refunding	-	572	-	-
Deferred inflows related to pensions	-	318	-	-
Deferred inflows related to OPEB	-	996	-	-
Total deferred inflows of resources	<u>-</u>	<u>1,886</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	18,121	294,711	3,756	53,481
Restricted for:				
Capital projects	32,602	-	-	-
Unrestricted	-	96,255	22	(5,309)
Total net position	<u>\$ 50,723</u>	<u>\$ 390,966</u>	<u>\$ 3,778</u>	<u>\$ 48,172</u>

(continued)

City of Sacramento
Water Fund
Combining Schedule of Net Position
June 30, 2018
(in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	5,311	5,425	-	16,015
Due to other funds	-	7,705	(8,169)	-
Accrued payroll	-	-	-	1,578
Accrued compensated absences	-	-	-	111
Interest payable	870	-	-	4,754
Deposits	-	-	-	15
Unearned revenue	-	-	-	3,744
Accrued claims and judgements	-	-	-	142
Revenue and other bonds payable, net	1,114	-	-	13,527
Notes payable	-	-	-	448
	<u>7,295</u>	<u>13,130</u>	<u>(8,169)</u>	<u>40,334</u>
Total current liabilities				
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	2,055
Water fee credits	-	-	-	214
Net OPEB liability	-	-	-	18,489
Revenue and other bonds payable, net	61,360	-	-	405,201
Notes payable	-	3,843	-	11,120
Net pension liability	-	-	-	39,526
	<u>61,360</u>	<u>3,843</u>	<u>-</u>	<u>476,605</u>
Total noncurrent liabilities				
Total liabilities	<u>68,655</u>	<u>16,973</u>	<u>(8,169)</u>	<u>516,939</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Gain on debt refunding	-	-	-	572
Deferred inflows related to pensions	-	-	-	318
Deferred inflows related to OPEB	-	-	-	996
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,886</u>
Total deferred inflows of resources				
<u>NET POSITION</u>				
Net investment in capital assets	5,207	12,915	-	388,191
Restricted for:				
Capital projects	-	-	-	32,602
Unrestricted	(6,181)	(13,130)	-	71,657
	<u>(974)</u>	<u>(215)</u>	<u>-</u>	<u>492,450</u>
Total net position	<u>\$ (974)</u>	<u>\$ (215)</u>	<u>\$ -</u>	<u>\$ 492,450</u>

City of Sacramento
Water Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ 119,374	\$ 5	\$ -
Total operating revenues	-	119,374	\$ 5	-
Operating expenses:				
Employee services	-	37,705	310	-
Services and supplies	34	14,819	1,109	(3,755)
Depreciation/amortization	19	17,463	169	2,475
Total operating expenses	53	69,987	1,588	(1,280)
Operating income (loss)	(53)	49,387	(1,583)	1,280
Nonoperating revenues (expenses):				
Interest and investment revenue	552	(352)	-	51
Revenue from other agencies	-	303	913	-
Interest expense	-	(5,198)	-	(8,884)
Amortization of bond prepaid insurance	-	(23)	-	-
Gain or (loss) on disposition of capital assets	-	424	-	-
Total nonoperating revenues (expenses)	552	(4,846)	913	(8,833)
Income (loss) before contributions and transfers	499	44,541	(670)	(7,553)
Capital contributions	6,133	4,021	-	-
Transfers in	-	28	-	14,033
Transfers out	-	(29,137)	-	-
Change in net position	6,632	19,453	(670)	6,480
Total net position (deficit), beginning of year, as restated	44,091	371,513	4,448	41,692
Total net position (deficit), end of year	\$ 50,723	\$ 390,966	\$ 3,778	\$ 48,172

City of Sacramento
Water Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ -	\$ -	\$ 119,379
Total operating revenues	-	-	-	119,379
Operating expenses:				
Employee services	-	65	-	38,080
Services and supplies	193	85	-	12,485
Depreciation/amortization	578	24	-	20,728
Total operating expenses	771	174	-	71,293
Operating income (loss)	(771)	(174)	-	48,086
Nonoperating revenues (expenses):				
Interest and investment revenue	515	(41)	-	725
Revenue from other agencies	-	-	-	1,216
Interest expense	(2,347)	-	-	(16,429)
Amortization of bond prepaid insurance	-	-	-	(23)
Gain or (loss) on disposition of capital assets	-	-	-	424
Total nonoperating revenues (expenses)	(1,832)	(41)	-	(14,087)
Income (loss) before contributions and transfers	(2,603)	(215)	-	33,999
Capital contributions	-	-	-	10,154
Transfers in	1,805	-	(15,838)	28
Transfers out	-	-	15,838	(13,299)
Change in net position	(798)	(215)	-	30,882
Total net position (deficit), beginning of year, as restated	(176)	-	-	461,568
Total net position (deficit), end of year	\$ (974)	\$ (215)	\$ -	\$ 492,450

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ 119,018	\$ 5	\$ -
Payments to suppliers	(31)	(13,766)	(1,394)	3,755
Payments to employees		(34,959)	(310)	
Claims and judgements paid	-	(31)	-	-
	<u>(31)</u>	<u>70,262</u>	<u>(1,699)</u>	<u>3,755</u>
Net cash provided by (used for) operating activities				
Cash flows from noncapital financing activities:				
Interfund cashflow loans	-	(19,244)	464	
Transfers in from other funds	-	28	-	-
Transfers out to other funds	-	(12,760)	-	-
Interfund loan repayments	-	2,778	(2,778)	-
Intergovernmental revenue received	-	303	3,668	-
	<u>-</u>	<u>(28,895)</u>	<u>1,354</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities				
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(7,950)	(7,544)	345	(5,547)
Proceeds from issuance of debt	-	-	-	-
Principal payments on capital debt	-	(6,062)	-	(3,960)
Interest payments on capital debt	-	(6,364)	-	(10,058)
Transfers in from other funds	-	-	-	14,033
Transfers out to other funds	-	(16,376)	-	-
Capital contributions received	5,990	-	-	-
Loan repayments received	1,206	-	-	-
	<u>(754)</u>	<u>(35,922)</u>	<u>345</u>	<u>(5,532)</u>
Net cash provided by (used for) capital and related financing activities				
Cash flows from investing activities:				
Collection of interest and investment revenue	562	(460)	-	51
	<u>562</u>	<u>(460)</u>	<u>-</u>	<u>51</u>
Net cash provided by (used for) investing activities				
Net increase (decrease) in cash and cash equivalents	(223)	4,985	-	(1,726)
Cash and cash equivalents, beginning of year	33,683	112,477	-	12,792
Cash and cash equivalents, end of year	<u>\$ 33,460</u>	<u>\$ 117,462</u>	<u>\$ -</u>	<u>\$ 11,066</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ -	\$ 117,111	\$ -	\$ -
Restricted cash and investments held by City	33,460	-	-	4,128
Restricted cash and investments held by fiscal agent	-	351	-	6,938
	<u>-</u>	<u>351</u>	<u>-</u>	<u>6,938</u>
Total cash and cash equivalents, end of year	<u>\$ 33,460</u>	<u>\$ 117,462</u>	<u>\$ -</u>	<u>\$ 11,066</u>

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 119,023
Payments to suppliers	(193)	(85)	-	(11,714)
Payments to employees	-	(65)	-	(35,334)
Claims and judgements paid	-	-	-	(31)
Net cash provided by (used for) operating activities	(193)	(150)	-	71,944
Cash flows from noncapital financing activities:				
Interfund cashflow loans	-	-	-	(18,780)
Transfers in from other funds	-	-	-	28
Transfers out to other funds	-	-	-	(12,760)
Interfund loan repayments	-	7,705	-	7,705
Intergovernmental revenue received	-	-	-	3,971
Net cash provided by (used for) noncapital financing activities	-	7,705	-	(19,836)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(44,219)	(11,357)	-	(76,272)
Proceeds from issuance of debt	-	3,843	-	3,843
Principal payments on capital debt	-	-	-	(10,022)
Interest payments on capital debt	(1,805)	-	-	(18,227)
Transfers in from other funds	1,805	(15,838)	-	-
Transfers out to other funds	-	15,838	-	(538)
Capital contributions received	-	-	-	5,990
Loan repayments received	-	-	-	1,206
Net cash provided by (used for) capital and related financing activities	(44,219)	(7,514)	-	(93,596)
Cash flows from investing activities:				
Collection of interest and investment revenue	515	(41)	-	627
Net cash provided by (used for) investing activities	515	(41)	-	627
Net increase (decrease) in cash and cash equivalents	(43,897)	-	-	(40,861)
Cash and cash equivalents, beginning of year	56,634	-	-	215,586
Cash and cash equivalents, end of year	\$ 12,737	\$ -	\$ -	\$ 174,725
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 117,111
Restricted cash and investments held by City	12,737	-	-	50,325
Restricted cash and investments held by fiscal agent	-	-	-	7,289
Total cash and cash equivalents, end of year	\$ 12,737	\$ -	\$ -	\$ 174,725

(continued)

City of Sacramento
Water Fund
Combining Schedule of Cash Flows

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (53)	\$ 49,387	\$ (1,583)	\$ 1,280
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	19	17,379	169	2,475
Amortization of intangible assets	-	84	-	-
Pension expense	-	3,358	-	-
OPEB expense	-	17	-	-
Changes in assets and liabilities:				
Accounts receivable, net	-	(761)	-	-
Other receivables	-	200	-	-
Inventories	-	461	-	-
Prepaid items	-	40	-	-
Accounts payable	3	352	(285)	-
Accrued payroll	-	16	-	-
Accrued compensated absences	-	(624)	-	-
Accrued claims and judgements	-	(52)	-	-
Deposits	-	1	-	-
Unearned revenue	-	404	-	-
Net cash provided by (used for) operating activities	<u>\$ (31)</u>	<u>\$ 70,262</u>	<u>\$ (1,699)</u>	<u>\$ 3,755</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ 4,021	\$ -	\$ -
Amortization of bond premium and discount	-	1,277	-	1,111
Amortization of bond loss on refunding	-	(328)	-	-
Amortization of bond gain on refunding	-	190	-	-
Amortization of bond prepaid insurance	-	(23)	-	-
Capital asset acquisitions on accounts payable	559	1,739	138	-

(continued)

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>2017 Water Revenue Bonds Fund</u>	<u>Drinking Water SRF Loan Fund</u>	<u>Eliminations</u>	<u>Total Water Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (771)	\$ (174)	\$ -	\$ 48,086
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	578	24	-	20,644
Amortization of intangible assets	-	-	-	84
Pension expense	-	-	-	3,358
OPEB expense	-	-	-	17
Changes in assets and liabilities:				
Accounts receivable, net	-	-	-	(761)
Other receivables	-	-	-	200
Inventories	-	-	-	461
Prepaid items	-	-	-	40
Accounts payable	-	-	-	70
Accrued payroll	-	-	-	16
Accrued compensated absences	-	-	-	(624)
Accrued claims and judgements	-	-	-	(52)
Deposits	-	-	-	1
Unearned revenue	-	-	-	404
Net cash provided by (used for) operating activities	<u>\$ (193)</u>	<u>\$ (150)</u>	<u>\$ -</u>	<u>\$ 71,944</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 4,021
Amortization of bond premium and discount	329	-	-	2,717
Amortization of bond loss on refunding	-	-	-	(328)
Amortization of bond gain on refunding	-	-	-	190
Amortization of bond prepaid insurance	-	-	-	(23)
Capital asset acquisitions on accounts payable	5,311	5,425	-	13,172

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WASTEWATER FUND

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City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ -	\$ 39,946	\$ (581)
Receivables, net:			
Accounts	319	11,495	-
Loans	-	136	-
Intergovernmental	-	-	1,164
Interest	-	255	-
Inventories	-	45	-
Prepaid items	-	1	-
	<u>319</u>	<u>51,878</u>	<u>583</u>
Total current assets			
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	5,209	840	-
Cash and investments held by fiscal agent	-	-	-
Loans receivable	-	281	-
Capital assets:			
Land	-	1,138	-
Buildings and improvements	-	15,685	-
Machinery and equipment	-	4,846	-
Transmission and distribution systems	1,013	159,765	3,595
Construction in progress	788	7,258	2,473
Software	-	471	-
Less: accumulated depreciation/amortization	(43)	(78,893)	(45)
	<u>6,967</u>	<u>111,391</u>	<u>6,023</u>
Total noncurrent assets			
Total assets	<u>7,286</u>	<u>163,269</u>	<u>6,606</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	-	2,624	-
Deferred outflows related to OPEB	-	356	-
Total deferred outflows of resources	<u>-</u>	<u>2,980</u>	<u>-</u>

City of Sacramento
Wastewater Fund
Combining Schedule of Net Position

June 30, 2018
(in thousands)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ -	\$ -	\$ 39,365
Receivables, net:			
Accounts	-	-	11,814
Loans	-	-	136
Intergovernmental	-	-	1,164
Interest	-	-	255
Inventories	-	-	45
Prepaid items	-	-	1
	<u>-</u>	<u>-</u>	<u>52,780</u>
Total current assets			
	<u>-</u>	<u>-</u>	<u>52,780</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	461	-	6,510
Cash and investments held by fiscal agent	981	-	981
Loans receivable	-	-	281
Capital assets:			
Land	-	-	1,138
Buildings and improvements	11,498	-	27,183
Machinery and equipment	301	-	5,147
Transmission and distribution systems	20,265	-	184,638
Construction in progress	1,339	-	11,858
Software	97	-	568
Less: accumulated depreciation/amortization	(1,250)	-	(80,231)
	<u>33,692</u>	<u>-</u>	<u>158,073</u>
Total noncurrent assets			
	<u>33,692</u>	<u>-</u>	<u>158,073</u>
Total assets			
	<u>33,692</u>	<u>-</u>	<u>210,853</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	-	-	2,624
Deferred outflows related to OPEB	-	-	356
	<u>-</u>	<u>-</u>	<u>2,980</u>
Total deferred outflows of resources			
	<u>-</u>	<u>-</u>	<u>2,980</u>

City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	7	13,451	583
Accrued payroll	-	453	-
Accrued compensated absences	-	30	-
Interest payable	-	25	-
Accrued claims and judgements	-	92	-
Revenue and other bonds payable, net	-	-	-
Notes payable	-	766	-
Total current liabilities	<u>7</u>	<u>14,817</u>	<u>583</u>
Noncurrent liabilities:			
Accrued compensated absences	-	587	-
Net OPEB liability	-	6,573	-
Revenue and other bonds payable, net	-	-	-
Notes payable	-	1,499	-
Net pension liability	-	13,213	-
Total noncurrent liabilities	<u>-</u>	<u>21,872</u>	<u>-</u>
Total liabilities	<u>7</u>	<u>36,689</u>	<u>583</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	-	63	-
Deferred inflows related to OPEB	-	354	-
Total deferred inflows of resources	<u>-</u>	<u>417</u>	<u>-</u>
<u>NET POSITION</u>			
Net investment in capital assets	1,758	108,005	6,023
Restricted for:			
Capital projects	5,521	-	-
Unrestricted	-	21,138	-
Total net position (deficit)	<u>\$ 7,279</u>	<u>\$ 129,143</u>	<u>\$ 6,023</u>

(continued)

City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
 June 30, 2018
 (in thousands)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	-	-	14,041
Accrued payroll	-	-	453
Accrued compensated absences	-	-	30
Interest payable	447	-	472
Accrued claims and judgements	-	-	92
Revenue and other bonds payable, net	687	-	687
Notes payable	-	-	766
Total current liabilities	<u>1,134</u>	<u>-</u>	<u>16,541</u>
Noncurrent liabilities:			
Accrued compensated absences	-	-	587
Net OPEB liability	-	-	6,573
Revenue and other bonds payable, net	29,817	-	29,817
Notes payable	-	-	1,499
Net pension liability	-	-	13,213
Total noncurrent liabilities	<u>29,817</u>	<u>-</u>	<u>51,689</u>
Total liabilities	<u>30,951</u>	<u>-</u>	<u>68,230</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	-	-	63
Deferred inflows related to OPEB	-	-	354
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>417</u>
<u>NET POSITION</u>			
Net investment in capital assets	3,792	-	119,578
Restricted for:			
Capital projects	-	-	5,521
Unrestricted	<u>(1,051)</u>	<u>-</u>	<u>20,087</u>
Total net position (deficit)	<u>\$ 2,741</u>	<u>\$ -</u>	<u>\$ 145,186</u>

City of Sacramento
Wastewater Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Operating revenues:			
Charges for services:			
User fees and charges	\$ -	\$ 36,724	\$ -
Charge to other agencies for contract services	-	860	-
Miscellaneous	-	12	-
Total operating revenues	<u>-</u>	<u>37,596</u>	<u>-</u>
Operating expenses:			
Employee services	-	10,568	-
Services and supplies	-	12,739	44
Depreciation/amortization	10	3,390	22
Claims and judgements	-	148	-
Total operating expenses	<u>10</u>	<u>26,845</u>	<u>66</u>
Operating income (loss)	<u>(10)</u>	<u>10,751</u>	<u>(66)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	68	9	-
Interest expense	-	(61)	-
Total nonoperating revenues (expenses)	<u>68</u>	<u>(52)</u>	<u>-</u>
Income (loss) before contributions and transfers	58	10,699	(66)
Capital contributions	1,884	3,736	1,684
Transfers in	-	92	-
Transfers out	-	(6,035)	-
Change in net position	1,942	8,492	1,618
Total net position (deficit), beginning of year, as restated	<u>5,337</u>	<u>120,651</u>	<u>4,405</u>
Total net position (deficit), end of year	<u>\$ 7,279</u>	<u>\$ 129,143</u>	<u>\$ 6,023</u>

City of Sacramento
Wastewater Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2018
(in thousands)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
Operating revenues:			
Charges for services:			
User fees and charges	\$ -	\$ -	\$ 36,724
Charge to other agencies for contract services	-	-	860
Miscellaneous	-	-	12
Total operating revenues	<u>-</u>	<u>-</u>	<u>37,596</u>
Operating expenses:			
Employee services	-	-	10,568
Services and supplies	(489)	-	12,294
Depreciation/amortization	471	-	3,893
Claims and judgements	-	-	148
Total operating expenses	<u>(18)</u>	<u>-</u>	<u>26,903</u>
Operating income (loss)	<u>18</u>	<u>-</u>	<u>10,693</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	5	-	82
Interest expense	(1,287)	-	(1,348)
Total nonoperating revenues (expenses)	<u>(1,282)</u>	<u>-</u>	<u>(1,266)</u>
Income (loss) before contributions and transfers	(1,264)	-	9,427
Capital contributions	-	-	7,304
Transfers in	1,957	(1,957)	92
Transfers out	-	1,957	(4,078)
Change in net position	693	-	12,745
Total net position (deficit), beginning of year, as restated	<u>2,048</u>	<u>-</u>	<u>132,441</u>
Total net position (deficit), end of year	<u>\$ 2,741</u>	<u>\$ -</u>	<u>\$ 145,186</u>

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ 36,987	\$ -
Payments to suppliers	-	(12,244)	(72)
Payments to employees	-	(9,718)	-
Claims and judgements paid	-	(127)	-
Net cash provided by (used for) operating activities	-	14,898	(72)
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	92	-
Transfers out to other funds	-	(4,014)	-
Net cash provided by (used for) noncapital financing activities	-	(3,922)	-
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(508)	(7,620)	(1,270)
Principal payments on capital debt	-	(789)	-
Interest payments on capital debt	-	(70)	-
Transfers in from other funds	-	-	-
Transfers out to other funds	-	(2,021)	-
Capital contributions received	1,565	-	73
Loan repayments received	-	134	-
Net cash provided by (used for) capital and related financing activities	1,057	(10,366)	(1,197)
Cash flows from investing activities:			
Collection of interest and investment revenue	68	(67)	-
Net cash provided by (used for) investing activities	68	(67)	-
Net increase (decrease) in cash and cash equivalents	1,125	543	(1,269)
Cash and cash equivalents, beginning of year	4,084	40,243	688
Cash and cash equivalents, end of year	<u>\$ 5,209</u>	<u>\$ 40,786</u>	<u>\$ (581)</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ -	\$ 39,946	\$ (581)
Restricted cash and investments held by City	5,209	840	-
Restricted cash and investments held by fiscal agent	-	-	-
Total cash and cash equivalents, end of year	<u>\$ 5,209</u>	<u>\$ 40,786</u>	<u>\$ (581)</u>

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows

For the Fiscal Year Ended June 30, 2018
(in thousands)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ -	\$ 36,987
Payments to suppliers	489	-	(11,827)
Payments to employees	-	-	(9,718)
Claims and judgements paid	-	-	(127)
Net cash provided by (used for) operating activities	489		15,315
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	-	92
Transfers out to other funds	-	-	(4,014)
Net cash provided by (used for) noncapital financing activities	-	-	(3,922)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(513)	-	(9,911)
Principal payments on capital debt	(605)	-	(1,394)
Interest payments on capital debt	(1,352)	-	(1,422)
Transfers in from other funds	1,957	(1,957)	-
Transfers out to other funds	-	1,957	(64)
Capital contributions received	-	-	1,638
Loan repayments received	-	-	134
Net cash provided by (used for) capital and related financing activities	(513)	-	(11,019)
Cash flows from investing activities:			
Collection of interest and investment revenue	5	-	6
Net cash provided by (used for) investing activities	5		6
Net increase (decrease) in cash and cash equivalents	(19)	-	380
Cash and cash equivalents, beginning of year	1,461	-	46,476
Cash and cash equivalents, end of year	\$ 1,442	\$ -	\$ 46,856
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ -	\$ -	\$ 39,365
Restricted cash and investments held by City	461	-	6,510
Restricted cash and investments held by fiscal agent	981	-	981
Total cash and cash equivalents, end of year	\$ 1,442	\$ -	\$ 46,856

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Development Impact Fee Fund</u>	<u>User Fee Fund</u>	<u>Grant Projects Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (10)	\$ 10,751	\$ (66)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	10	3,346	22
Amortization of intangible assets	-	44	-
Pension expense	-	937	-
OPEB expense	-	5	-
Changes in assets and liabilities:			
Accounts receivable, net	-	(609)	-
Inventories	-	(17)	-
Prepaid items	-	4	-
Accounts payable	-	508	(28)
Accrued payroll	-	39	-
Accrued compensated absences	-	(131)	-
Accrued claims and judgements	-	21	-
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 14,898</u>	<u>\$ (72)</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ 3,736	\$ -
Amortization of bond premium and discount	-	-	-
Capital asset acquisitions on accounts payable	-	594	583

(continued)

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>2013 Wastewater Revenue Bonds Fund</u>	<u>Eliminations</u>	<u>Total Wastewater Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 18	\$ -	\$ 10,693
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	461	-	3,839
Amortization of intangible assets	10	-	54
Pension expense	-	-	937
OPEB expense	-	-	5
Changes in assets and liabilities:			
Accounts receivable, net	-	-	(609)
Inventories	-	-	(17)
Prepaid items	-	-	4
Accounts payable	-	-	480
Accrued payroll	-	-	39
Accrued compensated absences	-	-	(131)
Accrued claims and judgements	-	-	21
Net cash provided by (used for) operating activities	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 15,315</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ -	\$ 3,736
Amortization of bond premium and discount	57	-	57
Capital asset acquisitions on accounts payable	-	-	1,177

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INTERNAL SERVICE FUNDS

Internal service funds are established to account for goods or services provided by one department within the City to other departments on a cost reimbursement basis. The following are internal service funds:

THE FLEET MANAGEMENT FUND is used to account for the operation, maintenance and replacement of the City's fleet of vehicles that serve the transportation and operating needs of all City departments and divisions.

THE RISK MANAGEMENT FUND is used to account for the City's self-funded general and automobile insurance program and workers' compensation insurance program.

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City of Sacramento
Internal Service Funds
Combining Statement of Net Position

June 30, 2018
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ 21,336	\$ 91,853	\$ 113,189
Cash and investments held by fiscal agent	-	196	196
Receivables, net:			
Accounts	62	720	782
Interest	-	465	465
Due from other funds	-	577	577
Prepaid items	5,221	-	5,221
	<u>26,619</u>	<u>93,811</u>	<u>120,430</u>
Total current assets			
Noncurrent assets:			
Advances to other funds	-	12,270	12,270
Capital assets:			
Buildings and improvements	7,159	-	7,159
Machinery and equipment	543	-	543
Vehicles	156,537	-	156,537
Software	256	-	256
Construction in progress	391	-	391
Less: accumulated depreciation/amortization	(99,828)	-	(99,828)
	<u>65,058</u>	<u>12,270</u>	<u>77,328</u>
Total noncurrent assets			
Total assets			
	<u>91,677</u>	<u>106,081</u>	<u>197,758</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	1,946	1,129	3,075
Deferred outflows related to OPEB	370	61	431
	<u>2,316</u>	<u>1,190</u>	<u>3,506</u>
Total deferred outflows of resources			

City of Sacramento
Internal Service Funds
Combining Statement of Net Position

June 30, 2018
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	3,744	1,898	5,642
Accrued payroll	352	188	540
Accrued compensated absences	50	35	85
Interest payable	5	-	5
Unearned revenue	-	291	291
Accrued claims and judgements	29	18,849	18,878
Capital leases payable	29	-	29
Revenue and other bonds payable, net	403	-	403
	<u>4,612</u>	<u>21,261</u>	<u>25,873</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	582	315	897
Net OPEB liability	6,848	1,124	7,972
Accrued claims and judgements	-	59,896	59,896
Capital leases payable	15	-	15
Revenue and other bonds payable, net	805	-	805
Net pension liability	8,719	5,123	13,842
	<u>16,969</u>	<u>66,458</u>	<u>83,427</u>
Total noncurrent liabilities			
Total liabilities	<u>21,581</u>	<u>87,719</u>	<u>109,300</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	15	8	23
Deferred inflows related to OPEB	369	60	429
	<u>384</u>	<u>68</u>	<u>452</u>
Total deferred inflows of resources			
<u>NET POSITION</u>			
Net investment in capital assets	63,807	-	63,807
Unrestricted	8,221	19,484	27,705
Total net position	<u>\$ 72,028</u>	<u>\$ 19,484</u>	<u>\$ 91,512</u>

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City of Sacramento
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2018
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 56,362	\$ 31,309	\$ 87,671
Miscellaneous	4	-	4
Total operating revenues	<u>56,366</u>	<u>31,309</u>	<u>87,675</u>
Operating expenses:			
Employee services	8,019	4,679	12,698
Services and supplies	21,256	6,876	28,132
Depreciation/amortization	10,925	-	10,925
Insurance premiums	-	4,987	4,987
Claims and judgements	-	15,424	15,424
Total operating expenses	<u>40,200</u>	<u>31,966</u>	<u>72,166</u>
Operating income (loss)	<u>16,166</u>	<u>(657)</u>	<u>15,509</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	216	531	747
Revenue from other agencies	492	18	510
Insurance and other claim recoveries	-	715	715
Interest expense	(27)	-	(27)
Gain (loss) on disposition of capital assets	63	-	63
Total nonoperating revenues (expenses)	<u>744</u>	<u>1,264</u>	<u>2,008</u>
Income (loss) before contributions and transfers	16,910	607	17,517
Transfers in	428	4	432
Transfers out	(664)	-	(664)
Change in net position	16,674	611	17,285
Total net position, beginning of year, as restated	<u>55,354</u>	<u>18,873</u>	<u>74,227</u>
Total net position, end of year	<u>\$ 72,028</u>	<u>\$ 19,484</u>	<u>\$ 91,512</u>

City of Sacramento
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 56,381	\$ 96,488	\$ 152,869
Payments to suppliers	(23,322)	(76,075)	(99,397)
Payments to employees	(7,328)	(4,155)	(11,483)
Claims and judgements paid	(13)	(17,428)	(17,441)
Net cash provided by (used for) operating activities	<u>25,718</u>	<u>(1,170)</u>	<u>24,548</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	4	4
Transfers out to other funds	(600)	-	(600)
Collections on interfund loans	-	1,133	1,133
Loans made to other funds	-	(327)	(327)
Intergovernmental revenue received	492	18	510
Claim and judgement recoveries	-	148	148
Net cash provided by (used for) noncapital financing activities	<u>(108)</u>	<u>976</u>	<u>868</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(21,591)	-	(21,591)
Proceeds from sale of capital assets	568	-	568
Principal payments on capital debt	(390)	-	(390)
Interest payments on capital debt	(69)	-	(69)
Transfers in from other funds	364	-	364
Net cash used for capital and related financing activities	<u>(21,118)</u>	<u>-</u>	<u>(21,118)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	216	368	584
Net cash provided by investing activities	<u>216</u>	<u>368</u>	<u>584</u>
Net increase in cash and cash equivalents	4,708	174	4,882
Cash and cash equivalents, beginning of year	16,628	91,875	108,503
Cash and cash equivalents, end of year	<u>\$ 21,336</u>	<u>\$ 92,049</u>	<u>\$ 113,385</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 21,336	\$ 91,853	\$ 113,189
Cash and investments held by fiscal agent	-	196	196
Total cash and cash equivalents, end of year	<u>\$ 21,336</u>	<u>\$ 92,049</u>	<u>\$ 113,385</u>

City of Sacramento
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(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)	\$ 16,166	\$ (657)	\$ 15,509
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	10,908	-	10,908
Amortization of intangible assets	17	-	17
Pension expense	661	459	1,120
OPEB expense	7	1	8
Changes in assets and liabilities:			
Accounts receivable, net	15	6	21
Prepaid items	6	3	9
Accounts payable	(2,072)	1,012	(1,060)
Accrued payroll	28	16	44
Accrued compensated absences	4	51	55
Unearned revenue	-	(57)	(57)
Accrued claims and judgements	(22)	(2,004)	(2,026)
Net cash provided by (used for) operating activities	<u>\$ 25,718</u>	<u>\$ (1,170)</u>	<u>\$ 24,548</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium, discount	\$ 40	\$ -	\$ 40
Capital asset acquisitions on accounts payable	3,083	-	3,083

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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 Net Position

June 30, 2018
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
<u>ASSETS</u>			
Cash and investments held by City	\$ 70,033	\$ 86,206	\$ 156,239
Receivables, net:			
Interest	<u>269</u>	<u>273</u>	<u>542</u>
Total assets	<u>70,302</u>	<u>86,479</u>	<u>156,781</u>
<u>NET POSITION</u>			
Held in trust	<u>\$ 70,302</u>	<u>\$ 86,479</u>	<u>\$ 156,781</u>

City of Sacramento
Investment Trust Funds
Combining Statement of Changes in Net Position

For the Fiscal Year Ended June 30, 2018
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
Additions:			
From investment activities:			
Net appreciation in fair value of investments	\$ (679)	\$ (862)	\$ (1,541)
Interest	<u>1,157</u>	<u>1,398</u>	<u>2,555</u>
Total investment earnings	478	536	1,014
Less investment expenses:			
Banking, interest, and fiscal agent expenses	<u>160</u>	<u>-</u>	<u>160</u>
Net income from investing activities	<u>318</u>	<u>536</u>	<u>854</u>
Net investment income	318	536	854
Deposits	<u>68,007</u>	<u>1,257</u>	<u>69,264</u>
Total additions	68,325	1,793	70,118
Deductions:			
Withdrawals	<u>65,748</u>	<u>34</u>	<u>65,782</u>
Change in net position	2,577	1,759	4,336
Net position, beginning of year	<u>67,725</u>	<u>84,720</u>	<u>152,445</u>
Net position, end of year	<u>\$ 70,302</u>	<u>\$ 86,479</u>	<u>\$ 156,781</u>

AGENCY FUNDS

Agency funds account for assets held for other organizations, governments, or private individuals and includes:

THE ASSESSMENT DISTRICTS FUND is used to account for parcel assessments and debt service for bonds issued under the Improvement Bond Act of 1915.

THE COMMUNITY FACILITIES DISTRICTS FUND is used to account for special tax assessments, debt service payments and the payment of other costs related to Mello-Roos districts within the City.

City of Sacramento
Agency Funds
Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2018
(in thousands)

ASSESSMENT DISTRICTS FUND	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
ASSETS				
Cash and investments held by City	\$ 1,980	\$ 1,139	\$ 1,270	\$ 1,849
Cash and investments held by fiscal agent	928	1,016	1,055	889
Receivables, net:				
Accounts	13	8	13	8
Total assets	<u>\$ 2,921</u>	<u>\$ 2,163</u>	<u>\$ 2,338</u>	<u>\$ 2,746</u>
LIABILITIES				
Accounts payable	\$ -	\$ 12	\$ 4	\$ 8
Due to bondholders	2,921	1,068	1,251	2,738
Total liabilities	<u>\$ 2,921</u>	<u>\$ 1,080</u>	<u>\$ 1,255</u>	<u>\$ 2,746</u>

COMMUNITY FACILITIES DISTRICTS FUND	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
ASSETS				
Cash and investments held by City	\$ 13,557	\$ 28,528	\$ 28,828	\$ 13,257
Cash and investments held by fiscal agent	15,579	17,422	15,991	17,010
Receivables, net:				
Taxes	216	228	279	165
Interest	31	33	31	33
Total assets	<u>\$ 29,383</u>	<u>\$ 46,211</u>	<u>\$ 45,129</u>	<u>\$ 30,465</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ -	\$ 1,038	\$ 1,038	\$ -
Due to bondholders	29,383	31,714	30,632	30,465
Total liabilities	<u>\$ 29,383</u>	<u>\$ 32,752</u>	<u>\$ 31,670</u>	<u>\$ 30,465</u>

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
ASSETS				
Cash and investments held by City	\$ 15,537	\$ 29,667	\$ 30,098	\$ 15,106
Cash and investments held by fiscal agent	16,507	18,438	17,046	17,899
Receivables, net:				
Taxes	216	228	279	165
Accounts	13	8	13	8
Interest	31	33	31	33
Total assets	<u>\$ 32,304</u>	<u>\$ 48,374</u>	<u>\$ 47,467</u>	<u>\$ 33,211</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ -	\$ 1,050	\$ 1,042	\$ 8
Due to bondholders	32,304	32,782	31,883	33,203
Total liabilities	<u>\$ 32,304</u>	<u>\$ 33,832</u>	<u>\$ 32,925</u>	<u>\$ 33,211</u>

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Statistical Section

Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends Information

These schedules contain trend information to help the reader understand how the City's financial performance and condition have changed over time.

Revenue Capacity Information

These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Successor Agency Information

These schedules present revenue and debt capacity information related to the Successor Agency for the former Redevelopment Agency of the City of Sacramento. These schedules contain trend information to help the reader understand the Successor Agency's primary revenue source, property tax distributions from the county redevelopment property tax trust fund, and affordability of the Successor Agency's current level of outstanding debt.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Sacramento
Net Position by Component ^{(1) (2) (3) (4) (5) (6)}
Last Ten Fiscal Years
(accrual basis accounting, in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 1,249,993	\$ 1,286,576	\$ 1,328,932	\$ 1,367,540	\$ 1,369,377
Restricted for:					
Capital projects	221,594	186,619	156,157	149,904	131,822
Debt service	544	494	1,105	1,101	641
Public works programs	-	-	21,484	18,103	16,756
Economic development programs	-	-	-	-	23,979
Ambulance services	-	-	-	-	-
Other programs	30,836	32,443	23,544	23,274	21,087
Trust and endowments:					
Expendable	4,442	4,690	5,659	6,870	7,225
Nonexpendable	1,934	1,934	1,934	878	878
Unrestricted	84,092	76,953	16,107	6,128	1,837
Total governmental activities net position	<u>\$ 1,593,435</u>	<u>\$ 1,589,709</u>	<u>\$ 1,554,922</u>	<u>\$ 1,573,798</u>	<u>\$ 1,573,602</u>
Business-type activities					
Net investment in capital assets	\$ 687,417	\$ 691,197	\$ 701,157	\$ 705,527	\$ 720,039
Restricted for:					
Capital projects	16,866	25,781	30,184	33,209	33,168
Other programs	-	-	-	530	349
Unrestricted	92,458	106,148	113,804	123,265	140,385
Total business-type activities net position	<u>\$ 796,741</u>	<u>\$ 823,126</u>	<u>\$ 845,145</u>	<u>\$ 862,531</u>	<u>\$ 893,941</u>
Primary government					
Net investment in capital assets	\$ 1,937,410	\$ 1,977,773	\$ 2,030,089	\$ 2,073,067	\$ 2,089,416
Restricted for:					
Capital projects	238,460	212,400	186,341	183,113	164,990
Debt service	544	494	1,105	1,101	641
Public works programs	-	-	21,484	18,103	16,756
Economic development programs	-	-	-	-	23,979
Ambulance services	-	-	-	-	-
Other programs	30,836	32,443	23,544	23,804	21,436
Trust and endowments:					
Expendable	4,442	4,690	5,659	6,870	7,225
Nonexpendable	1,934	1,934	1,934	878	878
Unrestricted	176,550	183,101	129,911	129,393	142,222
Total primary government net position	<u>\$ 2,390,176</u>	<u>\$ 2,412,835</u>	<u>\$ 2,400,067</u>	<u>\$ 2,436,329</u>	<u>\$ 2,467,543</u>

- 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 fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (3) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (4) 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.
- (5) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.
- (6) Fiscal year 2017 beginning net position was restated due to the implementation of GASB 75.

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				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 1,393,447	\$ 1,445,139	\$ 1,497,796	\$ 1,296,493	\$ 1,335,576
Restricted for:					
Capital projects	116,271	116,910	80,054	119,131	136,831
Debt service	652	665	1,203	872	606
Public works programs	16,462	19,027	20,521	18,866	24,750
Economic development programs	22,493	17,280	16,888	16,251	44,920
Ambulance services	-	1,085	1,085	-	-
Other programs	22,315	26,735	28,381	23,645	26,786
Trust and endowments					
Expendable	7,928	7,789	8,008	8,545	8,656
Nonexpendable	878	878	878	878	878
Unrestricted	30,170	(591,896)	(581,697)	(443,845)	(667,254)
Total governmental activities net position	<u>\$ 1,610,616</u>	<u>\$ 1,043,612</u>	<u>\$ 1,073,117</u>	<u>\$ 1,040,836</u>	<u>\$ 911,749</u>
Business-type activities					
Net investment in capital assets	\$ 733,980	\$ 748,312	\$ 785,353	\$ 807,004	\$ 869,183
Restricted for:					
Capital projects	33,255	33,914	40,772	39,155	38,473
Other programs	1,215	1,730	2,203	2,607	2,633
Unrestricted	177,814	107,305	123,842	150,049	124,001
Total business-type activities net assets	<u>\$ 946,264</u>	<u>\$ 891,261</u>	<u>\$ 952,170</u>	<u>\$ 998,815</u>	<u>\$ 1,034,290</u>
Primary government					
Net investment in capital assets	\$ 2,127,427	\$ 2,193,451	\$ 2,283,149	\$ 2,103,497	\$ 2,204,759
Restricted for:					
Capital projects	149,526	150,824	120,826	158,286	175,304
Debt service	652	665	1,203	872	606
Public works programs	16,462	19,027	20,521	18,866	24,750
Economic development programs	22,493	17,280	16,888	16,251	44,920
Ambulance services	-	1,085	1,085	-	-
Other programs	23,530	28,465	30,584	26,252	29,419
Trust and endowments					
Expendable	7,928	7,789	8,008	8,545	8,656
Nonexpendable	878	878	878	878	878
Unrestricted	207,984	(484,591)	(457,855)	(293,796)	(543,253)
Total primary government net position	<u>\$ 2,556,880</u>	<u>\$ 1,934,873</u>	<u>\$ 2,025,287</u>	<u>\$ 2,039,651</u>	<u>\$ 1,946,039</u>

- 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 fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (3) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (4) 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.
- (5) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.
- (6) Fiscal year 2017 beginning net position was restated due to the implementation of GASB 75.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses ⁽³⁾					
<i>Governmental Activities</i>					
General government	\$ 45,956	\$ 44,278	\$ 42,238	\$ 40,846	\$ 36,681
Police	153,874	152,922	159,908	153,392	157,432
Fire	107,119	109,210	111,174	116,418	117,451
Public works	-	-	-	-	126,636
General services ⁽⁴⁾	25,067	26,110	22,614	23,083	15,343
Transportation	95,238	89,358	97,350	98,384	-
Economic development ⁽⁵⁾	10,055	9,815	10,467	9,704	10,468
Convention and cultural services	18,573	18,064	21,348	19,857	19,537
Parks and recreation	54,209	51,984	56,162	45,448	48,457
Code enforcement	10,882	10,984	-	-	-
Community development	-	18,848	25,821	24,286	29,253
Neighborhood services	1,370	1,105	-	-	-
Development services	24,063	-	-	-	-
Planning	2,973	-	-	-	-
Library	13,976	16,827	14,635	13,301	13,753
Interest on long-term debt	29,284	29,658	24,903	23,583	22,420
Total governmental activities expenses	<u>592,639</u>	<u>579,163</u>	<u>586,620</u>	<u>568,302</u>	<u>597,431</u>
<i>Business type activities</i>					
Water	66,757	60,902	63,073	67,335	68,643
Wastewater	20,498	17,389	18,990	20,491	22,776
Storm drainage	38,483	37,040	37,815	37,692	36,755
Solid waste	67,911	47,076	48,203	53,205	49,794
Community center	20,342	19,563	18,530	18,125	17,251
Child development	7,617	6,797	6,274	5,885	6,116
Marina	1,045	1,625	2,662	2,008	-
Parking	16,009	16,390	15,786	15,732	15,358
Total business-type activities	<u>238,662</u>	<u>206,782</u>	<u>211,333</u>	<u>220,473</u>	<u>216,693</u>
Total primary government expenses	<u>\$ 831,301</u>	<u>\$ 785,945</u>	<u>\$ 797,953</u>	<u>\$ 788,775</u>	<u>\$ 814,124</u>

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 issuance 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.

(5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

City of Sacramento
Changes in Net Position ^{(1) (2) (3)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses ⁽³⁾					
<i>Governmental Activities</i>					
General government	\$ 41,190	\$ 52,474	\$ 59,037	\$ 59,033	\$ 100,625
Police	157,248	166,797	164,750	176,955	199,746
Fire	125,461	127,561	137,859	146,693	160,216
Public works	103,632	103,088	121,184	106,328	122,340
General services ⁽⁴⁾	13,807	15,619	-	-	-
Transportation	-	-	-	-	-
Economic development ⁽⁵⁾	17,080	11,075	13,049	13,397	-
Convention and cultural services	17,916	19,441	24,139	20,380	21,066
Parks and recreation	52,336	56,573	53,911	50,156	55,518
Code enforcement	-	-	-	-	-
Community development	26,484	30,221	36,251	41,726	50,879
Neighborhood services	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Library	13,720	15,629	16,294	16,122	17,376
Interest on long-term debt	22,178	29,046	30,404	27,626	23,144
Total governmental activities expenses	<u>591,052</u>	<u>627,524</u>	<u>656,878</u>	<u>658,416</u>	<u>750,910</u>
<i>Business type activities</i>					
Water	66,627	69,428	73,150	80,176	87,745
Wastewater	25,673	25,432	25,348	29,075	28,251
Storm drainage	36,664	41,830	40,971	40,479	41,199
Solid waste	49,014	47,149	47,703	51,693	56,698
Community center	17,204	17,690	17,277	16,607	17,795
Child development	6,297	6,151	5,519	5,743	6,589
Marina	-	-	-	-	-
Parking	15,238	13,704	14,451	11,955	13,475
Total business-type activities	<u>216,717</u>	<u>221,384</u>	<u>224,419</u>	<u>235,728</u>	<u>251,752</u>
Total primary government expenses	<u>\$ 807,769</u>	<u>\$ 848,908</u>	<u>\$ 881,297</u>	<u>\$ 894,144</u>	<u>\$ 1,002,662</u>

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 issuance 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.

(5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Program Revenues					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 5,290	\$ 6,614	\$ 5,827	\$ 5,608	\$ 6,924
Police	4,819	4,098	10,316	9,714	9,693
Fire	24,448	22,711	21,998	21,643	24,288
Public works	-	-	-	-	28,321
General services ⁽⁴⁾	10,878	9,964	10,442	10,965	3,175
Transportation	26,391	28,857	28,614	28,309	-
Economic development ⁽⁵⁾	8,345	8,497	9,136	8,800	8,685
Convention and cultural services	11,026	9,689	9,364	7,985	8,817
Parks and recreation	10,187	10,122	10,039	11,579	10,604
Code enforcement	7,932	5,627	-	-	-
Community development	-	8,752	15,409	15,459	15,423
Neighborhood services	195	166	-	-	-
Development services	16,115	-	-	-	-
Planning	108	-	-	-	-
Library	-	-	-	-	33
Total charge for services	125,734	115,097	121,145	120,062	115,963
Operating grants and contributions	53,206	59,179	51,289	54,287	81,822
Capital grants and contributions	119,689	90,888	69,234	112,247	69,323
Total governmental activities program revenues	<u>298,629</u>	<u>265,164</u>	<u>241,668</u>	<u>286,596</u>	<u>267,108</u>
<i>Business - type activities</i>					
Charge for services					
Water	62,619	70,463	79,315	79,809	88,754
Wastewater	19,775	20,284	21,360	21,513	25,134
Storm drainage	32,747	34,082	34,160	34,545	35,682
Solid waste	55,949	58,901	62,906	64,055	60,295
Community center	7,651	7,020	6,780	7,521	7,130
Child development	5,640	5,473	5,309	5,232	5,426
Marina	1,748	1,782	1,464	1,359	-
Parking	18,661	18,784	18,660	18,769	18,823
Total charge for services	204,790	216,789	229,954	232,803	241,244
Operating grants and contributions	2,343	2,381	2,358	3,744	1,095
Capital grants and contributions	38,094	14,148	10,417	5,289	7,480
Total business - type activities program revenues	<u>245,227</u>	<u>233,318</u>	<u>242,729</u>	<u>241,836</u>	<u>249,819</u>
Total primary government program revenues	<u>\$ 543,856</u>	<u>\$ 498,482</u>	<u>\$ 484,397</u>	<u>\$ 528,432</u>	<u>\$ 516,927</u>
Net (Expense) Revenue					
Governmental activities	\$ (294,010)	\$ (313,999)	\$ (344,952)	\$ (281,706)	\$ (330,323)
Business - type activities	6,565	26,536	31,396	21,363	33,126
Total primary government net expenses	<u>\$ (287,445)</u>	<u>\$ (287,463)</u>	<u>\$ (313,556)</u>	<u>\$ (260,343)</u>	<u>\$ (297,197)</u>

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.

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(4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

(5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Program Revenues					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 7,270	\$ 6,436	\$ 7,103	\$ 6,573	\$ 19,438
Police	10,804	11,583	11,022	13,068	12,586
Fire	26,155	32,264	31,204	30,897	42,898
Public works	30,337	32,840	37,179	42,897	50,159
General services ⁽⁴⁾	1,756	1,251	-	-	-
Transportation	-	-	-	-	-
Economic development ⁽⁵⁾	8,205	7,659	7,889	9,140	-
Convention and cultural services	9,311	9,303	10,085	10,860	12,456
Parks and recreation	13,359	15,004	13,792	12,954	13,065
Code enforcement	-	-	-	-	-
Community development	17,141	25,069	27,025	32,428	36,019
Neighborhood services	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Library	59	29	-	-	-
Total charge for services	124,397	141,438	145,299	158,817	186,621
Operating grants and contributions	47,430	52,306	35,442	36,938	41,811
Capital grants and contributions	89,539	115,354	122,528	86,856	101,476
Total governmental activities program revenues	<u>261,366</u>	<u>309,098</u>	<u>303,269</u>	<u>282,611</u>	<u>329,908</u>
<i>Business - type activities</i>					
Charge for services					
Water	94,382	100,523	98,533	108,867	119,379
Wastewater	28,493	32,223	31,532	34,311	37,596
Storm drainage	38,049	37,646	40,166	40,124	39,512
Solid waste	58,561	59,095	60,253	61,548	63,556
Community center	7,718	8,748	8,782	9,488	9,848
Child development	5,632	5,553	6,073	5,713	6,419
Marina	-	-	-	-	-
Parking	18,643	16,595	17,646	18,374	19,003
Total charge for services	251,478	260,383	262,985	278,425	295,313
Operating grants and contributions	1,963	2,142	3,435	3,967	2,179
Capital grants and contributions	4,403	7,292	7,433	6,229	23,726
Total business - type activities program revenues	<u>257,844</u>	<u>269,817</u>	<u>273,853</u>	<u>288,621</u>	<u>321,218</u>
Total primary government program revenues	<u>\$ 519,210</u>	<u>\$ 578,915</u>	<u>\$ 577,122</u>	<u>\$ 571,232</u>	<u>\$ 651,126</u>
Net (Expense) Revenue					
Governmental activities	\$ (329,686)	\$ (318,426)	\$ (353,609)	\$ (375,805)	\$ (421,002)
Business - type activities	41,127	48,433	49,434	52,893	69,466
Total primary government net expenses	<u>\$ (288,559)</u>	<u>\$ (269,993)</u>	<u>\$ (304,175)</u>	<u>\$ (322,912)</u>	<u>\$ (351,536)</u>

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(5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Revenues and Other					
Changes in Net Position					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 135,806	\$ 123,681	\$ 118,801	\$ 114,874	\$ 114,451
Utility user taxes	57,775	58,693	58,907	58,787	59,066
Other taxes	20,358	18,591	18,327	17,403	27,943
Sales taxes shared state revenue	48,905	46,769	47,680	50,683	52,300
In-lieu sales tax	15,745	14,332	14,548	14,081	16,113
Grants and other intergovernmental revenue					
not restricted to specific programs	4,224	4,591	2,610	-	-
Investment earnings	14,896	11,508	6,260	10,953	10,101
Miscellaneous	10,368	12,743	12,464	11,005	9,749
Contributions to permanent fund	-	-	4	1	1
Gain (loss) on disposition of capital assets	2,912	-	2,336	-	-
Special items, net	(929)	-	-	-	26,208
Transfers	8,348	19,365	28,229	22,722	19,002
Total Governmental activities	<u>318,408</u>	<u>310,273</u>	<u>310,166</u>	<u>300,509</u>	<u>334,934</u>
<i>Business-type activities</i>					
Taxes:					
Other taxes	15,852	14,233	15,403	15,781	16,555
Investment earnings	5,746	4,964	3,449	2,957	1,299
Miscellaneous	-	-	-	-	-
Gain (loss) on disposition of capital assets	-	17	-	7	-
Special items, net	-	-	-	-	-
Transfers	(8,348)	(19,365)	(28,229)	(22,722)	(19,002)
Total business-type activities	<u>13,250</u>	<u>(151)</u>	<u>(9,377)</u>	<u>(3,977)</u>	<u>(1,148)</u>
Total primary government	<u>\$ 331,658</u>	<u>\$ 310,122</u>	<u>\$ 300,789</u>	<u>\$ 296,532</u>	<u>\$ 333,786</u>
Change in Net Position					
Governmental activities	\$ 24,398	\$ (3,726)	\$ (34,786)	\$ 18,803	\$ 4,611
Business-type activities	19,815	26,385	22,019	17,386	31,978
Total primary government	<u>\$ 44,213</u>	<u>\$ 22,659</u>	<u>\$ (12,767)</u>	<u>\$ 36,189</u>	<u>\$ 36,589</u>

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 issuance costs and the reclassification of the Marina fund.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 122,477	\$ 129,714	\$ 138,354	\$ 146,697	\$ 156,710
Utility user taxes	59,613	59,947	61,404	62,997	62,989
Other taxes	61,584	66,205	70,761	77,608	83,981
Sales taxes shared state revenue	56,575	58,476	67,983	81,296	82,987
In-lieu sales tax	16,823	16,632	14,387	-	-
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	-	-
Investment earnings	10,136	8,769	11,328	9,178	5,593
Miscellaneous	8,853	11,060	12,954	14,221	17,328
Contributions to permanent fund	1	1	-	-	-
Gain (loss) on disposition of capital assets	4,567	5,340	-	(79,916)	-
Special items, net	(2,500)	-	(8,830)	-	-
Transfers	28,571	32,148	14,773	31,443	34,525
Total Governmental activities	366,700	388,292	383,114	343,524	444,113
<i>Business-type activities</i>					
Taxes:					
Other taxes	17,943	20,108	21,800	23,866	26,839
Investment earnings	3,294	1,567	4,428	1,292	1,013
Miscellaneous	3	5	20	20	37
Gain (loss) on disposition of capital assets	-	-	-	17	424
Special items, net	18,527	4,554	-	-	-
Transfers	(28,571)	(32,148)	(14,773)	(31,443)	(34,525)
Total business-type activities	11,196	(5,914)	11,475	(6,248)	(6,212)
Total primary government	\$ 377,896	\$ 382,378	\$ 394,589	\$ 337,276	\$ 437,901
Change in Net Position					
Governmental activities	\$ 37,014	\$ 69,866	\$ 29,505	\$ (32,281)	\$ 23,111
Business-type activities	52,323	42,519	60,909	47,180	63,254
Total primary government	\$ 89,337	\$ 112,385	\$ 90,414	\$ 14,899	\$ 86,365

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Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Fund Balances, Governmental Funds ^{(1) (2)}
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved for:					
Noncurrent assets	\$ 969	\$ 514	\$ -	\$ -	\$ -
Encumbrances	5,189	6,301	-	-	-
Inventories and prepaids	316	304	-	-	-
Unreserved	65,614	47,988	-	-	-
Nonspendable:					
Prepaid items	-	-	63	23	24
Due from Other Funds	-	-	-	-	-
Noncurrent assets	-	-	245	71	48
Restricted:					
Capital projects	-	-	-	-	-
Ambulance service	-	-	-	-	-
Other programs	-	-	86	64	40
Committed:					
Economic uncertainty	-	-	14,340	20,263	27,765
Capital projects	-	-	19,612	21,542	21,789
Community center theater renovation	-	-	-	-	8,500
B Street Theater project	-	-	-	-	-
Fire program	-	-	-	-	-
Pension	-	-	-	-	-
OPEB	-	-	-	-	2,000
Homeless programs	-	-	-	-	-
Gas Tax	-	-	-	-	-
Other programs	-	-	12,468	9,349	9,347
Assigned:					
Unrealized investment gains	-	-	972	402	-
Next year's budget	-	-	5,138	9,354	10,446
Unassigned	-	-	-	-	-
Total general fund	\$ 72,088	\$ 55,107	\$ 52,924	\$ 61,068	\$ 79,959
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 746	\$ 1,149	\$ -	\$ -	\$ -
Encumbrances	78,390	30,000	-	-	-
Debt service	20,517	20,269	-	-	-
Inventories and prepaids	35	35	-	-	-
Trust obligations	1,934	1,934	-	-	-
Capital projects	-	2,210	-	-	-
Unreserved, reported in:					
Special revenue funds	73,626	93,583	-	-	-
Capital projects funds	104,824	100,308	-	-	-
Debt service funds	9,868	10,047	-	-	-
Permanent funds	2,567	2,798	-	-	-
Nonspendable:					
Prepaid items	-	-	30	29	44
Noncurrent assets	-	-	1,577	605	530
Permanent fund principal	-	-	1,934	878	878
Restricted:					
Capital projects	-	-	161,365	150,475	135,069
Debt service	-	-	20,870	18,230	17,472
Public works programs	-	-	-	-	13,781
Ambulance service	-	-	-	-	-
Economic development programs	-	-	-	-	23,970
Other programs	-	-	50,264	50,026	31,115
Committed:					
Capital projects	-	-	606	469	3,666
Grant retention	-	-	-	-	-
Debt service	-	-	2,278	2,278	2,278
B Street Theater project	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	646	2,096	6,266
Assigned:					
Debt service	-	-	2,878	2,068	1,805
Unrealized investment gains	-	-	120	42	100
Other programs	-	-	2,281	4,093	3,758
Unassigned	-	-	(31,287)	(48,094)	(29,711)
Total all other governmental funds	\$ 292,507	\$ 262,333	\$ 213,562	\$ 183,195	\$ 211,021

Notes: (1) The City of Sacramento implemented GASB 54 for the period ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.
(2) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

City of Sacramento
Fund Balances, Governmental Funds ^{(1) (2)}

Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Reserved for:					
Noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	-	-
Inventories and prepaids	-	-	-	-	-
Unreserved	-	-	-	-	-
Nonspendable:					
Prepaid items	66	7	2	12	45
Due from other Funds	-	-	-	3,800	3,800
Noncurrent assets	-	4	-	-	-
Restricted:					
Capital projects	3,401	2,562	1,860	-	-
Ambulance service	-	1,085	1,085	-	-
Other programs	21	7	17	17	-
Committed:					
Economic uncertainty	33,714	38,967	46,950	49,644	52,700
Capital projects	21,728	32,987	37,526	49,265	37,583
Community center theater renovation	8,500	8,500	8,500	-	-
B Street Theater project	-	2,500	-	-	-
Fire program	-	4,420	5,720	1,386	6,189
Pension	-	-	-	-	5,000
OPEB	-	6,717	6,752	5,324	2,619
Homeless programs	1,000	750	250	-	-
Gas Tax	-	-	-	2,087	2,087
Other programs	12,909	8,860	13,953	19,280	37,325
Assigned:					
Unrealized investment gains	173	50	732	-	-
Next year's budget	-	-	-	-	-
Unassigned	17,395	16,028	26,649	24,739	25,021
Total general fund	\$ 98,907	\$ 123,444	\$ 149,996	\$ 155,554	\$ 172,369
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	-	-
Debt service	-	-	-	-	-
Inventories and prepaids	-	-	-	-	-
Trust obligations	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Nonspendable:					
Prepaid items	24	24	-	-	-
Noncurrent assets	451	369	283	193	98
Permanent fund principal	878	878	878	878	878
Restricted:					
Capital projects	126,262	124,790	138,562	149,664	159,439
Debt service	17,548	20,218	51,691	58,904	28,539
Public works programs	11,830	-	14,522	13,152	18,857
Ambulance service	-	13,842	-	-	-
Economic development programs	22,484	17,271	16,887	41,548	44,920
Other programs	29,924	27,029	27,793	28,818	35,025
Committed:					
Capital projects	4,024	3,355	7,017	9,359	18,245
Grant retention	4,049	500	-	-	-
Debt service	6,583	5,660	8,733	19,110	21,543
B Street Theater project	-	16,391	21,360	-	-
Economic development programs	5,125	-	-	-	-
Other programs	25,486	50,001	51,024	56,715	40,683
Assigned:					
Debt service	973	717	2,547	2,406	2,008
Unrealized investment gains	47	15	40	-	-
Other programs	4,047	2,344	60	-	360
Unassigned	(22,121)	(26,554)	(19,657)	(18,037)	(22,656)
Total all other governmental funds	\$ 237,614	\$ 256,850	\$ 321,740	\$ 362,710	\$ 347,939

Notes: (1) The City of Sacramento implemented GASB 54 for the period ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

(2) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

City of Sacramento
Changes in Fund Balances, Governmental Funds ⁽¹⁾
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 277,370	\$ 260,749	\$ 254,705	\$ 256,564	\$ 265,605
Intergovernmental	161,418	174,214	125,758	154,937	154,556
Charges for services	70,403	62,962	67,831	62,760	66,369
Fines, forfeits and penalties	12,213	12,118	11,093	11,891	9,892
Interest, rents, and concessions	15,414	10,928	9,627	15,494	13,909
Community service fees	13,297	7,875	3,647	3,058	7,136
Assessment levies	33,204	31,970	33,482	35,294	37,621
Contributions from property owners	8,132	7,972	9,440	6,170	14,269
Miscellaneous	212	196	411	2,090	3,441
Total revenues	591,663	568,984	515,994	548,258	572,798
Expenditures					
General government	31,938	27,471	26,049	24,610	22,712
Police	145,148	147,059	144,081	142,204	138,779
Fire	99,613	102,430	97,573	98,749	99,630
General services ⁽²⁾	23,396	21,025	19,353	19,388	10,306
Transportation	32,902	31,023	29,708	33,183	-
Neighborhood services	1,363	1,007	-	-	-
Convention and cultural services	15,116	13,196	13,291	10,670	9,804
Economic development ⁽³⁾	9,472	9,136	9,819	9,396	10,221
Parks and recreation	45,845	40,312	36,650	30,393	32,257
Code enforcement	10,605	10,279	-	-	-
Community development	-	15,873	23,307	21,819	23,568
Library	13,406	12,366	12,398	11,739	12,362
Utilities	67	67	137	97	979
Nondepartmental	26,028	26,818	33,407	32,269	-
Citywide and community support	-	-	-	-	33,105
Public works	-	-	-	-	34,995
Development services	21,881	-	-	-	-
Planning	2,709	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Planning and building	-	-	-	-	-
Capital outlay					
Capital outlay	180,125	156,146	91,902	118,259	116,705
Subtotal - capital outlay	180,125	156,146	91,902	118,259	116,705
Debt service					
City					
Principal	45,789	18,577	44,189	21,595	19,470
Interest and fiscal charges	30,468	29,697	25,209	24,028	22,949
Bond issuance costs	-	-	-	-	-
Payment to refunded bond escrow	-	-	-	-	-
SHRA					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Subtotal - debt service	76,257	48,274	69,398	45,623	42,419
Total Expenditures	735,871	662,482	607,073	598,399	587,842
Excess (deficiency) of revenues over (under) expenditures	(144,208)	(93,498)	(91,079)	(50,141)	(15,044)
Other Financing Sources (uses)					
Transfers in	65,076	53,621	58,006	55,435	55,166
Transfers out	(33,695)	(30,241)	(27,025)	(27,590)	(27,450)
Issuance of long-term debt	10,981	22,963	6,808	73	-
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	2,992	-	2,336	-	-
Proceeds of long-term capital-related debt	-	-	-	-	2,837
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-
Total other financing sources (uses)	45,354	46,343	40,125	27,918	30,553
Special items, net	(929)	-	-	-	31,208
Net change in fund balances	\$ (99,783)	\$ (47,155)	\$ (50,954)	\$ (22,223)	\$ 46,717
Debt services as a percentage of noncapital expenditures	13.72%	9.35%	13.06%	9.41%	8.35%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reclassification 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.

(3) The Department of Economic Development has been reallocated to the Department of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Fund Balances, Governmental Funds ⁽¹⁾
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 320,832	\$ 334,649	\$ 365,482	\$ 382,155	\$ 406,011
Intergovernmental	105,172	111,017	128,190	73,082	80,415
Charges for services	71,889	86,061	89,765	105,446	121,368
Fines, forfeits and penalties	11,221	11,403	12,720	11,429	12,643
Interest, rents, and concessions	14,417	12,681	15,221	14,220	10,794
Community service fees	4,693	7,869	16,460	29,740	30,654
Assessment levies	38,668	41,884	43,475	44,339	47,048
Contributions from property owners	43,018	45,177	35,820	33,637	14,253
Miscellaneous	570	501	2,761	383	731
Total revenues	610,480	651,242	709,894	694,431	723,917
Expenditures					
General government	26,170	28,491	34,197	41,413	72,772
Police	138,653	149,448	152,245	159,572	169,273
Fire	107,538	110,585	119,814	127,970	136,161
General services ⁽²⁾	9,564	10,058	-	-	-
Transportation	-	-	-	-	-
Neighborhood services	-	-	-	-	-
Convention and cultural services	10,481	10,978	11,738	12,838	14,372
Economic development ⁽³⁾	12,418	10,797	9,871	13,270	-
Parks and recreation	35,632	38,894	37,801	38,707	38,615
Code enforcement	-	-	-	-	-
Community development	23,902	26,819	34,110	40,499	45,787
Library	12,482	14,496	14,771	14,903	16,421
Utilities	607	522	701	1,583	2,034
Nondepartmental	-	-	-	-	-
Citywide and community support	36,965	37,216	47,961	48,435	46,576
Public works	34,706	35,502	42,194	45,457	49,841
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Planning and building	-	-	-	-	-
Capital outlay	-	-	-	-	-
Capital outlay	106,840	128,805	337,817	82,465	90,397
Subtotal - capital outlay	106,840	128,805	337,817	82,465	90,397
Debt service					
City					
Principal	26,218	23,699	16,481	28,677	48,445
Interest and fiscal charges	22,772	33,493	24,822	28,555	24,529
Bond issuance costs	-	-	5,483	49	1,415
Payment to refunded bond escrow	-	-	38,052	-	-
SHRA					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Subtotal - debt service	48,990	57,192	84,838	57,281	74,389
Total Expenditures	604,948	659,803	928,058	684,393	756,638
Excess (deficiency) of revenues over (under) expenditures	5,532	(8,561)	(218,164)	10,038	(32,721)
Other Financing Sources (uses)					
Transfers in	63,584	69,117	306,810	66,386	70,558
Transfers out	(34,527)	(33,267)	(270,358)	(31,871)	(35,801)
Issuance of long-term debt	6,050	3,984	401,943	1,976	8
Premium on long term debt	-	-	13,972	-	-
Proceeds from sale of property	4,902	12,500	-	-	-
Proceeds of long-term capital-related debt	-	-	-	-	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	-	(133,931)	-	-
Total other financing sources (uses)	40,009	52,334	318,436	36,491	34,765
Special items, net	-	-	(8,830)	-	-
Net change in fund balances	\$ 45,541	\$ 43,773	\$ 91,442	\$ 46,529	\$ 2,044
Debt services as a percentage of noncapital expenditures	9.49%	10.46%	12.71%	9.27%	10.59%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reclassification 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.

(3) The Department of Economic Development has been reallocated to the Department of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Tax Revenues by Source, Governmental Funds ⁽¹⁾
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

Fiscal Year	Property	Tax Increment	Sales & Use	Utility Users	Others	Total
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 ⁽²⁾	-	57,121 ⁽³⁾	59,066	18,554	265,605
2014	140,690 ⁽²⁾	-	99,615 ⁽³⁾	59,613	20,914	320,832
2015	147,415 ⁽²⁾	-	102,596 ⁽³⁾	59,948	24,690	334,649
2016	164,719 ⁽²⁾	-	110,212 ⁽³⁾	61,404	29,147	365,482
2017	159,566 ⁽²⁾	-	125,560 ⁽³⁾	62,997	34,032	382,155
2018	170,701 ⁽²⁾	-	131,371 ⁽³⁾	62,989	40,950	406,011

Notes: (1) In lieu sales tax is reported as property tax in fiscal year 2009 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 ⁽¹⁾				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate ⁽²⁾
	Real Property	Personal Property	Public Utility	Total			
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	448,778	40,897,785	1.00
2017	42,300,010	1,623,203	9,193	43,932,406	446,690	43,485,716	1.00
2018	45,389,674	1,692,375	8,974	47,091,023	445,647	46,645,376	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:

- a) annual inflation up to 2%;
- b) current market value at time of ownership change;
- c) market value for new construction

Estimated actual value of taxable property cannot easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes.

(2) This 1 % is shared by all taxing agencies for which the subject property resides within.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Direct and Overlapping Property Tax Rates ⁽¹⁾
Per \$100 of Assessed Value
Last Ten Fiscal Years

Fiscal Year End June 30	Basic County, City, and School Levy ⁽²⁾	County of Sacramento	Schools	Special Districts	Total
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
2018	1.0000	—	0.1365	—	1.1365

Notes : (1) Data is stated at full value as required under Article XIII-A of the Constitution of the State of California.

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

City of Sacramento
Principal Property Taxpayers
For the Fiscal Year and Nine Years Ago

(in thousands)

Taxpayer	2018			2009		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Sacramento Kings	\$ 411,221	1	0.88 %	\$ -	-	- %
400 Capitol Mall Owner LP	175,630	2	0.38	-	-	-
Arden Fair Associates	148,584	3	0.32	128,745	5	0.31
500 Capitol Mall LLC	138,357	4	0.30	-	-	-
621 Capitol Mall LLC	132,506	5	0.29	-	-	-
CIM Sacramento LLC	117,626	6	0.25	92,525	10	0.22
300 Capitol Assoc NF LP	114,000	7	0.25	132,810	3	0.32
SG Downtown	112,353	8	0.24	-	-	-
HP Hood LLC	105,643	9	0.23	-	-	-
M H VI Projects LLC	97,794	10	0.21	106,121	8	0.26
Hines VAF II Sacramento	-	-	-	404,301	1	0.96
Teachers Ins. Annuity	-	-	-	165,424	2	0.40
Downtown Plaza LLC	-	-	-	128,786	4	0.31
CLPF Promenade LP	-	-	-	123,025	6	0.30
Sutter Community Hospitals	-	-	-	120,197	7	0.29
Deutsche Bank Nat'l Trust	-	-	-	102,264	9	0.25
	<u>1,553,714</u>		<u>3.35</u>	<u>1,504,198</u>		<u>3.62</u>
All other taxpayers	<u>45,091,662</u>		<u>96.65</u>	<u>40,056,238</u>		<u>96.38</u>
Total	<u>\$ 46,645,376</u>		<u>100.00 %</u>	<u>41,560,436</u>		<u>100.00 %</u>

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 ⁽¹⁾	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	151,480	147,780	97.56%	3,700	151,480	100.00%
2010	138,701	136,313	98.28%	2,388	138,701	100.00%
2011	132,440	130,711	98.69%	1,729	132,440	100.00%
2012	129,123	127,914	99.06%	1,209	129,123	100.00%
2013	130,755 ^{(2) (3)}	129,655	99.16%	1,100	130,755	100.00%
2014	140,273 ^{(2) (3)}	139,651	99.56%	622	140,273	100.00%
2015	147,483 ^{(2) (3)}	146,374	99.25%	1,109	147,483	100.00%
2016	155,024 ^{(2) (3)}	153,563	99.06%	1,461	155,024	100.00%
2017	149,456 ^{(2) (3)}	147,960	99.00%	1,496	149,456	100.00%
2018	158,378 ^{(2) (3)}	156,689	98.93%	1,689	158,378	100.00%

- Notes: (1) Property taxes in 2007 and subsequent years till 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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City of Sacramento
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases	
2009	\$ 514,431	\$ 812	\$ 7,354	\$ 312,967	\$ 49,103	\$ 6,487	\$ 891,154
2010	496,641	746	11,203	302,064	56,307	8,295	875,256
2011	477,588	677	9,910	289,950	56,388	7,066	841,579
2012	457,324	605	8,439	277,241	55,131	11,693	810,433
2013 ⁽¹⁾	435,962	530	9,446	542,347	52,536	9,466	1,050,287
2014 ⁽²⁾	419,477	16,053	13,562	540,117	33,288	6,098	1,028,595
2015	398,544	15,680	10,456	519,869	29,844	4,075	978,468
2016 ⁽³⁾	627,351	15,290	7,294	493,406	26,340	8,654	1,178,335
2017 ⁽⁴⁾	606,097	14,883	4,455	533,751	22,748	5,574	1,187,508
2018	564,929	14,459	2,299	510,016	22,919	3,685	1,118,307

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.
(4) In 2017, \$53 million of revenue bonds were issued for improvements to the City's municipal water system.
(NA) Personal income data was not available.

City of Sacramento
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Percentage of Personal Income	Population	Per Capita
2009	NA	481,097	1,852
2010	NA	486,189	1,800
2011	NA	469,566	1,792
2012	NA	470,956	1,721
2013 ⁽¹⁾	NA	473,509	2,218
2014 ⁽²⁾	NA	475,122	2,165
2015	NA	480,105	2,038
2016 ⁽³⁾	NA	485,683	2,426
2017 ⁽⁴⁾	NA	493,025	2,409
2018	NA	501,344	2,231

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.
 - (4) In 2017, \$53 million of revenue bonds were issued for improvements to the City's municipal water system.
- (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	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Net Bonded Debt Per Capita
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%	493,025	-
2018	-	-	-	46,645,375	0.00%	501,344	-

Source: City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.

City of Sacramento
Direct and Overlapping Governmental Activities Debt ⁽¹⁾
As of June 30, 2018

(in thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Los Rios Community College District	\$ 413,020	25.684 %	\$ 106,080
Elk Grove Unified School District	82,100	10.955	8,994
Natomas Unified School District	241,698	87.664	211,882
Sacramento Unified School District	502,413	84.607	425,077
San Juan Unified School District	441,660	2.964	13,091
Twin Rivers Unified School District			
Twin Rivers Unified School District (former Elementary School District bonds)	65,810	47.892	31,518
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	216,056	47.899	103,489
Robla School District	39,475	54.495	21,512
City of Sacramento Community Facilities Districts	161,685	100.000	161,685
Elk Grove Unified School District Community Facilities District No. 1	201,614	12.147	24,490
City of Sacramento 1915 Act Bonds	3,700	100.000	3,700
California Statewide Community Development Authority Assessment District Bonds	505	100.000	505
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	278,195	85.335	237,398
Sacramento Area Flood Control Agency Natomas Local Assessment District	33,620	82.936	27,883
Subtotal - Overlapping Tax and Assessment debt			1,377,303
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	213,681	31.231	66,735
Sacramento County Pension Obligations	925,700	31.231	289,105
Sacramento County Board of Education Certificates of Participation	4,840	31.231	1,512
Los Rios Community College District Certificates of Participation	440	25.684	113
Sacramento Unified School District Certificates of Participation	65,565	84.607	55,473
San Juan Unified School District Certificates of Participation	251	2.964	7
Twin Rivers Unified School District Certificates of Participation	65,440	47.899	31,345
Sacramento Metropolitan Fire District General Fund Obligations	9,090	-	-
Sacramento Metropolitan Fire District General Pension Obligations	49,424	-	-
Arcade Creek Recreation and Park District General Fund Obligations	291	1.213	4
Subtotal - Lease Obligation Debt			444,293
Total Overlapping Debt			1,821,596
City of Sacramento Direct Debt			581,687
Total Direct and Overlapping Debt			\$ 2,403,283

Note: (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City of Sacramento. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Data regarding overlapping debt is obtained from California Municipal Statistics, Inc.

City of Sacramento
Legal Debt Margin
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Debt Limit		Debt Applicable to Limit			Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
	Net Assessed Value	Debt Limit - 15% of Assessed Value	General Obligation Bonds	Amount set aside for repayment of general obligation debt	Total net debt applicable to limit		
2009	\$ 41,560,435	\$ 6,234,065	\$ -	\$ -	\$ -	\$ 6,234,065	0.00%
2010	38,778,007	5,816,701	-	-	-	5,816,701	0.00%
2011	37,647,002	5,647,050	-	-	-	5,647,050	0.00%
2012	36,502,112	5,475,317	-	-	-	5,475,317	0.00%
2013	35,494,811	5,324,222	-	-	-	5,324,222	0.00%
2014	36,924,255	5,538,638	-	-	-	5,538,638	0.00%
2015	39,067,503	5,860,125	-	-	-	5,860,125	0.00%
2016	40,897,784	6,134,668	-	-	-	6,134,668	0.00%
2017	43,485,723	6,522,858	-	-	-	6,522,858	0.00%
2018	46,645,376	6,996,806	-	-	-	6,996,806	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
2018	1,529,501	76,776	50,197	34	N/A	245,906	4.2

Sources: (A) California Department of Finance - Population estimates as of January 1st of each year:
<http://www.dof.ca.gov/research/demographic/reports/estimates/e-5/2011-20/view.php>
 (B) California Department of Education, report on Sacramento County: <http://dq.cde.ca.gov/dataquest/>
 (C) California Employment Development Department, Report 400 C - Monthly Labor Force Data for California Counties:
<http://www.labormarketinfo.edd.ca.gov/> (as of June each year)

**City of Sacramento
Principal Employers
Current Fiscal Year and Nine Years Ago**

Employer (A)	2018			2009		
	Employee (A) ⁽¹⁾	Rank	Percentage of Total Employment (B) ⁽²⁾	Employee (A) ⁽¹⁾	Rank	Percentage of Total Employment (B)
	State of California	75,801	1	11.28%	73,273	1
Sacramento County	12,208	3	1.82%	13,304	2	2.17%
Kaiser Permanente	11,005	4	1.64%	7,979	4	1.30%
UC Davis Health System	12,840	2	1.91%	8,496	3	1.39%
U.S. Government	10,325	5	1.54%	-	-	-
Sutter Health	8,177	6	1.22%	7,314	5	1.19%
Dignity Health	7,000	7	1.04%	-	-	-
Intel Corporation	6,000	9	0.89%	6,000	8	0.98%
Apple, Inc.	5,000	10	0.74%	-	-	-
Elk Grove Unified School District	6,210	8	0.92%	6,391	7	1.04%
City of Sacramento	4,556	11	0.68%	4,556	11	0.74%
Sacramento City Unified School District	-	-	-	6,500	6	1.06%
Los Rios Community College	-	-	-	-	-	-
Mercy/Catholic Healthcare West	-	-	-	5,922	9	0.97%
San Juan Unified School District	-	-	-	5,190	10	0.85%

Notes: (1) Ranked by number of employees in full-time equivalents

(2) Percentage of total employment is calculated based on Sacramento County's total employment force of 671,700 (per Employment Development Department website) in June 2018.

Sources: (A) Sacramento Business Journal, July 8, 2016. List of largest employers in Sacramento County.

(B) Employment Development Department, State of California.

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City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2009	2010	2011	2012	2013
Merged Downtown					
Secured	\$ 2,549,340	\$ 2,656,453	\$ 2,504,312	\$ 2,427,850	\$ 2,366,130
Unsecured	174,529	172,285	160,110	145,125	137,567
Utility	997	997	997	997	770
Total	<u>\$ 2,724,866</u>	<u>\$ 2,829,735</u>	<u>\$ 2,665,419</u>	<u>\$ 2,573,972</u>	<u>\$ 2,504,467</u>
Del Paso Heights					
Secured	\$ 414,673	\$ 317,546	\$ 305,405	\$ 286,172	\$ 276,998
Unsecured	14,272	37,627	17,112	10,267	9,550
Utility	1	1	1	1	1
Total	<u>\$ 428,946</u>	<u>\$ 355,174</u>	<u>\$ 322,518</u>	<u>\$ 296,440</u>	<u>\$ 286,549</u>
Alkali Flat					
Secured	\$ 126,892	\$ 132,387	\$ 128,304	\$ 121,651	\$ 119,184
Unsecured	4,273	4,759	3,740	2,962	4,982
Utility	-	-	-	-	-
Total	<u>\$ 131,165</u>	<u>\$ 137,146</u>	<u>\$ 132,044</u>	<u>\$ 124,613</u>	<u>\$ 124,166</u>
Oak Park					
Secured	\$ 611,302	\$ 460,439	\$ 438,987	\$ 428,226	\$ 427,642
Unsecured	11,361	13,418	10,613	8,973	9,898
Utility	-	-	-	-	-
Total	<u>\$ 622,663</u>	<u>\$ 473,857</u>	<u>\$ 449,600</u>	<u>\$ 437,199</u>	<u>\$ 437,540</u>
River District (formerly Richards Blvd)					
Secured	\$ 434,882	\$ 454,256	\$ 405,518	\$ 403,771	\$ 396,061
Unsecured	44,693	45,813	41,732	31,661	33,655
Utility	4,120	4,200	4,200	4,264	4,779
Total	<u>\$ 483,695</u>	<u>\$ 504,269</u>	<u>\$ 451,450</u>	<u>\$ 439,696</u>	<u>\$ 434,495</u>
North Sacramento					
Secured	\$ 613,238	\$ 563,978	\$ 555,744	\$ 526,139	\$ 506,029
Unsecured	37,027	33,239	36,014	35,675	39,802
Utility	-	-	-	-	-
Total	<u>\$ 650,265</u>	<u>\$ 597,217</u>	<u>\$ 591,758</u>	<u>\$ 561,814</u>	<u>\$ 545,831</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2014	2015	2016	2017	2018
Merged Downtown					
Secured	\$ 2,300,993	\$ 2,344,213	\$ 2,461,341	\$ 2,682,975	\$ 3,294,112
Unsecured	132,581	138,662	124,172	110,587	131,439
Utility	770	770	748	748	748
Total	<u>\$ 2,434,344</u>	<u>\$ 2,483,645</u>	<u>\$ 2,586,261</u>	<u>\$ 2,794,310</u>	<u>\$ 3,426,299</u>
Del Paso Heights					
Secured	\$ 289,856	\$ 311,285	\$ 317,886	\$ 338,354	\$ 380,389
Unsecured	12,659	14,464	13,621	15,440	14,149
Utility	1	1	1	1	1
Total	<u>\$ 302,516</u>	<u>\$ 325,750</u>	<u>\$ 331,508</u>	<u>\$ 353,795</u>	<u>\$ 394,539</u>
Alkali Flat					
Secured	\$ 112,883	\$ 120,103	\$ 123,251	\$ 136,555	\$ 158,376
Unsecured	3,224	3,504	2,963	2,996	2,920
Utility	-	-	-	-	-
Total	<u>\$ 116,107</u>	<u>\$ 123,607</u>	<u>\$ 126,214</u>	<u>\$ 139,551</u>	<u>\$ 161,296</u>
Oak Park					
Secured	\$ 466,006	\$ 476,624	\$ 501,132	\$ 567,966	\$ 610,203
Unsecured	9,763	9,483	24,938	27,750	28,003
Utility	-	-	-	-	-
Total	<u>\$ 475,769</u>	<u>\$ 486,107</u>	<u>\$ 526,070</u>	<u>\$ 595,716</u>	<u>\$ 638,206</u>
River District (formerly Richards Blvd)					
Secured	\$ 375,825	\$ 403,452	\$ 393,540	\$ 404,183	\$ 413,627
Unsecured	29,486	35,352	37,314	34,732	36,120
Utility	4,779	4,779	2,591	2,591	2,591
Total	<u>\$ 410,090</u>	<u>\$ 443,583</u>	<u>\$ 433,445</u>	<u>\$ 441,506</u>	<u>\$ 452,338</u>
North Sacramento					
Secured	\$ 498,272	\$ 509,637	\$ 523,526	\$ 555,437	\$ 556,306
Unsecured	36,413	40,115	36,778	36,563	36,555
Utility	-	-	-	-	-
Total	<u>\$ 534,685</u>	<u>\$ 549,752</u>	<u>\$ 560,304</u>	<u>\$ 592,000</u>	<u>\$ 592,861</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2009	2010	2011	2012	2013
Franklin Boulevard					
Secured	\$ 615,732	\$ 571,385	\$ 571,094	\$ 554,662	\$ 553,114
Unsecured	47,150	44,573	41,821	38,551	39,862
Utility	-	-	-	-	-
Total	<u>\$ 662,882</u>	<u>\$ 615,958</u>	<u>\$ 612,915</u>	<u>\$ 593,213</u>	<u>\$ 592,976</u>
Stockton Boulevard					
Secured	\$ 476,809	\$ 390,475	\$ 372,566	\$ 355,452	\$ 334,059
Unsecured	16,399	16,598	17,048	17,468	17,101
Utility	-	-	-	-	-
Total	<u>\$ 493,208</u>	<u>\$ 407,073</u>	<u>\$ 389,614</u>	<u>\$ 372,920</u>	<u>\$ 351,160</u>
Army Depot					
Secured	\$ 1,011,483	\$ 835,497	\$ 826,480	\$ 810,113	\$ 790,956
Unsecured	118,889	120,863	119,918	116,198	116,489
Utility	578	578	578	579	943
Total	<u>\$ 1,130,950</u>	<u>\$ 956,938</u>	<u>\$ 946,976</u>	<u>\$ 926,890</u>	<u>\$ 908,388</u>
65th Street					
Secured	\$ 240,544	\$ 224,753	\$ 242,905	\$ 230,618	\$ 229,458
Unsecured	29,115	25,010	25,040	25,808	17,346
Utility	-	-	-	-	-
Total	<u>\$ 269,659</u>	<u>\$ 249,763</u>	<u>\$ 267,945</u>	<u>\$ 256,426</u>	<u>\$ 246,804</u>
Railyards					
Secured	\$ -	\$ 49,467	\$ 71,772	\$ 80,928	\$ 84,191
Unsecured	-	-	251	3,521	4,548
Utility	-	641	680	768	771
Total	<u>\$ -</u>	<u>\$ 50,108</u>	<u>\$ 72,703</u>	<u>\$ 85,217</u>	<u>\$ 89,510</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2014	2015	2016	2017	2018
Franklin Boulevard					
Secured	\$ 556,190	\$ 482,823	\$ 474,370	\$ 497,711	\$ 544,375
Unsecured	37,903	32,000	31,565	35,431	34,068
Utility	-	-	-	-	-
Total	<u>\$ 594,093</u>	<u>\$ 514,823</u>	<u>\$ 505,935</u>	<u>\$ 533,142</u>	<u>\$ 578,443</u>
Stockton Boulevard					
Secured	\$ 345,330	\$ 364,463	\$ 384,262	\$ 403,482	\$ 442,555
Unsecured	17,293	17,731	16,742	15,941	15,798
Utility	-	-	-	-	-
Total	<u>\$ 362,623</u>	<u>\$ 382,194</u>	<u>\$ 401,004</u>	<u>\$ 419,423</u>	<u>\$ 458,353</u>
Army Depot					
Secured	\$ 826,125	\$ 864,133	\$ 928,249	\$ 979,664	\$ 1,052,144
Unsecured	149,382	139,964	110,209	106,652	111,552
Utility	943	943	1,072	1,072	1,072
Total	<u>\$ 976,450</u>	<u>\$ 1,005,040</u>	<u>\$ 1,039,530</u>	<u>\$ 1,087,388</u>	<u>\$ 1,164,768</u>
65th Street					
Secured	\$ 228,785	\$ 231,632	\$ 243,684	\$ 276,299	\$ 350,567
Unsecured	14,536	17,543	14,033	15,339	17,768
Utility	-	-	-	-	-
Total	<u>\$ 243,321</u>	<u>\$ 249,175</u>	<u>\$ 257,717</u>	<u>\$ 291,638</u>	<u>\$ 368,335</u>
Railyards					
Secured	\$ 80,200	\$ 75,245	\$ 68,288	\$ 62,600	\$ 66,406
Unsecured	4,454	5,973	10,940	7,310	7,151
Utility	-	-	-	-	-
Total	<u>\$ 84,654</u>	<u>\$ 81,218</u>	<u>\$ 79,228</u>	<u>\$ 69,910</u>	<u>\$ 73,557</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

**City of Sacramento
Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

Merged Downtown

As of June 30, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
PAUL BRENNER/300 CAPITOL MALL NF LP	\$ 114,000	\$ 102,000	\$ (12,000)	1.75%
1415 MERIDIAN PLAZA INVESTORS LP	75,500	70,900	(4,600)	0.67%
CIM	72,899	34,065	(38,834)	5.66%
WIP 800 J LOFTS LIMITED PARTNERSHIP	59,441	17,831	(41,610)	6.07%
CAPITAL TOWERS APARTMENTS LLC	52,150	31,290	(20,860)	3.04%
CAPITAL TOWERS APARTMENTS LLC	52,150	31,290	(20,860)	3.04%
HILTON WORLDWIDE	36,270	2,665	(33,605)	4.90%
COMCAST CABLE	30,196	3,020	(27,176)	3.96%
COMCAST CABLE	24,244	17,941	(6,303)	0.92%
CAPITAL TOWERS APARTMENTS LLC	22,200	13,320	(8,880)	1.29%
Sub Total	539,050	324,322	(214,728)	31.31%
All Other Taxpayers	146,765	-	-	-
Total	<u>\$ 685,815</u>	<u>\$ 324,322</u>	<u>\$ (214,728)</u>	<u>31.31%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

Source: Sacramento County Assessor

**City of Sacramento
Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

Del Paso Heights

As of June 30, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
TAE O LEE	\$ 273	\$ -	\$ (273)	53.74%
MONA SUE AYERS	120	52	(68)	13.39%
COMCAST CABLE	115	60	(55)	10.83%
Sub Total	508	112	(396)	77.95%
All Other Taxpayers	-	-	-	-
Total	\$ 508	\$ 112	\$ (396)	77.95%

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 July 1, 2018.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Alkali Flat
As of June 30, 2018
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
REALTY ADVISORS INC	\$ 7,629	\$ 3,750	\$ (3,879)	50.85%
Sub Total	7,629	3,750	(3,879)	50.85%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 7,629</u>	<u>\$ 3,750</u>	<u>\$ (3,879)</u>	<u>50.85%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
(2) Information for prior years is not readily available and is not statistically significant.
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Oak Park
As of June 30, 2018
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
BIMBO BAKERIES USA INC	\$ 17,778	\$ 12,000	\$ (5,778)	32.18%
WALGREEN CO	176	95	(81)	0.45%
Sub Total	17,954	12,095	(5,859)	32.63%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 17,954</u>	<u>\$ 12,095</u>	<u>\$ (5,859)</u>	<u>32.63%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

Source: Sacramento County Assessor

**City of Sacramento
Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

River District

As of June 30, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
REALTY ADVISORS INC	\$ 768	\$ 280	\$ (488)	12.57%
ZIMMER US INC	3,115	1,386	(1,729)	44.53%
Sub Total	3,883	1,666	(2,217)	57.10%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 3,883</u>	<u>\$ 1,666</u>	<u>\$ (2,217)</u>	<u>57.10%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

Source: Sacramento County Assessor

**City of Sacramento
Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

**North Sacramento
As of June 30, 2018**
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
SENT EXPO POINTE LLC	\$ 7,800	\$ 5,850	\$ (1,950)	8.69%
RECREATIONAL EQUIPMENT	7,079	3,580	(3,499)	15.60%
BAGHER/KEFAYAT NAVID TRUST	5,520	2,637	(2,883)	12.85%
TAKLA INVESTMENT LLC	474	220	(254)	1.13%
WALGREEN CO	291	88	(203)	0.90%
WALGREEN CO	232	120	(112)	0.50%
COMCAST CABLE	226	115	(111)	0.49%
COMCAST CABLE	203	107	(96)	0.43%
COMCAST CABLE	189	97	(92)	0.41%
COMCAST CABLE	182	92	(90)	0.40%
Sub Total	22,196	12,906	(9,290)	41.41%
All Other Taxpayers	237	-	-	-
Total	\$ 22,433	\$ 12,906	\$ (9,290)	41.41%

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 July 1, 2018.

Source: Sacramento County Assessor

**City of Sacramento
Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

Franklin Boulevard

As of June 30, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
6200 FRANKLIN LLC	\$ 19,319	\$ 14,875	\$ (4,444)	9.97%
6200 FRANKLIN LLC	18,428	14,875	(3,553)	7.97%
MACY'S WEST STORES	6,334	5,153	(1,181)	2.65%
NAKASH ENTERPRISES INC	339	100	(239)	0.54%
COMCAST CABLE	111	62	(49)	0.11%
COMCAST CABLE	30	12	(18)	0.04%
Sub Total	44,561	35,077	(9,484)	21.28%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 44,561</u>	<u>\$ 35,077</u>	<u>\$ (9,484)</u>	<u>21.28%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

Source: Sacramento County Assessor

**City of Sacramento
Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

Stockton Boulevard

As of June 30, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
RITE AID CORPORATION	\$ 6,385	\$ 5,000	\$ (1,385)	4.23%
EKG INVESTORS LLC	4,160	3,500	(660)	2.02%
LEONARD W GRAY	3,519	1,056	(2,463)	7.53%
EKG INVESTORS LLC	3,463	2,950	(513)	1.57%
LEONARD W GRAY	3,450	1,145	(2,305)	7.04%
EKG INVESTORS LLC	3,370	2,950	(420)	1.28%
EKG INVESTORS LLC	2,930	2,000	(930)	2.84%
EKG INVESTORS LLC	2,230	1,875	(355)	1.08%
EKG INVESTORS LLC	1,570	995	(575)	1.76%
H/S ENERGY LLC	1,540	920	(620)	1.89%
Sub Total	32,617	22,391	(10,226)	31.25%
All Other Taxpayers	110	-	-	-
Total	\$ 32,727	\$ 22,391	\$ (10,226)	31.25%

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 July 1, 2018.

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, 2018
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
CEMEX	\$ 5,896	\$ 1,000	\$ (4,896)	54.78%
ESTES TERMINALS CALIFORNIA LLC	1,796	539	(1,257)	14.07%
RICHARD N REESE FAMILY LLC	1,119	780	(339)	3.79%
CBIP LLC	66	31	(35)	0.39%
CAPITOL CITY GRANITE INC	60	6	(54)	0.60%
Sub Total	8,937	2,356	(6,581)	73.64%
All Other Taxpayers	-	-	-	-
Total	\$ 8,937	\$ 2,356	\$ (6,581)	73.64%

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 July 1, 2018.

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, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
TARGET CORPORATION	\$ 27,290	\$ 1,242	\$ (26,048)	32.09%
TARGET CORPORATION	27,114	1,400	(25,714)	31.68%
TARGET CORPORATION	26,726	1,380	(25,346)	31.22%
COMCAST CABLE	43	22	(21)	0.03%
Sub Total	81,173	4,044	(77,129)	95.02%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 81,173</u>	<u>\$ 4,044</u>	<u>\$ (77,129)</u>	<u>95.02%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund**

Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}

Railyards

As of June 30, 2018

(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
SIMS METAL MGMT	\$ 1,017	\$ 509	\$ (508)	49.95%
Sub Total	1,017	509	(508)	49.95%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 1,017</u>	<u>\$ 509</u>	<u>\$ (508)</u>	<u>49.95%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2018.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Merged Downtown
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
City of Sacramento (Sacramento Downtown Arena LLC)	\$ 411,411	1	10.33%	\$ -	-	-
SG Downtown LLC	230,410	2	5.78%	-	-	-
PAC West Office Equities Limited Partnership	207,774	3	5.21%	-	-	-
400 Capitol Mall Owner LP	179,143	4	4.50%	-	-	-
SRI Eleven 621 Capitol Mall LLC	134,067	5	3.36%	-	-	-
GV/Hi Pk Tower Owner LLC	122,910	6	3.08%	-	-	-
300 Capitol Associates NF LP	117,700	7	2.95%	135,252	3	4.78%
CIM/J Street Hotel Sacramento LP (PMC Commercial Trust)	97,512	8	2.45%	129,852	4	4.59%
GSA Sacramento CA LLC	95,064	9	2.39%	-	-	-
Capital Towers Apartments LLC	93,850	10	2.36%	-	-	-
Hines Sacramento Wells Fargo Center	-	-	-	233,050	1	8.24%
CIM/980 9th St	-	-	-	153,026	2	5.41%
Downtown Plaza	-	-	-	128,745	5	4.55%
621 Capitol Mall	-	-	-	94,238	6	3.33%
Sacramento Equities REIT	-	-	-	89,250	7	3.15%
1415 Meridian Plaza LLC/Valley View Invest	-	-	-	81,393	8	2.88%
500 Capitol Mall	-	-	-	75,657	9	2.67%
Capitol Regency LLC	-	-	-	68,294	10	2.41%
Sub Total	1,689,841		42.41%	1,188,757		42.01%
All Other Taxpayers	2,294,697		57.59%	1,640,978		57.99%
Total	<u>\$ 3,984,538</u>		<u>100.00%</u>	<u>\$ 2,829,735</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Del Paso Heights
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Greater Sacramento Urban League	\$ 6,585	1	1.57%	\$ -	-	-
Research Properties	5,680	2	1.36%	5,019	1	1.38%
BM Ventures LLC	5,612	3	1.34%			-
Ramon Canyon Associates LP	3,089	4	0.74%			-
John A/Leta K Nichols 1994 Rev Trust	2,991	5	0.72%	2,553	2	0.70%
James G Riggs/Elisa R Garin Trust	2,766	6	0.66%			-
4555 Carmichael LLC	2,505	7	0.60%			-
US Rentals Inc	2,459	8	0.59%	2,128	6	0.59%
Proffutt Limited Partnership	2,364	9	0.57%			-
Terkensha Associates	1,926	10	0.46%			-
Lundblom Family Trust	-	-	-	2,379	3	0.66%
23002 Moulton Parkway LLC	-	-	-	2,293	4	0.63%
Harry G/Mariann Brix 1993 Family Trust	-	-	-	2,213	5	0.61%
Maki Stephen	-	-	-	1,948	7	0.54%
Proffutt Limited Partnership	-	-	-	1,717	8	0.47%
Lenore Wyatt Living Trust	-	-	-	1,622	9	0.45%
A B Land Holdings	-	-	-	1,561	10	0.43%
Sub Total	35,977		8.60%	23,433		6.45%
All Other Taxpayers	382,208		91.40%	339,615		93.55%
Total	\$ 418,185		100.00%	\$ 363,048		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Alkali Flat
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Efren R Cota LTD	\$ 22,134	1	11.12%	\$ -	-	-
Hearst-Argyle Stations Inc	18,108	2	9.10%	21,217	1	15.33%
Realty Advisors Inc	7,782	3	3.91%	6,876	2	4.97%
Blackpine City Flats LLC	3,395	4	1.71%	-	-	-
1001 G State Rehabilitation Limited Partnership	2,913	5	1.46%	-	-	-
1220 E State LLC	2,913	6	1.46%	-	-	-
520 Ninth St	2,335	7	1.17%	2,063	8	1.49%
Ng-Yu Trust	2,200	8	1.11%	-	-	-
Leaders Choice LLC	2,144	9	1.08%	-	-	-
John Dailey Trust	2,111	10	1.06%	-	-	-
MND Creamery LLC	-	-	-	4,888	4	3.53%
Washington SHRWD II LP	-	-	-	5,568	3	4.02%
Norman/Sara Evans 1990 Trust	-	-	-	4,269	5	3.08%
Boys and Girls Club	-	-	-	4,127	6	2.98%
US Housing Partners II LP	-	-	-	3,936	7	2.84%
James Fortino Trust/Court on G Inc.	-	-	-	2,000	9	1.44%
700 E Street Building Power	-	-	-	1,894	10	1.37%
Sub Total	66,035		33.19%	56,838		41.05%
All Other Taxpayers	132,924		66.81%	81,606		58.95%
Total	\$ 198,959		100.00%	\$ 138,444		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Oak Park
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Regents University CA	\$ 22,440	1	3.22%	\$ 9,583	2	1.99%
Rainbow Baking Co of Sac Valley (BBU INC)	11,600	2	1.66%	23,802	1	4.95%
University of the Pacific	9,777	3	1.40%	-	-	-
Great Chi Investment LLC	6,018	4	0.86%	-	-	-
Broadway/Stockton Food Source Inv LLC	5,556	5	0.80%	6,579	3	1.37%
Crestwood-Medical Center Hospital	4,673	6	0.67%	4,131	4	0.86%
Security Public Storage - Sacramento	4,051	7	0.58%	3,513	5	0.73%
Edmar Invs LLC (Walgreens)	3,443	8	0.49%	3,042	6	0.63%
Broadway Triangle	3,245	9	0.47%	-	-	-
Sac Alhambra LLC	2,958	10	0.42%	-	-	-
Campbell Taggart Baking Company	-	-	-	2,110	7	0.44%
St Hope	-	-	-	1,903	8	0.40%
Chu, Stephen C/Hossanna S Ho	-	-	-	1,840	9	0.38%
Joh Skinner 2001 Living Trust	-	-	-	1,732	10	0.36%
Sub Total	73,761		10.58%	58,235		12.11%
All Other Taxpayers	623,529		89.42%	422,489		87.89%
Total	<u>\$ 697,290</u>		<u>100.00%</u>	<u>\$ 480,724</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - River District
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
California Almond Growers Exchange	\$ 92,061	1	19.94%	\$ 27,703	2	5.53%
Grove River District LLC	36,823	2	7.98%	-	-	-
T9 Affordable Housig Partners L	15,873	3	3.44%	-	-	-
Scannell Properties 310 LLC	14,250	4	3.09%	-	-	-
Capitol Station 65 LLC	9,617	5	2.08%	8,553	6	1.71%
Hoseit Management LLC	7,419	6	1.61%	-	-	-
DFN LLC	6,801	7	1.47%	-	-	-
Detmer Family Limited Partnership	6,732	8	1.46%	5,495	10	1.10%
Sandman Property LLC	6,496	9	1.41%	-	-	-
JMDH Real Estate Sacramento LLC	6,270	10	1.36%	-	-	-
Grove Investment Company	-	-	-	29,649	1	5.91%
RECP HAW Sacramento LLC	-	-	-	20,375	3	4.06%
Mendell Allan/ETAL	-	-	-	12,483	4	2.49%
BRE/LQ Props LLC	-	-	-	11,166	5	2.23%
HKM	-	-	-	6,996	7	1.40%
Riverpark Business Center LLC	-	-	-	6,087	8	1.21%
Dos Rios Venture	-	-	-	5,548	9	1.11%
Sub Total	202,342		43.84%	134,055		26.74%
All Other Taxpayers	259,252		56.16%	367,294		73.26%
Total	<u>\$ 461,594</u>		<u>100.00%</u>	<u>\$ 501,349</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - North Sacramento
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Seven Up Bottling Company of San Francisco	\$ 35,081	1	5.79%	\$ 27,697	1	4.63%
Price Company	23,902	2	3.95%	21,081	4	3.52%
Omninet Sacramento Jardinette LLC	16,576	3	2.74%	-	-	-
McCuen Acoma Street Investors	12,780	4	2.11%	11,292	6	1.89%
Sent Expo Pointe LLC	7,800	5	1.29%	7,853	8	-
Plaza Ave Apartments LLC	7,462	6	1.23%	-	-	-
Recreational Equipment Inc	7,220	7	1.19%	-	-	-
North Sacramento Land Co	6,642	8	1.10%	-	-	-
Sacramento Healthcare Investors LP	6,628	9	1.09%	-	-	-
Slobe Robert J	6,529	10	1.08%	-	-	-
JB Management LP	-	-	-	26,358	2	4.40%
PD Hotel Associates LLC	-	-	-	23,362	3	3.90%
Merlitz Inc	-	-	-	16,987	5	2.84%
Radiological Associates	-	-	-	8,145	7	1.36%
OCC Fund Ltd Partnership	-	-	-	7,056	9	1.18%
2006 Tcherkoyan Family Trust	-	-	-	7,029	10	1.17%
Sub Total	130,620		21.58%	156,860		26.20%
All Other Taxpayers	474,747		78.42%	441,798		73.80%
Total	\$ 605,367		100.00%	\$ 598,658		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Franklin Boulevard
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
6200 Franklin LLC	\$ 20,153	1	3.47%	\$ -	-	-
United States Cold Storage Calif	10,418	2	1.80%	9,410	4	1.52%
Hillside Apartments LLC	7,858	3	1.35%	-	-	-
Sacramento Children's Home (Garfield Beach CVS LLC)	7,682	4	1.32%	-	-	-
Greystone Place Invs LLC	7,127	5	1.23%	-	-	-
ARB Invs	7,023	6	1.21%	-	-	-
Rosedown Associates LLC	6,429	7	1.11%	9,591	3	1.55%
ABF Freight System Inc	4,909	8	0.85%	-	-	-
Extra Space Properties Two LLC	4,632	9	0.80%	7,741	5	1.25%
Campus Plaza Associates	4,632	10	0.80%	-	-	-
Campbell Soup	-	-	-	132,205	1	21.40%
Western Village LP	-	-	-	13,083	2	2.12%
TESCO Controls Inc.	-	-	-	5,553	6	0.90%
Sei/PSP Vi Joint Ventures	-	-	-	4,034	7	0.65%
Bowling Green Associates	-	-	-	3,879	8	0.63%
Con-Way Western Express Inc.	-	-	-	3,077	9	0.50%
Franklin Center LLC	-	-	-	3,058	10	0.49%
Sub Total	80,863		13.93%	191,631		31.02%
All Other Taxpayers	499,495		86.07%	426,153		68.98%
Total	\$ 580,358		100.00%	\$ 617,784		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Stockton Boulevard
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Stockton Plaza Partners LLC	\$ 14,626	1	3.08%	\$ 14,222	3	3.47%
EKG Investors LLC/Sct Investors LLC/Etal	14,260	2	3.00%	20,158	1	4.92%
Sustained Invs LLC	10,664	3	2.25%	-	-	-
John M/Nancy M Kehriotis Living Trust	8,163	4	1.72%	7,213	5	1.76%
NT Stockton Invs LLC	7,940	5	1.67%	4,697	10	1.15%
Long Sight Properties LLC	6,513	6	1.37%	-	-	-
ESS Prisa II LLC	6,272	7	1.32%	4,740	9	1.16%
Brittany Arms LLC	6,248	8	1.32%	5,520	6	1.35%
Little Saigon Plaza Sacramento	5,930	9	1.25%	-	-	-
SF Florin LP	5,091	10	1.07%	-	-	-
BE Saigon Plaza LLC	-	-	-	17,415	2	4.25%
Gonzalez Jaime/Gloria	-	-	-	9,201	4	2.24%
Hill Ct Inv Group Ltd Part	-	-	-	5,505	7	1.34%
Golden Prop Inv	-	-	-	5,202	8	1.27%
Sub Total	85,707		18.05%	93,873		22.89%
All Other Taxpayers	389,003		81.95%	316,235		77.11%
Total	<u>\$ 474,710</u>		<u>100.00%</u>	<u>\$ 410,108</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Army Depot
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Elder Creek Transfer/Recovery Inc	\$ 11,176	1	1.37%	\$ 10,443	4	1.07%
Watt Elder Creek Holdings LLC	8,061	2	0.99%	-	-	-
Power Inn Business Park LLC	5,777	3	0.71%	-	-	-
Pitalo John E	4,861	4	0.59%	-	-	-
Kennedy Estates Housing Associates	3,545	5	0.43%	-	-	-
Younger Creek Management LLC	3,315	6	0.41%	-	-	-
Central Valley Industrial Core Holdings LLC	3,245	7	0.40%	-	-	-
Preet LLC	2,460	8	0.30%	-	-	-
BP West Coast Products LLC	1,856	9	0.23%	-	-	-
ARC Cafehd LLC (Vereit Operating Partnership LP)	1,805	10	0.22%	-	-	-
Engineered Polymer Solutions	-	-	-	15,676	1	1.60%
R/G Hayward LLC	-	-	-	14,996	2	1.53%
Buzz Oates LLC	-	-	-	10,443	3	1.07%
Ballantyne Diana S/Mark C/Jan W Leo	-	-	-	7,789	5	0.79%
C/S Logistics Sacramento/TRA	-	-	-	6,956	6	0.71%
Air Products/chemicals Inc	-	-	-	6,575	7	0.67%
Southern Calif Cement	-	-	-	6,507	8	0.66%
Vivion Shops LLC	-	-	-	5,092	9	0.52%
Inland Empire Investments	-	-	-	4,223	10	0.43%
Sub Total	46,101		5.64%	88,700		9.05%
All Other Taxpayers	771,443		94.36%	891,120		90.95%
Total	<u>\$ 817,544</u>		<u>100.00%</u>	<u>\$ 979,820</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - 65th Street
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	2018			2009		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
NB Element DST	\$ 81,885	1	18.73%	\$ -	-	-
SSC Sacramento Apartments LLC	72,420	2	16.56%	-	-	-
AMCAL Sacramento LLC	43,696	3	9.99%	-	-	-
Target Corporation	27,962	4	6.39%	15,093	2	6.02%
65th St Village LLC (65th & Folsom LP)	11,546	5	2.64%	-	-	-
Sutter Valley Hospitals	11,365	6	2.60%	-	-	-
CPCA 7716 Folsom Blvd LLC	8,182	7	1.87%	-	-	-
Atlas Disposal Industries LLC	6,466	8	1.48%	6,263	6	2.50%
Jackson IV LLC	6,019	9	1.38%	-	-	-
Dimension Properties LLC	5,380	10	1.23%	4,662	7	1.86%
Valeo Sacramento	-	-	-	36,316	1	14.48%
Mark/Marjorie Friedman Family Turst Et al	-	-	-	10,146	3	4.04%
Farming Company Folsom Blvd LLC Et al	-	-	-	10,092	4	4.02%
Kenneth/Susan Cathchot Family 2005 Revocable Trust	-	-	-	6,288	5	2.51%
American River Self Storage LP	-	-	-	4,527	8	1.80%
NMC I LLC/BBK I LLC	-	-	-	3,892	9	1.55%
2800 Pico Associates LLC	-	-	-	3,827	10	1.53%
Sub Total	274,921		62.87%	101,106		40.31%
All Other Taxpayers	162,351		37.13%	149,724		59.69%
Total	<u>\$ 437,272</u>		<u>100.00%</u>	<u>\$ 250,830</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Railyards
Current Fiscal Year and Six Years Ago
(in thousands)

Assessee	2018			2010 ⁽¹⁾		
	Taxable Value ⁽²⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Downtown Railyard Venture LLC	\$ 18,819	1	26.21%	\$ -	-	-
Pac West Office Equities Limited Partnership	11,381	2	15.85%	-	-	-
1238 Sutter Street LLC	7,548	3	10.51%	-	-	-
Mercy Housing CA 47	4,967	4	6.92%	-	-	-
Sutter HOJ LP	4,947	5	6.89%	-	-	-
Sacramento Co Emp Credit Union	4,618	6	6.43%	4,068	5	5.23%
PDRA/Company LLC	4,003	7	5.57%	3,537	6	4.54%
PLF Bldg LLC	3,771	8	5.25%	-	-	-
Strumwasser Michael J/Silvia M	3,310	9	4.61%	2,924	7	3.76%
Bowman/Bay Building Joint Venture	2,394	10	3.33%	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 Patino/Eddie Cuevas	-	-	-	1,556	9	2.00%
Legacy Ventures LLC	-	-	-	1,245	10	1.60%
Sub Total	65,758		91.57%	67,716		87.00%
All Other Taxpayers	6,053		8.43%	10,117		13.00%
Total	\$ 71,811		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 2017-18 Project Area total taxable value.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

RDA - All Project Areas

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 48,016	\$ 600	\$ 2,295	\$ 45,121	\$ 21,836	2.07	\$ NA	\$ NA	NA
2009-10	42,876	438	3,050	39,388	21,790	1.81	NA	NA	NA
2010-11	35,280	580	2,684	32,016	21,776	1.47	NA	NA	NA
2011-12	42,334	726	2,911	38,698	22,120	1.75	6,008	28,128	1.38 (1)
2012-13	41,304	745	2,556	38,003	22,087	1.72	6,619	28,706	1.32
2013-14	42,684	687	3,037	38,960	24,896	1.56	5,123	30,019	1.30 (3)
2014-15	43,657	649	3,911	39,097	21,937	1.78	9,158	31,095	1.26
2015-16	49,142	690	5,766	42,686	11,794	3.62	15,610	27,404	1.56 (4)
2016-17	53,765	709	1,201	51,855	11,793	4.40	10,171	21,964	2.36
2017-18	67,464	823	11,550	55,091	398	138.42	24,270	24,668	2.23 (5)

Merged Downtown

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 30,213	\$ 380	\$ 484	\$ 29,349	\$ 16,090	1.82	\$ NA	\$ NA	NA
2009-10	29,144	282	1,606	27,256	16,072	1.70	NA	NA	NA
2010-11	23,069	387	1,454	21,228	16,051	1.32	NA	NA	NA
2011-12	23,750	406	807	22,537	16,254	1.39	2,608	18,862	1.19 (1)
2012-13	23,260	419	652	22,189	16,298	1.36	2,655	18,953	1.17
2013-14	23,042	372	580	22,090	16,245	1.36	4,188	20,433	1.08 (2)
2014-15	23,121	350	1,071	21,700	16,242	1.34	4,980	21,222	1.02
2015-16	27,081	372	2,415	24,294	11,395	2.13	146	11,541	2.11 (4)
2016-17	27,978	376	485	27,117	11,395	2.38	146	11,541	2.35
2017-18	37,146	451	5,665	31,030	-	-	146	146	212.53 (5)

Del Paso Heights

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 4,079	\$ 51	\$ 169	\$ 3,859	\$ 1,625	2.37	\$ NA	\$ NA	NA
2009-10	3,222	33	377	2,812	1,627	1.73	NA	NA	NA
2010-11	2,901	45	322	2,534	1,626	1.56	NA	NA	NA
2011-12	2,551	44	199	2,307	1,769	1.30	100	1,869	1.23 (1)
2012-13	2,549	46	194	2,309	1,644	1.40	240	1,884	1.23
2013-14	2,853	44	245	2,564	1,618	1.58	230	1,848	1.39
2014-15	3,149	44	337	2,768	1,618	1.71	231	1,849	1.50
2015-16	3,190	45	384	2,761	-	-	14	14	197.21 (4)
2016-17	3,524	45	100	3,379	-	-	14	14	241.36
2017-18	3,978	50	638	3,290	-	-	14	14	235.00

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 subordinate debts and a majority of the senior debts were refunded in 2015.

(5) 1993 Merged Downtown TABS were paid off in 2018.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

Alkali Flat

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 1,234	\$ 17	\$ 14	\$ 1,203	\$ 618	1.95	NA	NA	NA
2009-10	1,253	15	54	1,185	616	1.92	NA	NA	NA
2010-11	1,106	18	68	1,020	619	1.65	NA	NA	NA
2011-12	1,077	18	19	1,039	622	1.67	\$ 463	\$ 1,085	0.96
2012-13	1,049	19	10	1,020	623	1.64	467	1,090	0.94
2013-14	1,028	16	9	1,003	612	1.64	461	1,073	0.93
2014-15	1,148	16	64	1,068	613	1.74	464	1,077	0.99
2015-16	1,111	17	67	1,027	-	-	466	466	2.20
2016-17	1,347	17	26	1,304	-	-	469	469	2.78
2017-18	1,791	29	317	1,445	-	-	471	471	3.07

Oak Park

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 5,854	\$ 73	\$ 381	\$ 5,400	\$ 2,767	1.95	NA	NA	NA
2009-10	4,213	49	372	3,792	2,757	1.38	NA	NA	NA
2010-11	3,871	60	314	3,498	2,761	1.27	NA	NA	NA
2011-12	3,772	63	150	3,559	2,756	1.29	\$ 103	\$ 2,859	1.24
2012-13	3,841	67	151	3,623	2,794	1.30	183	2,977	1.22
2013-14	4,364	67	244	4,053	2,752	1.47	173	2,925	1.39
2014-15	4,522	63	385	4,074	2,755	1.48	178	2,933	1.39
2015-16	4,915	70	613	4,232	-	-	34	34	124.47
2016-17	5,843	75	176	5,592	-	-	34	34	164.47
2017-18	6,213	79	1,091	5,043	-	-	34	34	148.32

River District

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ NA	\$ NA	\$ NA	\$ NA	-	-	\$ NA	\$ NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,372	25	246	1,100	-	-	494	494	2.23
2012-13	1,294	26	227	1,041	-	-	654	654	1.59
2013-14	1,025	20	259	746	-	-	646	646	1.15
2014-15	1,542	23	280	1,239	-	-	642	642	1.93
2015-16	1,544	22	288	1,234	-	-	229	229	5.39
2016-17	1,633	22	29	1,582	-	-	229	229	6.91
2017-18	1,793	23	338	1,432	-	-	230	230	6.23

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 subordinate debts and a majority of the senior debts were refunded in 2015.

**City of Sacramento
 Successor Agency Trust Fund
 Debt Coverage Analysis
 Last Ten Fiscal Years
 (in thousands)**

North Sacramento

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 3,787	\$ 46	\$ 291	\$ 3,450	\$ 528	6.53	\$ NA	\$ NA	NA
2009-10	3,087	36	237	2,814	530	5.30	NA	NA	NA
2010-11	2,722	45	209	2,468	528	4.68	NA	NA	NA
2011-12	2,439	44	187	2,208	539	4.10	629	1,168	1.89 (1)
2012-13	2,323	44	165	2,114	537	3.94	779	1,316	1.61
2013-14	2,303	38	247	2,018	524	3.85	778	1,302	1.55 (2)
2014-15	2,689	37	262	2,390	530	4.51	772	1,302	1.84
2015-16	2,819	40	282	2,497	218	11.45	375	593	4.21 (4)
2016-17	2,951	41	-	2,910	218	13.35	374	592	4.92
2017-18	3,229	40	323	2,866	218	13.15	377	595	4.82

Franklin Boulevard

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ NA	\$ NA	\$ NA	\$ NA	-	-	\$ NA	\$ NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,225	39	184	2,002	-	-	100	100	20.02 (1)
2012-13	2,354	41	195	2,118	-	-	109	109	19.43
2013-14	2,414	38	189	2,187	-	-	99	99	22.09
2014-15	952	24	117	811	-	-	99	99	8.19 (3)
2015-16	1,640	23	116	1,501	-	-	41	41	36.61
2016-17	2,050	25	-	2,025	-	-	41	41	49.39
2017-18	2,511	30	217	2,264	-	-	41	41	55.22

Stockton Boulevard

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ 2,849	\$ 33	\$ 957	\$ 1,860	\$ 208	8.92	\$ NA	\$ NA	NA
2009-10	1,957	22	405	1,529	187	8.19	NA	NA	NA
2010-11	1,611	26	317	1,268	191	6.63	NA	NA	NA
2011-12	1,496	26	387	1,083	180	6.02	250	430	2.52 (1)
2012-13	1,369	24	329	1,016	191	5.32	261	452	2.25
2013-14	1,420	24	377	1,019	180	5.66	245	425	2.40
2014-15	1,755	24	446	1,285	180	7.14	246	426	3.02
2015-16	1,933	28	526	1,379	180	7.66	149	329	4.19 (4)
2016-17	2,238	28	65	2,145	180	11.92	149	329	6.52
2017-18	2,598	33	770	1,795	180	9.97	167	347	5.17

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 subordinate debts and a majority of the senior debts were refunded in 2015.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

Army Depot

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ NA	\$ NA	\$ NA	\$ NA	-	-	\$ NA	\$ NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,617	44	523	2,050	-	-	737	737	2.78 (1)
2012-13	2,342	43	452	1,847	-	-	748	748	2.47
2013-14	3,200	50	643	2,507	-	-	735	735	3.41
2014-15	3,556	50	699	2,807	-	-	739	739	3.80
2015-16	3,944	56	847	3,041	-	-	267	267	11.39 (2)
2016-17	4,579	58	236	4,285	-	-	267	267	16.05
2017-18	5,428	67	1,376	3,985	-	-	268	268	14.87

65th Street

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2008-09	\$ NA	\$ NA	\$ NA	\$ NA	-	-	\$ NA	\$ NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,035	17	207	811	-	-	524	524	1.55 (1)
2012-13	923	16	181	726	-	-	523	523	1.39
2013-14	834	14	185	635	-	-	506	506	1.25
2014-15	1,030	14	197	819	-	-	500	500	1.64
2015-16	1,067	16	228	823	-	-	388	388	2.12 (2)
2016-17	1,540	19	79	1,442	-	-	388	388	3.72
2017-18	2,578	29	784	1,765	-	-	387	387	4.56

Notes:

NA - Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

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(3) Revised to correct total tax increment received.

(4) Various subordinate debts and a majority of the senior debts were refunded in 2015.

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City of Sacramento
Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Citywide and Community Support	-	-	-	-	23	23	21	5	5	5
Code Enforcement	107	90	-	-	-	-	-	-	-	-
Community Development	-	107	170	166	159	163	166	219	227	250
Convention and Cultural Services	214	206	196	194	133	138	126	120	116	115
Development Services	222	-	-	-	-	-	-	-	-	-
Economic Development	27	22	18	14	11	11	11	11	12 ⁽²⁾	-
Fire	655	582	611	589	527	642	657	674	678	672
General Government	400	329	319	312	305	320	325	370	431	512
General Services	307	257	247	225	368	367	372	- ⁽¹⁾	-	-
Neighborhood Services	15	9	-	-	-	-	-	-	-	-
Parks and Recreation	872	680	648	579	553	577	568	599	683	616
Planning	34	-	-	-	-	-	-	-	-	-
Police	1,271	1,091	1,060	900	847	940	973	1,033	1,052	1,030
Public Works	-	-	-	-	395	406	415	732	725	723
Transportation	437	424	409	409	-	-	-	-	-	-
Utilities	741	752	698	698	505	510	522	538	528	546
Total	5,300	4,549	4,374	4,083	3,825	4,095	4,157	4,300	4,458	4,470

Notes: (1) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology and Public Works.

(2) The Department of Economic Development has been reallocated to the Department of General Government.

**City of Sacramento
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Adult arrests	21,230	20,555	19,885	17,058	18,650	19,570	18,113	16,778	14,476	13,350
Citizen initiated calls for service with officer responses	173,045	176,157	166,207	154,193	154,233	118,975	141,181	149,275	148,663	152,597
Fire⁽¹⁾										
Number of incidents	64,525	59,608 ⁽²⁾	71,111	73,343	74,427	75,000	80,596	85,742	90,018	92,026
Number of structure fires	401	359 ⁽²⁾	606	652	680	586	784	756	735	767
Number of construction inspection/reviews	NA	2,790	NA	1,895	4,568 ⁽¹²⁾	4,761	3,234	4,181	8,268 ⁽²³⁾	10,102
General Services										
Number of animal licenses issued	18,732	17,094	17,132	17,318	15,810 ⁽¹³⁾	15,057	8,995	12,016 ⁽²¹⁾	14,428	12,002
Number of animal outplacements	4,025	3,300	2,901	3,750	5,521 ⁽¹⁴⁾	6,167	7,447	8,789	9,248	9,589
Public Works										
Number of traffic investigations completed	1,028	903	712 ⁽⁴⁾	717	821	936	678	896	1,001	1,041
Number of parking citations issued	236,103	240,248	184,215 ⁽⁵⁾	164,492	165,700	171,066	196,586	192,708	183,326	197,170
Convention and Cultural Services										
Number of Community Convention Center events	528	453	417	389	378	378	358	408	430	372
Community Convention Center event attendance	862,000	780,000	873,577	796,000	645,000 ⁽¹⁵⁾	881,253	775,253	744,145	905,733 ⁽²⁴⁾	1,034,980
Number of Zoo attendance	467,446	481,452	498,518	526,959	508,061	512,758	549,407	533,368	500,573	500,535
Parks and Recreation										
Number of students enrolled in START	8,695	8,563	7,437	5,755 ⁽⁷⁾	5,330	5,603	6,897	4,534 ⁽²²⁾	2,785 ⁽²⁵⁾	711 ⁽²⁷⁾
Number of students enrolled in 4th R ⁽⁹⁾	2,675	2,600	2,142	1,899	1,949	1,955	2,007	1,863	1,180	2,419 ⁽²⁸⁾
Number of lunches served through food programs	197,020	120,726 ⁽³⁾	133,687	42,848 ⁽⁸⁾	- ⁽¹⁶⁾	-	-	-	-	-
Community Development⁽¹⁸⁾										
Number of building permits issued	13,182	11,786	11,474	11,545	12,146	13,950	14,002	17,041	18,701	20,582
Building permit valuation (in million of dollars)	557	543	387	281	391	362	544	778	1,267	1,243
Vehicles abated by City	898	694	429	254 ⁽¹⁰⁾	282	343	356	772	1,644	2,306
Notice and orders issued on housing and dangerous buildings	360	305	250	188 ⁽¹¹⁾	253	154	279	239	206	382
Water										
Number of accounts	137,029	136,600	136,812	137,148	135,353	135,590	134,971	136,130	139,238	140,735
Amount distributed/pumped (million of gallons)	42,726	38,453	37,393	38,692	40,034	34,896	29,557	27,324	28,511	30,800
Wastewater										
Number of accounts	76,802	76,385	76,394	76,477	76,484	76,657	76,471	76,849	77,137	77,521
Amount distributed/pumped (million of gallons)	15,889	14,302	NA	10,695	6,805 ⁽¹⁷⁾	10,603	10,605	10,605	10,605	25,836
Storm Drainage										
Number of accounts	132,727	132,556	133,188	133,814	134,651	135,834	136,850	137,754	139,198	140,934
Amount distributed/pumped (million of gallons)	27,936	27,288	NA	28,445	17,602	14,585 ⁽¹⁹⁾	24,179	20,225	46,964 ⁽²⁶⁾	18,321 ⁽²⁸⁾
Solid Waste										
Residential garbage disposed (in Tons)	104,542	112,203	110,103	106,085	109,141	109,060	111,140	112,497	118,355	118,437
Commercial garbage collected (in Tons)	18,937	17,688	12,918 ⁽⁶⁾	12,251	1,222	- ⁽²⁰⁾	-	-	-	-

Notes: (1) The threshold for investigation of a fire was raised from \$10,000 or \$30,000 in fiscal year 2005.
(2) Due to a system problem in October 2009, only 11 months of data is available.
(3) In FY10, the decrease in number of lunches served through food programs was due to a decrease in number of sites in operation from 112 to 43. The sites were scaled back to better manage the program and reduce waste.
(4) In FY11, the reason for the significant drop in the number of traffic investigations completed was due to the decrease in calls from the General Public. In addition, FY11 onwards, Maintenance Calls were excluded.
(5) In FY11, the reasons for the significant drop in the number of citations written were due to (a) the depressed economy; (b) there were 4 fewer parking enforcement officers; and (c) the staff were furloughed.
(6) In FY11, the reason for the significant drop in the commercial garbage collected was primarily due to loss of two major accounts, i.e. Sacramento City Unified School District to Atlas Disposal and California State University, Sacramento to Allied Waste.
(7) In FY12, the number of school sites the City of Sacramento served under START program was reduced from 57 to 46, thus reducing the total number of students enrolled.
(8) In FY12, the number of lunches served through food programs decreased significantly because the federal grant for this program ended in September 2011.
(9) The number of students enrolled in 4th R program has been declining since FY09 due to substantial decline in the subsidy-side of enrollees. Due to the recession many parents/guardians lost their employment and were not pursuing post secondary education/skill training which make them ineligible to receive these subsidies because the requirement for eligibility is either employment or post secondary education/skill training. In addition, there was also some decline in fee based enrollment.
(10) In FY12, the number of vehicles abated by City decreased significantly due to the slow economic conditions which led to people holding onto their vehicles longer as well as turning in vehicles for the cost of parts or scrap metal.
(11) In FY12, the number of complaints for housing and dangerous buildings declined largely due to proactive inspections performed under the City's Rental Housing Inspection Program which led to decrease in notice and orders issued on housing and dangerous buildings.
(12) Fire Prevention has been working diligently to improve the way they track inspection data. Therefore, current year data is more accurate than prior years data.
(13) In FY13, the number of animal licenses issued declined largely due to economic downturn as pet owners make tough choices licensing suffered.
(14) Partnership with outside agencies in California and other states resulted in an increase in the number of animal outplacements in FY13.
(15) In FY13, the number of entertainment events at Memorial Auditorium declined largely due to a major stage extension maintenance/replacement project that limited its use for approximately four months, no sold-out and extended-run performances. FY12 included sold out extended run performances of Wicked.
(16) In FY13, the summer food program is terminated.
(17) The reduction in flows have occurred due to water conservation efforts and reduced system infiltration caused by the below normal rainfall influence on the water table. There was less rainfall in FY13 than in FY12.
(18) Prior to FY13, reported as Development and Code Enforcement Departments.
(19) Amount of storm drainage distributed/pumped is dependent on rainfall. There was less rainfall in FY14 than in FY13 and FY12.
(20) Solid Waste commercial garbage collection was discontinued in October 2012.
(21) In FY16, the number of animal licenses issued increased due to the implementation of web licensing.
(22) In FY16 attendance for the START program decreased due to Elk Grove School District not participating in the program
(23) In FY17, the number of construction inspections doubled
(24) In FY17, the number of attendance increased due to increase in events held at the center
(25) In FY17, the number of students enrolled in START decreased due to the closure of 18 sites (10 Sacramento City Unified School District and 8 Twin Rivers Unified School District sites)
(26) Amount of storm drainage distributed/pumped is dependent on rainfall.
(27) In FY18, the number of students enrolled in START decreased due to reduced funding and non renewal of 21st century federal grant.
(28) In FY18, the number of students enrolled in 4th R Program increased due to the addition of new site, i.e. Paso Verde. An average of 100 participants enrolled monthly at this site.

Source: Various City of Sacramento Departments

**City of Sacramento
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

<u>Function/program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Police										
Number of stations ⁽¹⁾	4	4	4	4	4	4	4	4	4	4
Police										
Number of patrol units ⁽²⁾	210	242	242	242	263	243	226	231	234	229
Number of aircraft	3	3	3	4	4	4	4	4	4	5
Number of watercraft	2	2	2	3	3	3	2 ⁽¹²⁾	2	5	4
Fire										
Number of stations	23	23	23	24	24	24	24	24	24	24
Number of fire suppression, support or prevention vehicles	150	160	160	159	159	159	159	162	162	162
Number of watercraft	NA	NA	NA	NA	NA	NA	1 ⁽¹²⁾	1	1	6
Public Works										
Miles of streets	3,044	3,063	3,108	3,108	3,065	3,077	3,059	3,059	3,075	3,062
Number of street lights	41,131	41,252	41,301	41,679	41,788	42,048	42,225	42,627	42,914	43,223
Number of City parking spaces ⁽³⁾	8,484	8,484	8,484	8,484	8,484	8,484	4,775 ⁽¹³⁾	4,775	4,775	4,775
Miles of off-street bikeways	78	78	82	82	83	84	57	57	57	88
Parks and recreation										
Number of parks	208	212	213	213	222	222	222	225	227	227
Park acreage ⁽⁴⁾	3,167	3,171	3,171	3,150 ⁽¹⁰⁾	3,161 ⁽¹¹⁾	3,161	3,161	3,183	3,177	3,177
Number of community centers ⁽⁵⁾	13	13	13	13	13	13	13	13	13	14
Number of swimming pools (including wading pools)	26	26	26	26	26	26	26	27	27	27
Water										
Miles of water mains and distribution lines ⁽⁶⁾⁽⁷⁾	1,720	1,724	1,596	1,599	1,599	1,597	1,727	1,599	1,604	1,607
Sewers and storm drainage										
Miles of sanitary sewers and storm drainage ⁽⁸⁾	1,693	1,950	1,954	1,951	1,951	1,951	1,873	1,869	1,876	1,960
Off-street parking										
Number of City garages and open parking lots	10	10	10	10	10	10	7 ⁽¹³⁾	7	7	7
Golf										
Number of golf courses	6	6	6	6	6	6	6	6	6	6
Marina										
Number of boat harbor slips	475	475	475	475	475	475	475	475	475	475

- Notes: (1) From FY2008 onwards, police stations refer to stations plus police headquarters.
(2) From FY2010 onwards, patrol units include cars and motorcycles.
(3) From FY2009 onwards, City parking spaces is defined as only those which are City-owned.
(4) Golf course acreage is not included from FY2005 onwards.
(5) Does not include neighborhood centers.
(6) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.
(7) From FY2009 onwards, does not include miles for private mains and mains owned by other agencies.
(8) Non-pipe elements may have been included in years prior to FY2009.
(9) In FY2008, the marina boat slips were made larger thereby decreasing their total number.
(10) In FY2012, the City conveyed 22.79 acres to a developer from Granite Regional Park, pursuant to a development agreement, and acquired two parcel adding 1.73 acres to the Sacramento River Parkway.
(11) In FY2013, the City added 10.78 acres in 6 parks (all in the River District in the Central City). Bercut Richards Plaza (0.12 ac.); Cannery Plaza parksite (0.19 ac.); Persimmon Paseo (0.21 ac.); Victory Promenade (0.49 ac.); 7th Street Promenade (1.0 ac.); and Township 9 Park (8.77 ac.).
(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
	2018	2009
Number of budgeted positions	4,470	5,300
Area in square miles	97	97
Altitude in feet	20	20
City of Sacramento facilities and services:		
Police		
Number of stations	4	4
Number of police personnel sworn / civilian (actual)	664/284	804/440
Number of patrol units	229	210
Fire		
Number of stations	24	23
Number of fire personnel sworn / unsworn	630/51	591/43
Number of fire protection, support and prevention vehicles	162	150
Utilities		
Miles of water mains and distribution lines ⁽¹⁾	1,607	1,720
Annual water production in gallons	31 Billion	42.8 billion
Miles of sanitary sewers and storm drainage ⁽²⁾	1,960	1,693 ⁽¹⁾
Public Works		
Miles of streets	3,062	3,044
Number of street lights	43,223	41,131
Number of City managed parking lots / spaces	21/4812	19/10,280
Miles of off-street bikeways	88	78
Boat harbor slips ⁽³⁾	475	475 ⁽²⁾
Convention and Cultural Services		
Golf courses	6	6
Zoo animals ⁽⁴⁾	456	500
Fairytale town attendance for year	256,979	232,738
Crocker Art Museum attendance for year	274,488	132,271
Community Convention Center attendance for year	1,034,980	862,000
Parks and Recreation		
Parks	227	208
Park acreage ⁽⁵⁾	3,177	3,167
Camp Sacramento attendance for year	3,114	2,593
Community centers	14	13
Neighborhood centers	3	8
Swimming pools	12	12
Baseball fields ⁽⁶⁾	103	47
Soccer fields	131	132
Ball courts	202	161
Library ⁽⁷⁾		
Library branches	12	27
Library books and audiovisual recordings in circulation	1,688,503	1,622,262

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 FY2005 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

Vice Mayor, District 4

JAY SCHENIRER

Councilmember, District 5

ERIC GUERRA

Councilmember, District 6

RICK JENNINGS, II

Councilmember, 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 City of Sacramento population is estimated at 501,344 as reported by the State of California, Department of Finance as of January 2018.



CityofSacramento.org

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APPENDIX C

REPORT OF THE ASSESSMENT CONSULTANT

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Revenue Analysis of the
Sacramento Tourism
Infrastructure District

City of Sacramento Sacramento, California



Date of the Report:
July 3, 2019

Prepared for:
Mr. Brian Wong
Debt Manager – Office of the City Treasurer
City of Sacramento
Historic City Hall
915 I Street, 3rd Floor
Sacramento, California 95814

Prepared By:
CBRE Hotels Advisory
Salesforce Tower
415 Mission Street, Suite 4600
San Francisco, California 94105

19-414NH-0284

CBRE

Julie Purnell
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July 3, 2019

Mr. Brian Wong
Debt Manager – Office of the City Treasurer
City of Sacramento
Historic City Hall
915 I Street, 3rd Floor
Sacramento, California 95814

Re: City of Sacramento
Revenue Analysis of the Sacramento Tourism Infrastructure District
CBRE, Inc. File No. 19-414NH-0284

Dear Mr. Wong:

Pursuant to the terms of our engagement contract, we have developed a revenue analysis of the recently formed Sacramento Tourism Infrastructure District ("STID") for the City of Sacramento (the "City") under the specific assumption that the Sacramento Convention Center ("SCC") is expanded by +/-111,000 net useable square feet. The purpose of our analysis is to determine the hypothetical historical collection of the STID and project STID revenues that will be available for the City of Sacramento over the projection period. Specifically, our analysis and supporting report will be utilized by the City of Sacramento and their underwriters and consultants for inclusion in a STID assessment revenue bond offering for the purpose to raise funds for the construction of a ballroom as part of the Sacramento Convention Center expansion.

Our analysis includes a forecast of STID assessment 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 greater Sacramento lodging market, as of the completion of our research in June 2019.

Pursuant to your request, we have provided our forecast for the market based on our outlook for future supply, demand, and average daily room rate growth. As will be stated later in this report, we have also assumed the STID assessment rate will remain constant at 1.0 percent of total hotel room rental revenues throughout the projection period.

Since the future performance of the greater 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.

Table of Contents

A. Overview	4
B. Methodology.....	4
C. Summary of Findings	5
D. Sacramento Lodging Market	10
E. Sacramento Area Review	13
F. Hypothetical STID Revenues.....	23
G. Forecast of Future STID Revenues.....	26
H. Conclusion	36

Addendum: October 2018 TOT Report for the City of Sacramento

A. OVERVIEW

CBRE Hotels Advisory was formally retained on June 25, 2019 by the City of Sacramento to develop a detailed analysis of the hypothetical historical collections of the recently formed Sacramento Tourism Infrastructure District ("STID") assessments, collections of which begin in fiscal year 2019/20, utilizing actual Sacramento Tourism and Marketing District ("STMD") assessment collections provided by the City, as well as determine whether future STID collections would grow at similar/lower/higher rates as the Transient Occupancy Tax ("TOT") revenues provided in our analysis of TOT projections in October 2018 (presented in the Addendum). A subset of the STMD, which was formed and began collecting in 2012/13, encompasses the same hotels as the STID although at different assessment rates. As we understand it, the City is considering the use of STID assessment revenues to fund various projects including the construction of a ballroom as part of the expansion of the Sacramento Convention Center ("Center" or "SCC") and other permitted capital improvements. In order to fund the Center 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 STID assessment revenues for the next 40 years, the hypothetical historical assessment revenues are anticipated to be adequate to repay these bonds.

We have performed our analysis under the assumption that construction on the Memorial Auditorium began in June 2018 and initial construction on the Convention Center expansion project began in January 2019, 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 by 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 analysis.

B. METHODOLOGY

In conducting our analysis of STID revenues for the City of Sacramento, we:

- Utilized information provided by the City, along with our own knowledge of the local market, to identify the supply of hotels in the STID;
- Reviewed the actual historical annual collection of hotel/motel STMD assessment revenues for fiscal years 2012/13 through 2017/18, as well as collections through April 2019 of fiscal year 2018/19, as reported by the City of Sacramento's Department of Finance;
- Determined the hypothetical historical collection of the recently formed STID for the same period as historical STMD collections;

- Worked with local planning departments, major hotel companies, and local hotel owners and developers to identify hotels within the STID boundaries 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 hotel rooms 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 SCC 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 which was provided to us by the City that provided an analysis of the projected rooms nights associated with the expansion of the Center;
- Based on all the information gathered, we developed a detailed annual forecast of future rooms supply, demand, ADR, the resulting total hotel room revenue for the STID lodging market and resulting STID assessment revenues for the City through June 30, 2058;
- Determined whether the future STID collections would grow at similar/lower/higher rates as the TOT revenue projections provided in our analysis in October 2018.

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 from hotel industry statistical companies, 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 STMD revenues generated by hotels throughout the City and County of Sacramento for the six-year period 2012/13 through 2017/18, as well as through April in fiscal year 2018/19, which were provided to us by the City of Sacramento. Utilizing this data, we prepared an analysis of hypothetical historical collections for the STID for years 2012/13 through

2017/18, as well as fiscal year-to-date April 2018/19. We then prepared a forecast of STID revenue for the City Hotel Market, County Hotel Market, and the Total Hotel Market, which collectively represents the geographic regions of the STID lodging market.

Presented in the following tables are the historical STMD assessment revenues, which began collections in fiscal year 2012/13, and resulting hypothetical historical STID assessment revenues for the Total Hotel Market, which includes the hotels and motels in the City and County of Sacramento, from the fiscal year 2012/13 through 2017/18, as well as fiscal year-to-date April 2019. As noted the STID assessment rate is 1.0 percent; however, the assessment rate for STMD varies by zone.

Fiscal Year	Room Revenue	STMD Revenue	Percent Change
2012/13	\$197,576,347	\$4,586,869	-
2013/14	\$217,558,594	\$4,990,314	8.8%
2014/15	\$243,736,015	\$5,587,804	12.0%
2015/16	\$268,934,045	\$6,124,621	9.6%
2016/17	\$296,230,671	\$6,722,243	9.8%
2017/18	\$327,553,816	\$7,512,784	11.8%
CAGR	10.6%	10.4%	-
Jul-Apr 17/18	\$241,583,988	\$5,473,818	
Jul-Apr 18/19	\$260,243,438	\$5,908,224	7.9%

CAGR - Compound Annual Growth Rate
 Source: City of Sacramento

Fiscal Year	Room Revenue	STID Revenue*	Percent Change
2012/13	\$197,576,347	\$1,975,763	-
2013/14	\$217,558,594	\$2,175,586	10.1%
2014/15	\$243,736,015	\$2,437,360	12.0%
2015/16	\$268,934,045	\$2,689,340	10.3%
2016/17	\$296,230,671	\$2,962,307	10.1%
2017/18	\$327,553,816	\$3,275,538	10.6%
CAGR	10.6%	10.6%	-
Jul-Apr 17/18	\$241,583,988	\$2,415,840	
Jul-Apr 18/19	\$260,243,438	\$2,602,434	7.7%

CAGR - Compound Annual Growth Rate
 *1% assessment rate on rooms revenue generated from STMD assessment from lodging businesses within the STID boundaries and adjusted to account for differences in assessment rates between the two districts
 Source: City of Sacramento

As noted, total room revenue for the STID Market increased from approximately \$197.6 million in fiscal year 2012/13 to approximately \$327.6 million in fiscal year 2017/18, representing an increase of approximately 66 percent. The hypothetical STID revenue increased at a compound

annual growth rate (“CAGR”) of 10.6 percent over the past six years, or from approximately \$2.0 million in fiscal year 2012/13 to approximately \$3.3 million in fiscal year 2017/18. It should be noted that although the City and County of Sacramento have been approved to collect STID assessment revenues from short-term (fewer than 30 days) permitted AirBnB and vacation rentals, we were requested to prepare our analysis without these revenues as these assessments will not be pledged as part of the ballroom financing.

Over the past six years, STID hypothetical collections would have experienced double-digit growth given the strength of the Sacramento lodging market over this time frame. Additionally, through April 2019, revenues are estimated to be at a 7.7 percent increase over the July to April time period in the previous fiscal year.

As a point of comparison, for the growth the Sacramento lodging market has experienced in recent years, 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 (1993-2018) 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 4,200 rooms and is most synonymous with the Downtown Lodging Market.

Table C-3
Historical Annual Average Occupancy and ADR Growth - Sacramento
1993 - 2018

Market	Supply Growth	Demand Growth	Occupancy	ADR Growth	Revenue Growth
Sacramento MSA	0.8%	1.5%	61.9%	2.9%	4.3%
Sacramento CBD	2.4%	3.2%	66.5%	4.0%	7.3%

Source: CBRE Hotels Advisory

As can be noted, demand growth exceeded supply growth in both the Sacramento MSA as well as the Sacramento CBD from 1993 through 2018. 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 2.4 percent compared to demand growth of 3.2 percent. The Sacramento MSA lodging market achieved a historical annual average occupancy of 61.9 percent with ADR growth of 2.9 percent and revenue growth of 4.3 percent over the past 25 years. The Sacramento CBD achieved an annual average occupancy level of 66.5 percent, with considerably stronger average annual ADR growth of 4.0 percent, and revenue growth of 7.3 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 STID revenue for the Total Hotel Market, as summarized in the following table. As noted, we have estimated the annual market hotel rooms supply,

demand, ADR, total room revenue, and resulting STID revenue for the Total Hotel Market (calculated at 1.0 percent of room revenue) from fiscal year 2018/19 through 2057/58. The hypothetical room revenue and resulting STID revenue for 2017/18 and 2018/19 have been included as a point of comparison, along with our estimates of annual hotel rooms supply, demand, and average daily room rate for the Total Hotel Market. It should be noted that we have accounted for a significant increase in supply over the first five years of our projection period which contributes to significant increases in STID assessment revenues in fiscal years 2019/20 through 2022/23, as demonstrated in the following table. Please refer to Section G beginning on page 26 of this report for information related to assumptions and known anticipated changes in the supply of rooms.

Table C-4
Sacramento Tourism Infrastructure District Assessment
Total Market

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	STID Revenue
2017/18	3,858,963		2,819,156		73%	\$116		\$327,554,000		\$3,276,000
2018/19	3,906,534	1.2%	2,830,337	0.4%	72%	\$121	4.0%	341,980,000	4.4%	3,420,000
2019/20*	3,976,858	1.8%	2,807,863	-0.8%	71%	\$122	1.4%	343,900,000	0.6%	3,439,000
2020/21	4,366,921	9.8%	2,985,861	6.3%	68%	\$126	2.8%	375,971,000	9.3%	3,759,000
2021/22	4,725,533	8.2%	3,322,276	11.3%	70%	\$133	5.8%	442,654,000	17.7%	4,427,000
2022/23	4,800,298	1.6%	3,459,246	4.1%	72%	\$139	4.0%	479,549,000	8.3%	4,796,000
2023/24	4,855,048	1.1%	3,516,773	1.7%	72%	\$143	3.4%	504,323,000	5.2%	5,043,000
2024/25	4,909,798	1.1%	3,604,789	2.5%	73%	\$148	3.5%	535,084,000	6.1%	5,350,000
2025/26	4,909,798	0.0%	3,604,789	0.0%	73%	\$153	2.9%	550,572,000	2.9%	5,506,000
2026/27	4,909,798	0.0%	3,604,789	0.0%	73%	\$157	2.9%	566,515,000	2.9%	5,665,000
2027/28	5,010,173	2.0%	3,658,861	1.5%	73%	\$162	2.9%	591,667,000	4.4%	5,917,000
2028/29	5,110,548	2.0%	3,701,366	1.2%	72%	\$166	2.8%	615,517,000	4.0%	6,156,000
2029/30	5,110,548	0.0%	3,710,418	0.2%	73%	\$171	2.8%	634,317,000	3.1%	6,343,000
2030/31	5,110,548	0.0%	3,710,418	0.0%	73%	\$176	2.9%	652,692,000	2.9%	6,527,000
2031/32	5,110,548	0.0%	3,710,418	0.0%	73%	\$181	2.9%	671,605,000	2.9%	6,716,000
2032/33	5,110,548	0.0%	3,710,418	0.0%	73%	\$186	2.9%	691,072,000	2.9%	6,911,000
2033/34	5,110,548	0.0%	3,710,418	0.0%	73%	\$192	2.9%	711,108,000	2.9%	7,111,000
2034/35	5,110,548	0.0%	3,710,418	0.0%	73%	\$197	2.9%	731,733,000	2.9%	7,317,000
2035/36	5,110,548	0.0%	3,710,418	0.0%	73%	\$203	2.9%	752,962,000	2.9%	7,529,000
2036/37	5,110,548	0.0%	3,710,418	0.0%	73%	\$209	2.9%	774,813,000	2.9%	7,748,000
2037/38	5,210,923	2.0%	3,775,439	1.8%	72%	\$215	3.0%	812,101,000	4.8%	8,121,000
2038/39	5,311,298	1.9%	3,850,947	2.0%	73%	\$221	2.9%	852,406,000	5.0%	8,524,000
2039/40	5,311,298	0.0%	3,889,457	1.0%	73%	\$228	2.9%	885,948,000	3.9%	8,859,000
2040/41	5,311,298	0.0%	3,889,457	0.0%	73%	\$234	2.9%	911,700,000	2.9%	9,117,000
2041/42	5,311,298	0.0%	3,889,457	0.0%	73%	\$241	2.9%	938,208,000	2.9%	9,382,000
2042/43	5,311,298	0.0%	3,889,457	0.0%	73%	\$248	2.9%	965,495,000	2.9%	9,655,000
2043/44	5,311,298	0.0%	3,889,457	0.0%	73%	\$255	2.9%	993,583,000	2.9%	9,936,000
2044/45	5,311,298	0.0%	3,889,457	0.0%	73%	\$263	2.9%	1,022,495,000	2.9%	10,224,000
2045/46	5,311,298	0.0%	3,889,457	0.0%	73%	\$271	2.9%	1,052,258,000	2.9%	10,523,000
2046/47	5,311,298	0.0%	3,889,457	0.0%	73%	\$278	2.9%	1,082,895,000	2.9%	10,829,000
2047/48	5,411,673	1.9%	3,925,181	0.9%	73%	\$287	3.0%	1,125,092,000	3.9%	11,251,000
2048/49	5,512,048	1.9%	4,006,871	2.1%	73%	\$295	2.9%	1,181,526,000	5.0%	11,815,000
2049/50	5,512,048	0.0%	4,046,940	1.0%	73%	\$303	2.9%	1,228,114,000	3.9%	12,281,000
2050/51	5,512,048	0.0%	4,046,940	0.0%	73%	\$312	2.9%	1,263,908,000	2.9%	12,639,000
2051/52	5,512,048	0.0%	4,046,940	0.0%	73%	\$321	2.9%	1,300,757,000	2.9%	13,008,000
2052/53	5,512,048	0.0%	4,046,940	0.0%	73%	\$331	2.9%	1,338,689,000	2.9%	13,387,000
2053/54	5,512,048	0.0%	4,046,940	0.0%	73%	\$340	2.9%	1,377,738,000	2.9%	13,778,000
2054/55	5,512,048	0.0%	4,046,940	0.0%	73%	\$350	2.9%	1,417,935,000	2.9%	14,179,000
2055/56	5,512,048	0.0%	4,046,940	0.0%	73%	\$361	2.9%	1,459,316,000	2.9%	14,593,000
2056/57	5,512,048	0.0%	4,046,940	0.0%	73%	\$371	2.9%	1,501,915,000	2.9%	15,019,000
2057/58	5,612,423	1.8%	4,090,708	1.1%	73%	\$382	2.9%	1,561,840,000	4.0%	15,619,000
CAGR	0.9%		0.9%			3.0%		4.0%		4.0%

*Although the STID will not begin being levied until August 2019, we have reflected a full year of representative revenues

Source: CBRE Hotels Advisory

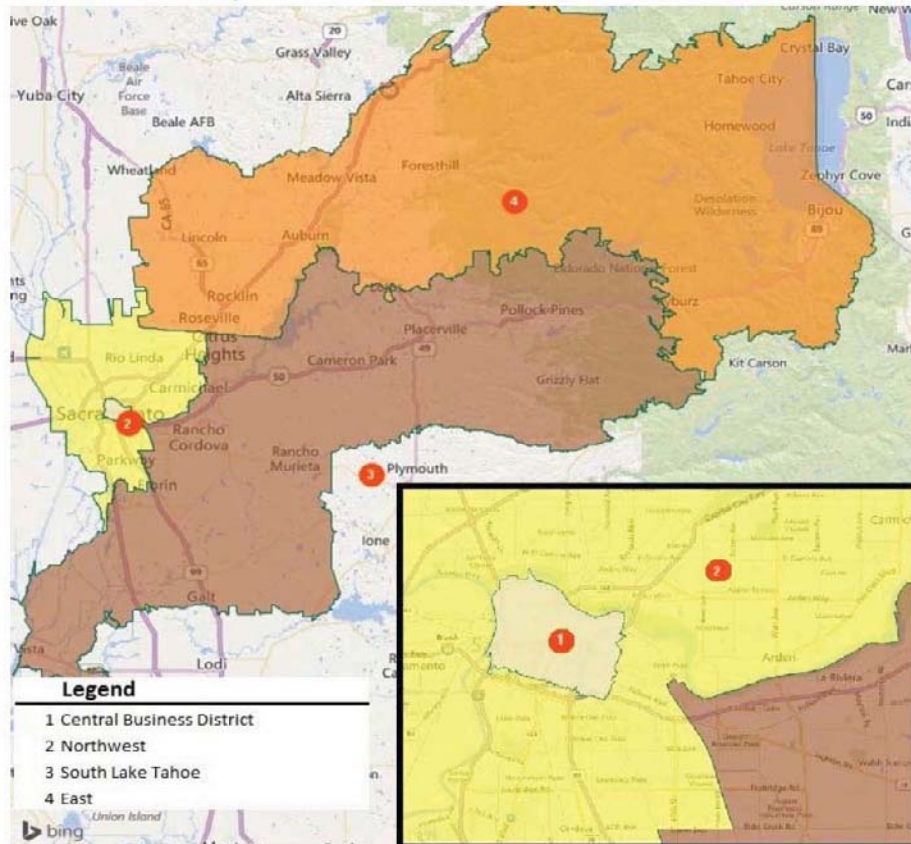
D. SACRAMENTO MSA LODGING MARKET

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 Submarket Map

Total Room Supply: 24,795



Source: CBRE EA, Q1 2019

For the purpose of our analysis, we have broken the STID lodging market down into two subsets consisting of the City Hotel Market and County Hotel Market. It should be noted that the City Hotel Market is the same set as all of the hotels in the TOT market presented in the October 2018 report.

As of the date of our research in June 2019, the Total Lodging Market consists of 10,817 rooms, as summarized in the following table. We have also included the total STID revenues contributed by each sector as of fiscal year-end 2017/18.

Market	Properties	Rooms	% of Total Rooms	FY 2017/18 STID Rev	% of Total TOT
City	78	8,599	79.5%	\$2,771,927	84.6%
County	25	2,218	20.5%	\$503,611	15.4%
Total	103	10,817	100.0%	\$3,275,538	100.0%

Presented in the following paragraphs is a summary of the historical performance of the overall Sacramento MSA 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 2014, which includes hotels both in the City and surrounding market areas and represents a sample size of 24,795 rooms. Additionally, we have included CBRE Hotels Americas Research performance projections for years 2019 through 2023.

Sacramento Forecast Summary

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	62.4%	3.5%	\$98.80	5.8%	\$61.61	9.5%
2015	66.6%	6.8%	\$104.91	6.2%	\$69.84	13.4%
2016	69.0%	3.6%	\$111.64	6.4%	\$76.98	10.2%
2017	71.3%	3.5%	\$118.60	6.2%	\$84.61	9.9%
2018	71.8%	0.7%	\$122.42	3.2%	\$87.94	3.9%
2019F	73.2%	1.9%	\$127.57	4.2%	\$93.40	6.2%
2020F	72.4%	-1.2%	\$131.53	3.1%	\$95.19	1.9%
2021F	71.0%	-1.9%	\$134.03	1.9%	\$95.11	-0.1%
2022F	70.4%	-0.7%	\$135.23	0.9%	\$95.25	0.1%
2023F	71.3%	1.3%	\$137.90	2.0%	\$98.36	3.3%

Source: CBRE Hotels Americas Research, STR, Q1 2019

Occupancy has steadily increased from 2014 to 2018 as the Sacramento lodging market has rebounded from the last recession. During this recent five-year period, occupancy has

increased from 62.4 percent in 2014 to a record high of 71.8 percent in 2018, well above the long run average of 61.9 percent as presented earlier in this report. Occupancy is projected to remain in the low 70 percent range over the next five years, with a modest drop to 70.4 percent in 2022 as supply growth throughout the MSA is absorbed into the market.

As demand for hotel rooms has remained strong in the Sacramento region, ADR growth rates have been particularly strong, increasing between 3.2 and 6.4 percent annually over the last five years, or at a compound annual growth rate of 4.4 percent. This average annual growth rate has exceeded both the national average annual ADR growth rate of 2.4 percent, as well as that achieved by the San Francisco MSA of 3.0 percent, during the same time period.

Furthermore, as a point of comparison, the hotels comprising the Sacramento CBD lodging sub-market of Sacramento, achieved an occupancy level ranging from 70.1 to 76.3 percent over the last five years with an average of approximately 73 percent, and these hotels finished 2018 with an ADR of approximately \$142, which was \$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 STID lodging market is presented in the following table.

Submarket	Commercial		Leisure		Group		Total	
City	60%	5,159	20%	1,720	20%	1,720	8,599	100%
County	65%	1,442	30%	665	5%	111	2,218	100%
Total	61%	6,601	22%	2,385	17%	1,831	10,817	100%

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; state and national associations; 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 83 percent transient demand and 17 percent group demand.

E. SACRAMENTO AREA REVIEW

Overview: Sacramento is the capitol city of California and the seat of Sacramento County. It is located at the confluence of the American River and the Sacramento River in the northern portion of California's expansive Central Valley. The Sacramento region is the largest metropolitan statistical area ("MSA") in Central California and 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.

Due to Sacramento's designation as the State Capitol, the government sector plays a prominent role in Sacramento's economy. While government activity is a major contributor to the local economy, the manufacturing and service industries have become increasingly important. Today, the city is known for its diversity, tree canopy, historic Old Sacramento, evolving contemporary culture, and farm-to-fork dining.

Population: According to the California Department of Finance, Sacramento County had an estimated population of approximately 1,546,000 people as of January 1, 2019. The county's population has grown at a compounded annual growth rate ("CAGR") of 1.0 percent since 2010. Sacramento is the largest city in Sacramento County with an estimated January 1, 2019 population of approximately 508,000, which has grown at a CAGR of 1.0 percent since 2010.

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, the Sacramento-Roseville-Arden-Arcade MSA had an unemployment rate of 3.5 percent as of April 2019, down from a revised 4.2 percent in March 2019, and below the year-ago rate of 3.6 percent. This compares with an unadjusted unemployment rate of 4.3 percent for California and 3.6 percent for the nation during the same period.

Amazon.com has recently added 1,500 warehouse jobs to Sacramento. The 855,000-square-foot customer fulfillment center at Metro Air Park is located approximately 10 miles northwest of downtown, 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 1,892-acre development that was previously shelved as a result of 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: As mentioned, 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: The Sacramento commercial office market consists of approximately 52 million square feet of net rentable area, of which approximately 20 percent is located in the Downtown submarket. The office market can be generally categorized into 17 submarkets. The following table presents a snapshot of the Sacramento office market as of Q1 2019.

SACRAMENTO OFFICE MARKET STATISTICS Q1 2019						
Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Ask Rate \$
Midtown	1,895,120	8.8	12.6	7,146	7,146	2.42
West Sacramento	1,247,876	3.7	10.0	200	200	1.68
South Sacramento	1,329,888	17.5	21.9	11,553	11,553	1.76
East Sacramento	415,327	-	-	-	-	-
Howe Ave/Fulton Ave	1,806,110	17.3	23.7	8,896	8,896	1.68
Natomas/Northgate	2,311,404	16.6	18.5	2,232	2,232	1.57
Watt Ave/Auburn Blvd	1,348,178	15.0	19.7	(12,726)	(12,726)	1.83
Highway 50 Corridor	11,409,967	11.3	18.4	2,068	2,068	1.73
Carmichael/Fair Oaks	343,113	10.3	11.2	(6,796)	(6,796)	1.30
Citrus Heights/Orangevale	1,015,228	13.8	17.4	6,429	6,429	1.28
Point West/Tribute	2,408,274	13.4	17.5	3,964	3,964	1.95
Campus Commons	1,469,868	19.9	23.5	(4,132)	(4,132)	2.12
Folsom	2,624,336	9.3	12.4	19,061	19,061	2.04
Elk Grove/Galt	1,171,727	7.2	8.5	22,161	22,161	2.39
Roseville/Rocklin	7,222,786	8.9	13.9	(33,891)	(33,891)	1.98
South Natomas	3,211,840	8.2	10.9	(5,461)	(5,461)	2.22
Suburban	41,231,042	11.3	16.1	20,704	20,704	1.84
Downtown	10,311,326	8.2	11.4	95,626	95,626	2.76
Market Total	51,542,368	10.7	15.1	116,330	116,330	1.97

* Area and absorption figures presented as square feet

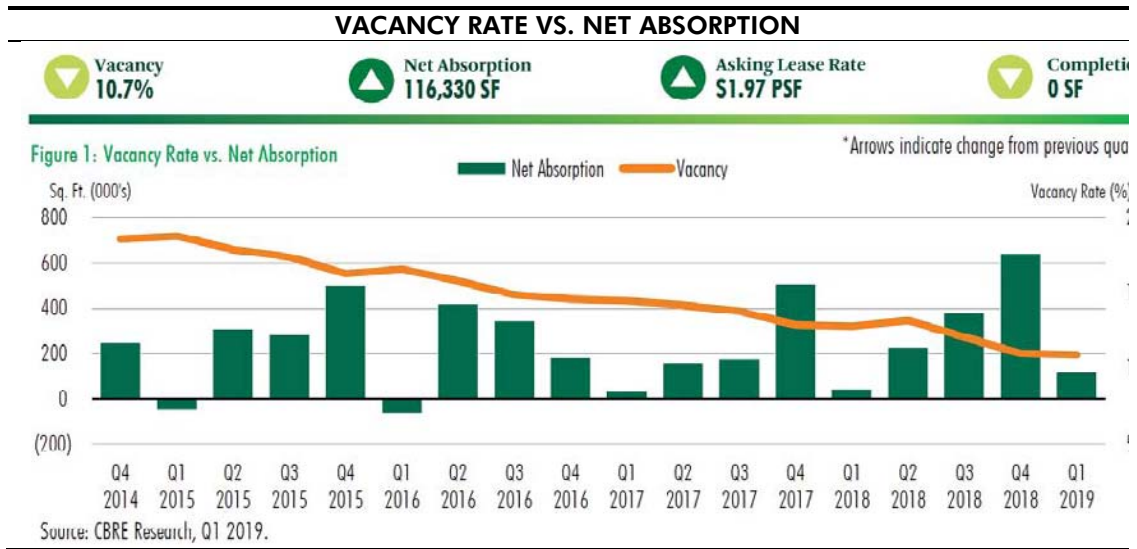
Sacramento's office market ended Q1 2019 with 116,330 square feet of positive net absorption, equaling the 12th consecutive quarter of occupancy gains. The market-wide vacancy rate decreased during the quarter to 10.7 percent and is now at its lowest point since Q1 2003 when the rate was just above 11 percent. Additionally, average asking lease rates are persistently increasing quarter-over-quarter. The overall market is experiencing a streak of positive trends which is expected to continue.

After a robust close to 2018, the market began 2019 at a slower pace, but remains steadily active. Both private and public sector deals took place throughout Q1 2019, but the limited availability of quality office space is apparent. As the remaining number of large blocks are

leased, many tenants are choosing to sign long-term leases to retain their current space. Coworking has become a viable alternative that occupiers are considering, with companies like Centrl Office and WeWork offering flexible office solutions for multiple tenant types. Speculative development appeared on the horizon this quarter with 90,000 square feet of Class A space becoming available for pre-lease at 2555 Natomas Park Dr. which is set to deliver in Q4 2019.

Stable leasing activity throughout the quarter was primarily due to renewal transactions. The largest lease of Q1 2019 occurred in the West Sacramento submarket with the Department of General Services renewing 319,480 square feet at 707 W 3rd Street. CBRE represented the landlord at 2235 Iron Point Road in the Folsom submarket to renew 96,022 square feet for Micron Technology, Inc. Sacramento’s increased attraction from outside markets led to noteworthy investment sales in Q1 2019 such as Virginia-based Anchor Health Properties purchasing Parkway Corporate Plaza in Roseville for \$79 million. Furthermore, The Wonderful Co., known for their agricultural operations throughout California, closed on their second acquisition in the Sacramento region at Centene-occupied Evergreen Zinfandel in Rancho Cordova for \$36.9 million.

Activity in Sacramento’s office market is expected to continue to trend in a positive direction throughout the year, with projections of positive net absorption and increased rent growth. The continuing compression of the market will further decrease the market-wide vacancy rate, causing many tenants to hold on to their leased space for the long-term as they plan for the future.



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 SCC now features 137,000 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.

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	296,905	-	-
2019	273,324	209,851	130%
2020	94,406	91,945	103%
2021	78,021	50,278	155%
2022	54,954	27,662	199%
2023	32,220	10,774	299%

Source: Visit Sacramento, Period Ending May 31, 2019

For the period ending May 31, 2019, convention center definite room nights exceeded the pace target by approximately 23,400 definite room nights and are expected to exceed the pace target by approximately 63,500 by year-end 2019 and 2,500 in 2020. It should be

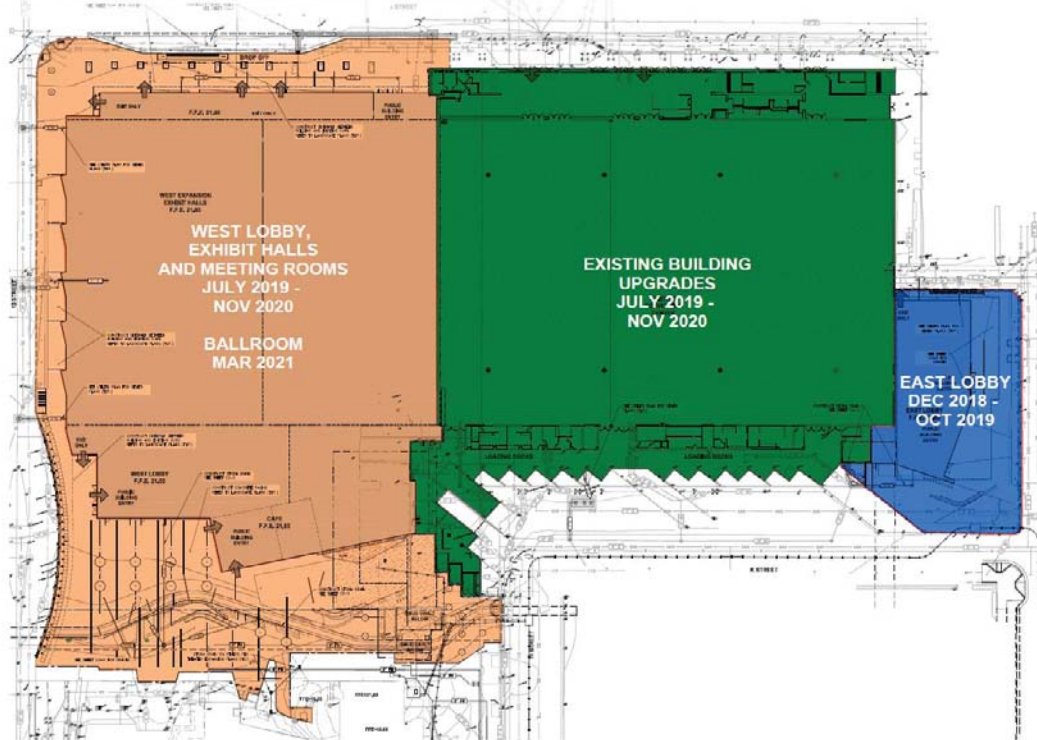
noted that since Pace targets change each month (for future years), historical Pace targets are not applicable to review.

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"). 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 160,000 to 224,000 square feet. The Convention Center is expected to be fully closed from July 2019 through November 2020 during the expansion and construction period. Upon completion, the facilities will feature 160,000-square-feet of exhibit space, a 64,000-square-foot ballroom, and 21,000 square feet of meeting space. According to Visit Sacramento, construction on the Memorial Auditorium began in June 2018 and construction on the Convention Center began in January 2019 with a staged completion between November 2020 and March 2021.

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 when the SCC is closed 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			
Change from 2019 - 2025		278,750	Change from 2019/20 - 2024/25		279,375

All figures are projections, actual performance from 2015-2018 not presented

Source: Halo Hospitality and Visit Sacramento

In preparing our forecast for future demand growth, we have relied upon the analysis presented by Halo Hospitality and outlined above, as it relates to the convention group demand in the Downtown Market. However, we also acknowledge that Visit Sacramento is actively attempting to relocate groups to other venues in Sacramento that would otherwise use the convention center during the expansion project period.

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 to 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.

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 in Sacramento's midtown neighborhood 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: Located approximately five miles southeast of downtown Sacramento, 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 is expected to 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, approximately 3.5 miles east of downtown. 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 2018, enrollment was approximately 30,700 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 in the midtown neighborhood. Sutter's Fort was a 19th-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 2018, the Sacramento International Airport accommodated approximately 12.1 million passengers, an increase of 10.4 percent over prior year levels. Through year-to-date ("YTD") April 2019, passenger volume has increased 9.8 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 continued long-term success.

F. HYPOTHETICAL HISTORICAL STID REVENUE

1. INTRODUCTION

In order to determine the hypothetical historical collections of STID revenue, we reviewed the historical STMD revenues from 2012/13 through 2017/18 for the hotels located within the STID zone. As noted the STID assessment rate is 1.0 percent; however, the assessment rate for STMD varies by zone; as such, we have reviewed the historical assessment collections by zone in order to determine an estimated room revenue total for each zone to conclude to STID assessment revenues by zone.

2. HISTORICAL STMD COLLECTIONS

According to the City of Sacramento, the STMD representative collections from hotels located within the STID is reported by zones. A breakdown of the assessment rate for each zone is presented below.

Zone 1	3.0%
Zone 2	2.5%
Zone 3	2.0%
Zone 4	1.0%
County	1.0%

Source: City of Sacramento

Given that the assessment rates for STMD collections vary by zone, we have utilized the assessment revenues by zone to conclude to an estimated room revenue by zone. For example, we have utilized the assessment rate of 3.0 percent to calculate the room revenues from Zone 1. We have completed this analysis for each zone for fiscal years 2012/13 through 2017/18, as well as fiscal year-to-date April 2019. The following tables present our analysis of STMD revenues.

Fiscal Year	Zone 1			Zone 2			Zone 3		
	Room Revenue	STMD Revenue	Percent Change	Room Revenue	STMD Revenue	Percent Change	Room Revenue	STMD Revenue	Percent Change
2012/13	\$92,233,810	\$2,767,014		\$28,367,648	\$709,191		\$34,091,487	\$681,830	
2013/14	\$99,866,726	\$2,996,002	8.3%	\$29,166,266	\$729,157	2.8%	\$37,989,942	\$759,799	11.4%
2014/15	\$113,054,448	\$3,391,633	13.2%	\$31,321,464	\$783,037	7.4%	\$41,953,338	\$839,067	10.4%
2015/16	\$121,003,216	\$3,630,096	7.0%	\$36,994,400	\$924,860	18.1%	\$46,029,979	\$920,600	9.7%
2016/17	\$133,911,782	\$4,017,353	10.7%	\$40,145,587	\$1,003,640	8.5%	\$47,951,701	\$959,034	4.2%
2017/18	\$154,384,724	\$4,631,542	15.3%	\$42,412,080	\$1,060,302	5.6%	\$51,337,041	\$1,026,741	7.1%
CAGR	10.9%	10.9%		8.4%	8.4%		8.5%	8.5%	
Jul-Apr 17/18	\$110,652,929	\$3,319,588		\$30,885,426	\$772,136		\$38,163,848	\$763,277	
Jul-Apr 18/19	\$121,867,795	\$3,656,034	10.1%	\$30,983,417	\$774,585	0.3%	\$40,368,234	\$807,365	5.8%

Source: City of Sacramento and CBRE Hotels

Table F-2, continued
STMD Historical Assessment Collections for STID Zones
Fiscal Year 2012/13 - 2017/18

Fiscal Year	Zone 4			County			Total		
	Room Revenue	STMD Revenue	Percent Change	Room Revenue	STMD Revenue	Percent Change	Room Revenue	STMD Revenue	Percent Change
2012/13	\$14,354,858	\$143,549		\$28,528,544	\$285,285		\$197,576,347	\$4,586,869	
2013/14	\$16,773,380	\$167,734	16.8%	\$33,762,280	\$337,623	18.3%	\$217,558,594	\$4,990,314	8.8%
2014/15	\$19,744,791	\$197,448	17.7%	\$37,661,974	\$376,620	11.6%	\$243,736,015	\$5,587,804	12.0%
2015/16	\$22,475,340	\$224,753	13.8%	\$42,431,110	\$424,311	12.7%	\$268,934,045	\$6,124,621	9.6%
2016/17	\$24,947,764	\$249,478	11.0%	\$49,273,837	\$492,738	16.1%	\$296,230,671	\$6,722,243	9.8%
2017/18	\$29,058,833	\$290,588	16.5%	\$50,361,138	\$503,611	2.2%	\$327,553,816	\$7,512,784	11.8%
CAGR	15.1%	15.1%		12.0%	12.0%		10.6%	10.4%	
Jul-Apr 17/18	\$20,595,413	\$205,954		\$41,286,373	\$412,864		\$241,583,988	\$5,473,818	
Jul-Apr 18/19	\$25,678,087	\$256,781	24.7%	\$41,345,905	\$413,459	0.1%	\$260,243,438	\$5,908,224	7.9%

Source: City of Sacramento and CBRE Hotels

3. HYPOTHETICAL HISTORICAL STID COLLECTIONS

Provided that the assessment rate for the STID is a flat 1.0 percent across all zones, we have utilized the previously presented room revenues to calculate the hypothetical STID revenues in fiscal years 2012/13 through 2017/18, as well as fiscal year-to-date April 2019 by multiplying the estimated room revenues in each zone by 1.0 percent. The follows present our analysis of STID revenues.

Table F-3
STID Hypothetical Historical Assessment Collections by Zone
Fiscal Year 2012/13 - 2017/18

Fiscal Year	Zone 1			Zone 2			Zone 3		
	Room Revenue	STID Revenue	Percent Change	Room Revenue	STID Revenue	Percent Change	Room Revenue	STID Revenue	Percent Change
2012/13	\$92,233,810	\$922,338		\$28,367,648	\$283,676		\$34,091,487	\$340,915	
2013/14	\$99,866,726	\$998,667	8.3%	\$29,166,266	\$291,663	2.8%	\$37,989,942	\$379,899	11.4%
2014/15	\$113,054,448	\$1,130,544	13.2%	\$31,321,464	\$313,215	7.4%	\$41,953,338	\$419,533	10.4%
2015/16	\$121,003,216	\$1,210,032	7.0%	\$36,994,400	\$369,944	18.1%	\$46,029,979	\$460,300	9.7%
2016/17	\$133,911,782	\$1,339,118	10.7%	\$40,145,587	\$401,456	8.5%	\$47,951,701	\$479,517	4.2%
2017/18	\$154,384,724	\$1,543,847	15.3%	\$42,412,080	\$424,121	5.6%	\$51,337,041	\$513,370	7.1%
CAGR	10.9%	10.9%		8.4%	8.4%		8.5%	8.5%	
Jul-Apr 17/18	\$110,652,929	\$1,106,529		\$30,885,426	\$308,854		\$38,163,848	\$381,638	
Jul-Apr 18/19	\$121,867,795	\$1,218,678	10.1%	\$30,983,417	\$309,834	0.3%	\$40,368,234	\$403,682	5.8%

Source: City of Sacramento and CBRE Hotels

Table F-3, continued
STID Hypothetical Historical Assessment Collections by Zone
Fiscal Year 2012/13 - 2017/18

Fiscal Year	Zone 4			County			Total		
	Room Revenue	STID Revenue	Percent Change	Room Revenue	STID Revenue	Percent Change	Room Revenue	STID Revenue	Percent Change
2012/13	\$14,354,858	\$143,549		\$28,528,544	\$285,285		\$197,576,347	\$1,975,763	
2013/14	\$16,773,380	\$167,734	16.8%	\$33,762,280	\$337,623	18.3%	\$217,558,594	\$2,175,586	10.1%
2014/15	\$19,744,791	\$197,448	17.7%	\$37,661,974	\$376,620	11.6%	\$243,736,015	\$2,437,360	12.0%
2015/16	\$22,475,340	\$224,753	13.8%	\$42,431,110	\$424,311	12.7%	\$268,934,045	\$2,689,340	10.3%
2016/17	\$24,947,764	\$249,478	11.0%	\$49,273,837	\$492,738	16.1%	\$296,230,671	\$2,962,307	10.1%
2017/18	\$29,058,833	\$290,588	16.5%	\$50,361,138	\$503,611	2.2%	\$327,553,816	\$3,275,538	10.6%
CAGR	15.1%	15.1%		12.0%	12.0%		10.6%	10.6%	
Jul-Apr 17/18	\$20,595,413	\$205,954		\$41,286,373	\$412,864		\$241,583,988	\$2,415,840	
Jul-Apr 18/19	\$25,678,087	\$256,781	24.7%	\$41,345,905	\$413,459	0.1%	\$260,243,438	\$2,602,434	7.7%

Source: City of Sacramento and CBRE Hotels

4. CONCLUSION

Presented in the following table are the resulting hypothetical historical STID assessment revenues for the Total Hotel Market, which includes the hotels and motels in the City and County of Sacramento, from the fiscal year 2012/13 through 2017/18, as well as fiscal year-to-date April 2019.

Table F-4
STID Hypothetical Historical Assessment Collections
Fiscal Year 2012/13 - 2017/18

Fiscal Year	Room Revenue	STID Revenue*	Percent Change
2012/13	\$197,576,347	\$1,975,763	-
2013/14	\$217,558,594	\$2,175,586	10.1%
2014/15	\$243,736,015	\$2,437,360	12.0%
2015/16	\$268,934,045	\$2,689,340	10.3%
2016/17	\$296,230,671	\$2,962,307	10.1%
2017/18	\$327,553,816	\$3,275,538	10.6%
CAGR	10.6%	10.6%	-
Jul-Apr 17/18	\$241,583,988	\$2,415,840	
Jul-Apr 18/19	\$260,243,438	\$2,602,434	7.7%

CAGR - Compound Annual Growth Rate

*1% assessment rate on rooms revenue generated from STMD assessment from lodging businesses within the STID boundaries and adjusted to account for differences in assessment rates between the two districts

Source: City of Sacramento

G. FORECAST OF FUTURE STID REVENUE

1. INTRODUCTION

In forecasting future STID assessment revenue for Sacramento, we reviewed the historical performance of the Sacramento lodging market with regard to hotel rooms supply, demand, ADR, occupancy, and the resulting room revenue. We then projected hotel rooms supply,

demand and ADR growth for the City and County Markets based on our analysis of economic growth indicators and discussions with hotel representatives.

2. CITY HOTEL MARKET

As presented previously, the City Hotel Market consists of 78 hotels, containing 8,599 guestrooms as of June 2019, and is synonymous to the 8,475-room Total Hotel Market presented in the TOT report from October 2018 when accounting for the recent opening of the 124-room Hilton Garden Inn Natomas. The City Hotel Market contributed an estimated \$2.8 million to the hypothetical fiscal year 2017/18 STID assessment collections. We have projected the annual hotel rooms supply, demand, ADR, and resulting lodging revenues for the City Hotel Market from 2018/19 through 2057/58. Based on these projections, we have estimated the future STID assessment revenue for the next 40 years to be collected from the market. A discussion of the assumptions used in analyzing this segment is provided in the following text.

Additions to Supply: For the City 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.
- Hampton Inn CSUS: 116-room hotel located at 1875 65th Street, which opened January 2018.
- Hilton Garden Inn Natomas: 124-room hotel located at 20 Advantage Court, which opened May 2019.
- Element Airport: 120-room hotel located at 3681 North Freeway Boulevard, scheduled to open February 2020.
- Wyndham Garden: 116-room hotel located at 2298 Terracina Drive, scheduled to open April 2020.
- Woodspring Suites: 123-room hotel located at 3845 Rosin Court, scheduled to open July 2020.
- Hyatt Centric: 162-room hotel located at 1122 7th Street, scheduled to open July 2020.
- TownePlace Suites: 120-room hotel located at 4090 East Commerce Way, scheduled to open August 2020.
- Candlewood Suites: 97-room hotel located at 4750 West Elkhorn Blvd, scheduled to open September 2020.

- Hyatt Place/Hyatt House: 201-room hotel located in North Natomas, scheduled to open December 2020.
- SpringHill Suites: 112-room hotel located at Bear Paw Drive and Skyking Road, scheduled to open January 2021.
- Holiday Inn: 120-room hotel located at 3666 North Freeway Boulevard, scheduled to open February 2021.
- Curio California Fruit Hotel: 100-room hotel located at 1006 4th Street, scheduled to open February 2021.
- Aloft Hotel: 112-room hotel located on Advantage Way in North Natomas, scheduled to open March 2021.
- Tapestry Hotel Midtown: 105-room hotel located at 1308 28th Street, scheduled to open May 2021.
- Home2 Suites Natomas: 110-room hotel located at Truxel Road and Gateway Park, scheduled to open June 2021.
- Home2 Suites CSUS: 107-room hotel located at 1865 65th Street, scheduled to open June 2021.
- Tru Hotel: 98-room hotel located at 4750 Elkhorn Boulevard, scheduled to open July 2021.
- AC Hotel: 179-room hotel located at 730 I Street, scheduled to open September 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 aforementioned supply additions is presented in the following table.

Table G-1
Projected Changes in the Competitive Supply - City Hotel Market

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Beginning Supply	8,109	8,355	8,485	8,678	9,746	10,729	10,934	11,084
Additions:								
Addition of 250-room Kimpton Hotel (10/17)	188	62						
Addition of 116-room Hampton Inn CSUS (1/18)	58	58						
Addition of 124-room Hilton Garden Inn (5/19)		10	114					
Assumed addition of 120-room Element Airport (2/20)			50	70				
Assumed addition of 116-room Wyndham Garden (4/20)			29	87				
Assumed addition of 123-room Woodspring Suites (7/20)				123				
Assumed addition of 162-room Hyatt Centric (7/20)				162				
Assumed addition of 120-room Towneplace Suites (8/20)				110	10			
Assumed addition of 97-room Candlewood Suites (9/20)				81	16			
Assumed addition of 201-room Hyatt Place/Hyatt House (12/20)				117	84			
Assumed addition of 112-room SpringHill Suites (1/21)				56	56			
Assumed addition of 120-room Holiday Inn (2/21)				50	70			
Assumed addition of 100-room Curio California Fruit Hotel (2/21)				42	58			
Assumed addition of 112-room aloft Hotel (3/21)				37	75			
Assumed addition of 105-room Tapestry Hotel (5/21)				18	88			
Assumed addition of 110-room Home2 Suites (6/21)				9	101			
Assumed addition of 107-room Home2 Suites (6/21)				9	101			
Assumed addition of 98-room Tru (7/21)				98				
Assumed addition of 179-room AC Hotel (9/21)					149	30		
Assumed addition of 350-room Convention Hotel (1/22)					175	175		
Assumed addition of 300-room Railyards Hotel (1/24)							150	150
Total Number of Additional Rooms	246	130	193	1069	983	205	150	150
Percent Change From Prior Year	3.0%	1.6%	2.3%	12.3%	10.1%	1.9%	1.4%	1.4%
Ending Supply	8,355	8,485	8,678	9,746	10,729	10,934	11,084	11,234

While we have included these hotels in our analysis of future STID revenues, we note that many of these hotel additions are in the late planning and approval stage, and circumstances may change resulting in the delay or cancellation of some of these proposed hotels.

Beginning on January 1, 2028 we have accounted for the addition of 450 rooms in the City Hotel Market every ten years. We have subsequently accounted for an additional 450-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 4,700 new hotel rooms to the City Market, resulting in a compounded annual growth rate of 1.1 percent over the 40-year period. This growth rate is slightly above the long-term growth rate of the MSA of 0.8 percent but below the long-term growth rate of the CBD of 2.4 percent presented previously.

Demand: Demand for the City Hotel Market is projected to increase at a compounded annual growth rate of 1.1 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 hotel supply additions and construction at the Convention Center. We estimate that during this time, the City Hotel Market will decrease to an occupancy low of 68 percent in 2020/21 followed by a “ramp-up” to a stabilized level of 74 percent occupancy beginning in 2024/25.

Room Rate Growth: Based on discussions with hotel representatives at Visit Sacramento, we project ADR for the City Market to increase throughout the projection period. However, during the construction at the Convention Center in 2019/20 and 2020/21 we project ADR to increase at 1.5 and 2.5 percent, respectively, 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 period and the likely increase in discounted transient business to fill hotels while the Convention Center is closed. Following the completion of the SCC renovation, we project a rate increase of 5.5 percent in 2021/22 and 4.0 percent in 2022/23. Additionally, as new hotels enter the market, we believe the overall market ADR will benefit, as such we project a rate increase of 3.5 percent in 2023/24 and 2024/2025. Thereafter, ADR is projected to increase at approximately 3.0 percent per a year for the remainder of the projection period.

Assessment Rate: We have assumed that all hotel and lodging properties will be subject to a uniform 1.0 percent STID assessment rate throughout the analysis period.

Presented in the following table are our projections of STID revenues generated by the City Hotel Market.

Table G-2
Sacramento Tourism Infrastructure District Assessment
City Hotel Market

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	STID Revenue
2017/18	3,049,393		2,236,266		73%	\$124		\$277,193,000		\$2,772,000
2018/19	3,096,964	1.6%	2,247,447	0.5%	73%	\$130	4.5%	\$291,115,000	5.0%	\$2,911,000
2019/20	3,167,288	2.3%	2,224,972	-1.0%	70%	\$131	1.5%	\$292,527,000	0.5%	\$2,925,000
2020/21	3,557,351	12.3%	2,402,970	8.0%	68%	\$135	2.5%	\$323,827,000	10.7%	\$3,238,000
2021/22	3,915,963	10.1%	2,739,386	14.0%	70%	\$142	5.5%	\$389,467,000	20.3%	\$3,895,000
2022/23	3,990,728	1.9%	2,876,355	5.0%	72%	\$148	4.0%	\$425,298,000	9.2%	\$4,253,000
2023/24	4,045,478	1.4%	2,933,882	2.0%	73%	\$153	3.5%	\$448,987,000	5.6%	\$4,490,000
2024/25	4,100,228	1.4%	3,021,899	3.0%	74%	\$158	3.5%	\$478,642,000	6.6%	\$4,786,000
2025/26	4,100,228	0.0%	3,021,899	0.0%	74%	\$163	3.0%	\$493,001,000	3.0%	\$4,930,000
2026/27	4,100,228	0.0%	3,021,899	0.0%	74%	\$168	3.0%	\$507,792,000	3.0%	\$5,078,000
2027/28	4,182,353	2.0%	3,067,227	1.5%	73%	\$173	3.0%	\$530,871,000	4.5%	\$5,309,000
2028/29	4,264,478	2.0%	3,097,900	1.0%	73%	\$178	3.0%	\$552,265,000	4.0%	\$5,523,000
2029/30	4,264,478	0.0%	3,097,900	0.0%	73%	\$184	3.0%	\$568,833,000	3.0%	\$5,688,000
2030/31	4,264,478	0.0%	3,097,900	0.0%	73%	\$189	3.0%	\$585,898,000	3.0%	\$5,859,000
2031/32	4,264,478	0.0%	3,097,900	0.0%	73%	\$195	3.0%	\$603,475,000	3.0%	\$6,035,000
2032/33	4,264,478	0.0%	3,097,900	0.0%	73%	\$201	3.0%	\$621,579,000	3.0%	\$6,216,000
2033/34	4,264,478	0.0%	3,097,900	0.0%	73%	\$207	3.0%	\$640,226,000	3.0%	\$6,402,000
2034/35	4,264,478	0.0%	3,097,900	0.0%	73%	\$213	3.0%	\$659,433,000	3.0%	\$6,594,000
2035/36	4,264,478	0.0%	3,097,900	0.0%	73%	\$219	3.0%	\$679,216,000	3.0%	\$6,792,000
2036/37	4,264,478	0.0%	3,097,900	0.0%	73%	\$226	3.0%	\$699,592,000	3.0%	\$6,996,000
2037/38	4,346,603	1.9%	3,159,858	2.0%	73%	\$233	3.0%	\$734,992,000	5.1%	\$7,350,000
2038/39	4,428,728	1.9%	3,223,055	2.0%	73%	\$240	3.0%	\$772,182,000	5.1%	\$7,722,000
2039/40	4,428,728	0.0%	3,255,285	1.0%	74%	\$247	3.0%	\$803,301,000	4.0%	\$8,033,000
2040/41	4,428,728	0.0%	3,255,285	0.0%	74%	\$254	3.0%	\$827,400,000	3.0%	\$8,274,000
2041/42	4,428,728	0.0%	3,255,285	0.0%	74%	\$262	3.0%	\$852,222,000	3.0%	\$8,522,000
2042/43	4,428,728	0.0%	3,255,285	0.0%	74%	\$270	3.0%	\$877,789,000	3.0%	\$8,778,000
2043/44	4,428,728	0.0%	3,255,285	0.0%	74%	\$278	3.0%	\$904,123,000	3.0%	\$9,041,000
2044/45	4,428,728	0.0%	3,255,285	0.0%	74%	\$286	3.0%	\$931,246,000	3.0%	\$9,312,000
2045/46	4,428,728	0.0%	3,255,285	0.0%	74%	\$295	3.0%	\$959,184,000	3.0%	\$9,592,000
2046/47	4,428,728	0.0%	3,255,285	0.0%	74%	\$303	3.0%	\$987,959,000	3.0%	\$9,880,000
2047/48	4,510,853	1.9%	3,287,838	1.0%	73%	\$313	3.0%	\$1,027,774,000	4.0%	\$10,278,000
2048/49	4,592,978	1.8%	3,353,595	2.0%	73%	\$322	3.0%	\$1,079,780,000	5.1%	\$10,798,000
2049/50	4,592,978	0.0%	3,387,131	1.0%	74%	\$332	3.0%	\$1,123,295,000	4.0%	\$11,233,000
2050/51	4,592,978	0.0%	3,387,131	0.0%	74%	\$342	3.0%	\$1,156,993,000	3.0%	\$11,570,000
2051/52	4,592,978	0.0%	3,387,131	0.0%	74%	\$352	3.0%	\$1,191,703,000	3.0%	\$11,917,000
2052/53	4,592,978	0.0%	3,387,131	0.0%	74%	\$362	3.0%	\$1,227,454,000	3.0%	\$12,275,000
2053/54	4,592,978	0.0%	3,387,131	0.0%	74%	\$373	3.0%	\$1,264,278,000	3.0%	\$12,643,000
2054/55	4,592,978	0.0%	3,387,131	0.0%	74%	\$384	3.0%	\$1,302,206,000	3.0%	\$13,022,000
2055/56	4,592,978	0.0%	3,387,131	0.0%	74%	\$396	3.0%	\$1,341,273,000	3.0%	\$13,413,000
2056/57	4,592,978	0.0%	3,387,131	0.0%	74%	\$408	3.0%	\$1,381,511,000	3.0%	\$13,815,000
2057/58	4,675,103	1.8%	3,421,002	1.0%	73%	\$420	3.0%	\$1,437,186,000	4.0%	\$14,372,000
CAGR	1.1%		1.1%			3.1%		4.2%		4.2%

Source: CBRE Hotels Advisory

3. COUNTY HOTEL MARKET

As presented previously, the County Hotel Market, consists of 25 hotels, containing 2,218 guestrooms representing 20.0 percent of the overall total as of June 2019. It is estimated that the County Hotel Market contributed approximately \$500,000 to the fiscal year 2017/18 hypothetical STID assessment collections. We have projected the annual hotel rooms supply, demand, ADR, and resulting lodging revenues for the County Hotel Market from 2018/19

through 2057/58. Based on these projections, we have estimated the future STID revenue for the next 40 years to be collected from the County Market. A discussion of the assumptions used in analyzing this segment is provided in the following paragraphs.

Additions to Supply: We have not identified any future supply additions in the development pipeline for the County Market. Further, given the quality level and nature of this sample of properties in the County, 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 County Hotel Market. We have subsequently accounted for an additional 100 rooms in this market every ten years and occurring 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 County Hotel Market, resulting in a compounded annual growth rate of 0.4 percent over the 40-year period.

Demand: Demand for the County Hotel Market is projected to increase at a compounded annual growth rate of 0.4 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 72 percent occupancy throughout the projection period, with minor fluctuations as new hotels open.

Room Rate Growth: We have estimated that ADR in the County Hotel Market will increase at 2.0 percent throughout the projection period, slightly below the long-term average of 2.9 percent presented previously for the MSA.

Assessment Rate: We have assumed that all hotel and lodging properties will be subject to a uniform 1.0 percent STID assessment rate throughout the analysis period.

Presented in the following table are our projections of STID revenues generated by the County Hotel Market.

Table G-3
Sacramento Tourism Infrastructure District Assessment
County Hotel Market

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	STID Revenue
2017/18	809,570		582,890		72%	\$86		\$50,361,000		\$504,000
2018/19	809,570	0.0%	582,890	0.0%	72%	\$87	1.0%	\$50,865,000	1.0%	\$509,000
2019/20	809,570	0.0%	582,890	0.0%	72%	\$88	1.0%	\$51,373,000	1.0%	\$514,000
2020/21	809,570	0.0%	582,890	0.0%	72%	\$89	1.5%	\$52,144,000	1.5%	\$521,000
2021/22	809,570	0.0%	582,890	0.0%	72%	\$91	2.0%	\$53,187,000	2.0%	\$532,000
2022/23	809,570	0.0%	582,890	0.0%	72%	\$93	2.0%	\$54,251,000	2.0%	\$543,000
2023/24	809,570	0.0%	582,890	0.0%	72%	\$95	2.0%	\$55,336,000	2.0%	\$553,000
2024/25	809,570	0.0%	582,890	0.0%	72%	\$97	2.0%	\$56,442,000	2.0%	\$564,000
2025/26	809,570	0.0%	582,890	0.0%	72%	\$99	2.0%	\$57,571,000	2.0%	\$576,000
2026/27	809,570	0.0%	582,890	0.0%	72%	\$101	2.0%	\$58,723,000	2.0%	\$587,000
2027/28	827,820	2.3%	591,634	1.5%	71%	\$103	2.0%	\$60,796,000	3.5%	\$608,000
2028/29	846,070	2.2%	603,466	2.0%	71%	\$105	2.0%	\$63,252,000	4.0%	\$633,000
2029/30	846,070	0.0%	612,518	1.5%	72%	\$107	2.0%	\$65,484,000	3.5%	\$655,000
2030/31	846,070	0.0%	612,518	0.0%	72%	\$109	2.0%	\$66,794,000	2.0%	\$668,000
2031/32	846,070	0.0%	612,518	0.0%	72%	\$111	2.0%	\$68,130,000	2.0%	\$681,000
2032/33	846,070	0.0%	612,518	0.0%	72%	\$113	2.0%	\$69,493,000	2.0%	\$695,000
2033/34	846,070	0.0%	612,518	0.0%	72%	\$116	2.0%	\$70,882,000	2.0%	\$709,000
2034/35	846,070	0.0%	612,518	0.0%	72%	\$118	2.0%	\$72,300,000	2.0%	\$723,000
2035/36	846,070	0.0%	612,518	0.0%	72%	\$120	2.0%	\$73,746,000	2.0%	\$737,000
2036/37	846,070	0.0%	612,518	0.0%	72%	\$123	2.0%	\$75,221,000	2.0%	\$752,000
2037/38	864,320	2.2%	615,581	0.5%	71%	\$125	2.0%	\$77,109,000	2.5%	\$771,000
2038/39	882,570	2.1%	627,893	2.0%	71%	\$128	2.0%	\$80,224,000	4.0%	\$802,000
2039/40	882,570	0.0%	634,172	1.0%	72%	\$130	2.0%	\$82,647,000	3.0%	\$826,000
2040/41	882,570	0.0%	634,172	0.0%	72%	\$133	2.0%	\$84,300,000	2.0%	\$843,000
2041/42	882,570	0.0%	634,172	0.0%	72%	\$136	2.0%	\$85,986,000	2.0%	\$860,000
2042/43	882,570	0.0%	634,172	0.0%	72%	\$138	2.0%	\$87,706,000	2.0%	\$877,000
2043/44	882,570	0.0%	634,172	0.0%	72%	\$141	2.0%	\$89,460,000	2.0%	\$895,000
2044/45	882,570	0.0%	634,172	0.0%	72%	\$144	2.0%	\$91,249,000	2.0%	\$912,000
2045/46	882,570	0.0%	634,172	0.0%	72%	\$147	2.0%	\$93,074,000	2.0%	\$931,000
2046/47	882,570	0.0%	634,172	0.0%	72%	\$150	2.0%	\$94,936,000	2.0%	\$949,000
2047/48	900,820	2.1%	637,342	0.5%	71%	\$153	2.0%	\$97,318,000	2.5%	\$973,000
2048/49	919,070	2.0%	653,276	2.5%	71%	\$156	2.0%	\$101,746,000	4.6%	\$1,017,000
2049/50	919,070	0.0%	659,809	1.0%	72%	\$159	2.0%	\$104,819,000	3.0%	\$1,048,000
2050/51	919,070	0.0%	659,809	0.0%	72%	\$162	2.0%	\$106,915,000	2.0%	\$1,069,000
2051/52	919,070	0.0%	659,809	0.0%	72%	\$165	2.0%	\$109,054,000	2.0%	\$1,091,000
2052/53	919,070	0.0%	659,809	0.0%	72%	\$169	2.0%	\$111,235,000	2.0%	\$1,112,000
2053/54	919,070	0.0%	659,809	0.0%	72%	\$172	2.0%	\$113,460,000	2.0%	\$1,135,000
2054/55	919,070	0.0%	659,809	0.0%	72%	\$175	2.0%	\$115,729,000	2.0%	\$1,157,000
2055/56	919,070	0.0%	659,809	0.0%	72%	\$179	2.0%	\$118,043,000	2.0%	\$1,180,000
2056/57	919,070	0.0%	659,809	0.0%	72%	\$182	2.0%	\$120,404,000	2.0%	\$1,204,000
2057/58	937,320	2.0%	669,706	1.5%	71%	\$186	2.0%	\$124,654,000	3.5%	\$1,247,000
CAGR	0.4%		0.4%			2.0%		2.3%		2.3%

Source: CBRE Hotels Advisory

4. TOTAL MARKET

Based on the previously presented projections for each market within the STID lodging market, we have estimated the hotel rooms supply, demand, ADR, total room revenue, and resulting STID assessment revenue for the total lodging market for the 40-year projection period from

2018/19 through 2057/58. Presented in the following table are our projections of STID revenues generated by the Total Market. The hypothetical historical revenues from 2017/18 have been included as a point of comparison. As presented below, we have estimated STID revenues for the City to increase by a CAGR of 4.0 percent over the 40-year projection period, below the 4.3 percent CAGR revenue growth achieved in the MSA over the previous 25 years and significantly below the hypothetical STID revenue CAGR of 10.6 percent over the previous six years.

Table G-4
Sacramento Tourism Infrastructure District Assessment
Total Market

Fiscal Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	Total Room Revenue	Percent Change	STID Revenue
2017/18	3,858,963		2,819,156		73%	\$116		\$327,554,000		\$3,276,000
2018/19	3,906,534	1.2%	2,830,337	0.4%	72%	\$121	4.0%	341,980,000	4.4%	3,420,000
2019/20*	3,976,858	1.8%	2,807,863	-0.8%	71%	\$122	1.4%	343,900,000	0.6%	3,439,000
2020/21	4,366,921	9.8%	2,985,861	6.3%	68%	\$126	2.8%	375,971,000	9.3%	3,759,000
2021/22	4,725,533	8.2%	3,322,276	11.3%	70%	\$133	5.8%	442,654,000	17.7%	4,427,000
2022/23	4,800,298	1.6%	3,459,246	4.1%	72%	\$139	4.0%	479,549,000	8.3%	4,796,000
2023/24	4,855,048	1.1%	3,516,773	1.7%	72%	\$143	3.4%	504,323,000	5.2%	5,043,000
2024/25	4,909,798	1.1%	3,604,789	2.5%	73%	\$148	3.5%	535,084,000	6.1%	5,350,000
2025/26	4,909,798	0.0%	3,604,789	0.0%	73%	\$153	2.9%	550,572,000	2.9%	5,506,000
2026/27	4,909,798	0.0%	3,604,789	0.0%	73%	\$157	2.9%	566,515,000	2.9%	5,665,000
2027/28	5,010,173	2.0%	3,658,861	1.5%	73%	\$162	2.9%	591,667,000	4.4%	5,917,000
2028/29	5,110,548	2.0%	3,701,366	1.2%	72%	\$166	2.8%	615,517,000	4.0%	6,156,000
2029/30	5,110,548	0.0%	3,710,418	0.2%	73%	\$171	2.8%	634,317,000	3.1%	6,343,000
2030/31	5,110,548	0.0%	3,710,418	0.0%	73%	\$176	2.9%	652,692,000	2.9%	6,527,000
2031/32	5,110,548	0.0%	3,710,418	0.0%	73%	\$181	2.9%	671,605,000	2.9%	6,716,000
2032/33	5,110,548	0.0%	3,710,418	0.0%	73%	\$186	2.9%	691,072,000	2.9%	6,911,000
2033/34	5,110,548	0.0%	3,710,418	0.0%	73%	\$192	2.9%	711,108,000	2.9%	7,111,000
2034/35	5,110,548	0.0%	3,710,418	0.0%	73%	\$197	2.9%	731,733,000	2.9%	7,317,000
2035/36	5,110,548	0.0%	3,710,418	0.0%	73%	\$203	2.9%	752,962,000	2.9%	7,529,000
2036/37	5,110,548	0.0%	3,710,418	0.0%	73%	\$209	2.9%	774,813,000	2.9%	7,748,000
2037/38	5,210,923	2.0%	3,775,439	1.8%	72%	\$215	3.0%	812,101,000	4.8%	8,121,000
2038/39	5,311,298	1.9%	3,850,947	2.0%	73%	\$221	2.9%	852,406,000	5.0%	8,524,000
2039/40	5,311,298	0.0%	3,889,457	1.0%	73%	\$228	2.9%	885,948,000	3.9%	8,859,000
2040/41	5,311,298	0.0%	3,889,457	0.0%	73%	\$234	2.9%	911,700,000	2.9%	9,117,000
2041/42	5,311,298	0.0%	3,889,457	0.0%	73%	\$241	2.9%	938,208,000	2.9%	9,382,000
2042/43	5,311,298	0.0%	3,889,457	0.0%	73%	\$248	2.9%	965,495,000	2.9%	9,655,000
2043/44	5,311,298	0.0%	3,889,457	0.0%	73%	\$255	2.9%	993,583,000	2.9%	9,936,000
2044/45	5,311,298	0.0%	3,889,457	0.0%	73%	\$263	2.9%	1,022,495,000	2.9%	10,224,000
2045/46	5,311,298	0.0%	3,889,457	0.0%	73%	\$271	2.9%	1,052,258,000	2.9%	10,523,000
2046/47	5,311,298	0.0%	3,889,457	0.0%	73%	\$278	2.9%	1,082,895,000	2.9%	10,829,000
2047/48	5,411,673	1.9%	3,925,181	0.9%	73%	\$287	3.0%	1,125,092,000	3.9%	11,251,000
2048/49	5,512,048	1.9%	4,006,871	2.1%	73%	\$295	2.9%	1,181,526,000	5.0%	11,815,000
2049/50	5,512,048	0.0%	4,046,940	1.0%	73%	\$303	2.9%	1,228,114,000	3.9%	12,281,000
2050/51	5,512,048	0.0%	4,046,940	0.0%	73%	\$312	2.9%	1,263,908,000	2.9%	12,639,000
2051/52	5,512,048	0.0%	4,046,940	0.0%	73%	\$321	2.9%	1,300,757,000	2.9%	13,008,000
2052/53	5,512,048	0.0%	4,046,940	0.0%	73%	\$331	2.9%	1,338,689,000	2.9%	13,387,000
2053/54	5,512,048	0.0%	4,046,940	0.0%	73%	\$340	2.9%	1,377,738,000	2.9%	13,778,000
2054/55	5,512,048	0.0%	4,046,940	0.0%	73%	\$350	2.9%	1,417,935,000	2.9%	14,179,000
2055/56	5,512,048	0.0%	4,046,940	0.0%	73%	\$361	2.9%	1,459,316,000	2.9%	14,593,000
2056/57	5,512,048	0.0%	4,046,940	0.0%	73%	\$371	2.9%	1,501,915,000	2.9%	15,019,000
2057/58	5,612,423	1.8%	4,090,708	1.1%	73%	\$382	2.9%	1,561,840,000	4.0%	15,619,000
CAGR	0.9%		0.9%			3.0%		4.0%		4.0%

*Although the STID will not begin being levied until August 2019, we have reflected a full year of representative revenues

Source: CBRE Hotels Advisory

H. CONCLUSION

Given the meaningful increases in potential hotel rooms supply, STMD assessment collections through April 2019, and the increases in performance for the Sacramento MSA and CBD hotel market for year-end 2018 and Q1 2019, we are of the opinion that the STID revenues will grow at a rate slightly higher than the previously presented TOT revenues in October 2018 (4.0 percent CAGR versus 3.8 percent CAGR). However, if we were to update both the STID and TOT revenues at the same time, we believe they would grow at similar rates since the County Market for STID (which is not included in the TOT collections) does not significantly impact the performance of the overall STID revenues as these hotels only represent 20 percent of the STID rooms supply and 15 percent of the STID revenues, as presented previously.

This completes our analysis of Sacramento Tourism Infrastructure District (STID) assessment revenue for the City and County of Sacramento. It has been 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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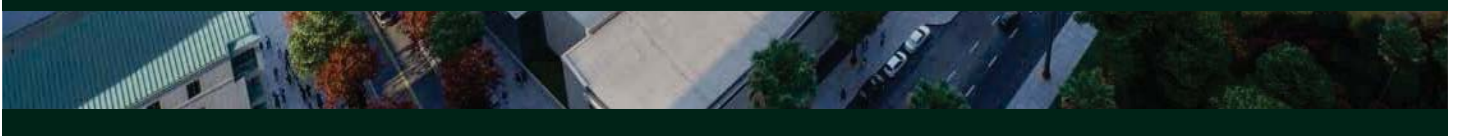
ADDENDUM

**TRANSIENT OCCUPANCY TAX FORECAST
OCTOBER 2018 REPORT**



**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, 3rd Floor
Sacramento, California 95814

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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, 3rd 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.

Table of Contents

A. Overview	4
B. Methodology	4
C. Summary of Findings	5
D. Sacramento Lodging Market	9
E. Sacramento Area Review	17
F. Forecast of Future TOT Revenues	25

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.

Table C-1
City of Sacramento Historical Transient Occupancy Tax
Fiscal Year 1993/94 - 2017/18

Fiscal Year	Room Revenue	TOT Revenue	Percent Change
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%
CAGR	5.6%	5.6%	-

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
CAGR	0.8%		0.8%			3.0%		3.8%		3.8%

Source: CBRE Hotels Advisory

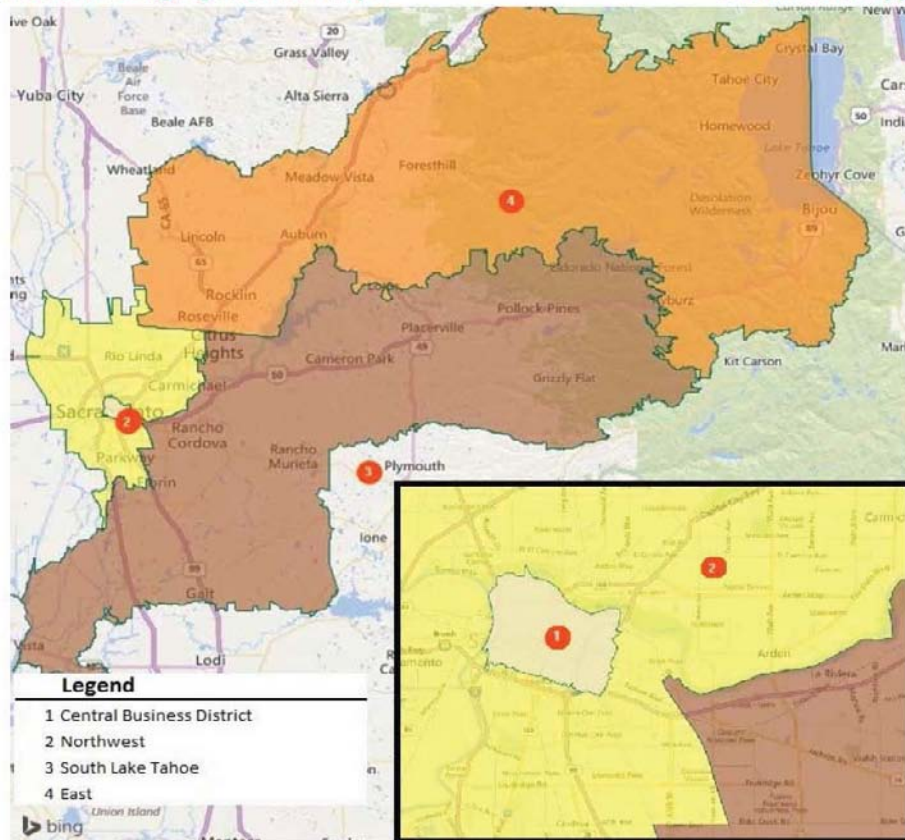
D. SACRAMENTO LODGING MARKET

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



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
Total		2,391

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
Total		2,656

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	Sutter 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
			Total		3,428

*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

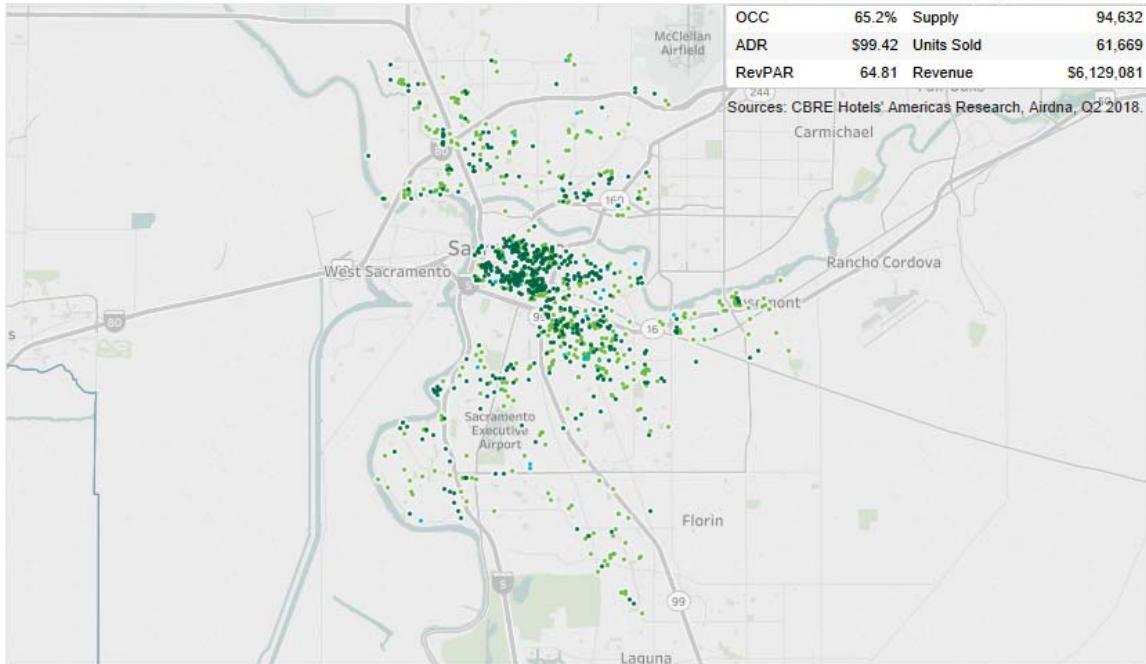


Table 1: Airbnb Unit Performance (July 2017 - June 2018)

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. ND	REVEN.	Δ REVE NUE
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%
Subtotal	78	8,475	97.0%	\$31,400,245	98.2%
Airbnb (Sep '17 to Jun '18)	N/A	260*	3.0%	\$580,796**	1.8%
Total	78	8,735	100.0%	\$31,981,041	100.0%

*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.

Submarket	Commercial		Leisure		Group		Total	
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%
Total	60%	5,097	19%	1,614	21%	1,764	8,475	100%

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.

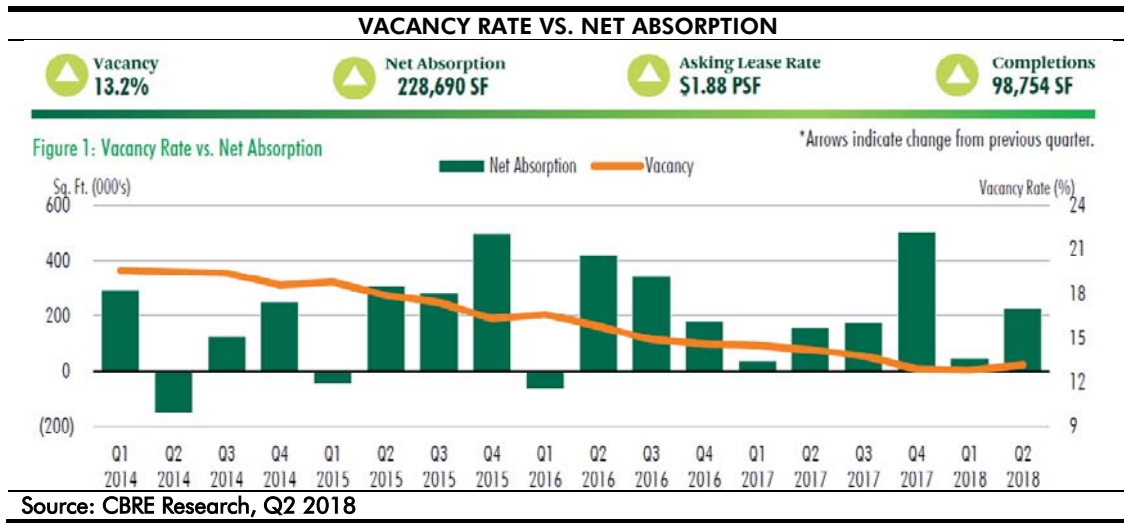
Government: Due to Sacramento's designation as the State Capitol, the government sector plays a prominent role in Sacramento's economy and is a large, consistent generator of room

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.



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

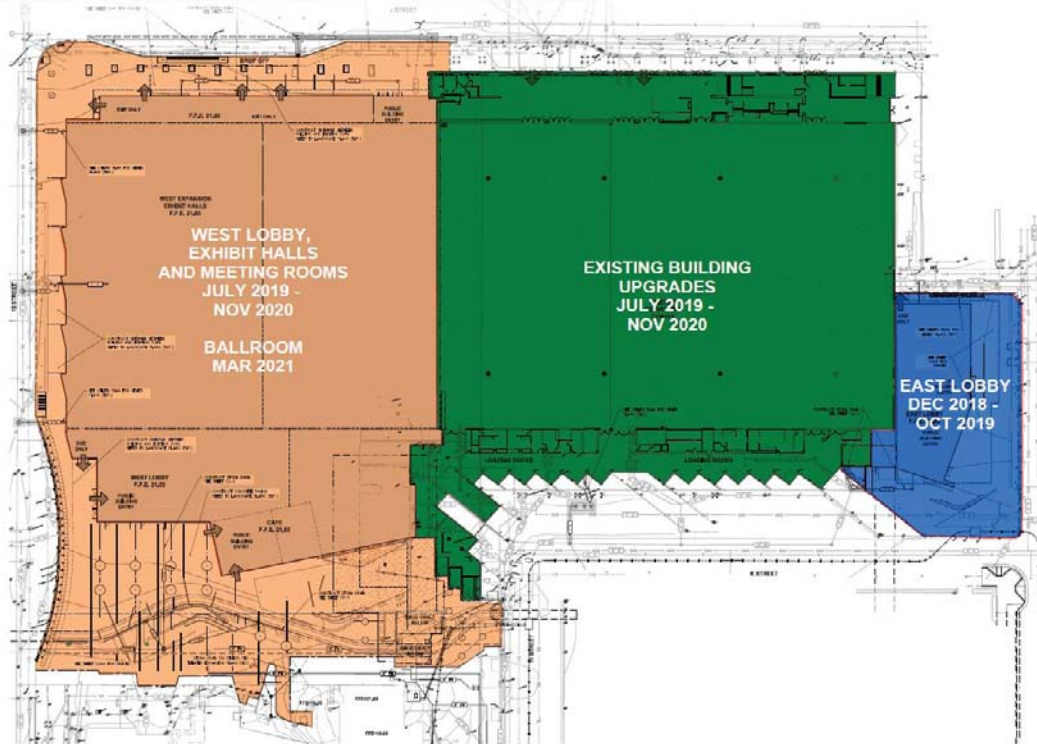
For the period ending July 31, 2018, convention center definite room nights exceeded the pace target by approximately 14,700 and are expected to exceed the pace target by approximately 17,600 by year-end 2018 and 34,800 in 2019. It should be noted that since Pace targets change each month (for future 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			
Change from 2019 - 2025		278,750	Change from 2019/20 - 2024/25		279,375
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 19th-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 28th Street, scheduled to open February 2020.
- Hyatt Centric: 162-room hotel located at 1122 7th Street, scheduled to open March 2020.
- California Fruit Hotel: 100-room hotel located at 1006 4th 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
Beginning Supply	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%
Ending Supply	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
CAGR	1.5%		1.5%			3.0%		4.6%		4.6%

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 65th 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
Beginning Supply	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%
Ending Supply	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
CAGR	0.7%		0.7%			2.9%		3.6%		3.6%

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
CAGR	0.2%		0.2%			2.0%		2.2%		2.2%

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
CAGR	0.8%		0.8%			3.0%		3.8%		3.8%

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 D

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⁽¹⁾
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA
FOR SELECTED CALENDAR YEARS 2010 THROUGH 2019**

Year⁽²⁾	City of Sacramento	Average Annual % Change	County of Sacramento	Average Annual % Change	State of California	Average Annual % Change
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
2019	508,172	1.36	1,546,174	1.09	39,927,315	0.30

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

⁽²⁾ 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 2015 THROUGH MAY 2019**

LABOR FORCE:	2015	2016	2017	June 2018	May 2019
Labor force ⁽¹⁾	1,055,800	1,073,300	1,080,900	1,096,600	1,090,000
Employment	994,200	1,017,300	1,032,000	1,053,600	1,056,900
Unemployment	61,600	56,000	48,900	43,000	34,000
Unemployment Rate	5.8%	5.2%	4.5%	3.9%	3.1%
EMPLOYMENT INDUSTRY:					
Total All Industries ⁽²⁾	927,200	958,700	977,700	1,015,300	1,028,500
Total Farm	9,400	9,700	9,200	10,300	10,000
Total Non-farm	917,800	949,000	968,500	1,005,000	1,018,000
Mining & Logging	400	400	500	500	500
Construction	50,200	54,900	58,600	65,000	66,400
Manufacturing	36,400	36,200	35,500	36,300	37,600
Trade, Transportation & Utilities	147,200	152,100	154,400	158,600	160,400
Information	14,100	13,800	12,500	12,300	12,000
Financial Activities	50,800	51,700	52,100	54,100	54,500
Professional & Business Services	120,200	128,000	130,500	136,200	135,800
Education & Health Services	140,100	145,600	152,200	158,400	166,100
Leisure & Hospitality	95,400	99,800	103,400	107,200	109,200
Other Services	30,900	31,700	32,300	34,700	34,800
Total Government	232,000	234,700	236,600	241,700	241,200
Federal Government	13,700	14,000	14,200	14,100	14,200
State and Local Government	218,200	220,600	222,500	227,600	227,000

⁽¹⁾ Labor-force data are by place of residence and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ 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 2018 and may not reflect subsequent changes in work force.

**SACRAMENTO COUNTY
MAJOR PRIVATE AND PUBLIC SECTOR EMPLOYERS IN 2018**

Company	Type of Business	No. of Full-Time Employees
State of California	Government	75,801 ⁽¹⁾
UC Davis Health System	Health Care	12,840
Sacramento County	County Government	12,208
Kaiser Permanente	Healthcare	11,005
U.S. Government	Government	10,325
Sutter Health	Healthcare	8,177
Dignity Health	Healthcare	7,000
Elk Grove Unified School District	School District	6,210
Intel Corp.	Semiconductor Manufacturer	6,000
Apple Inc.	Research and Development	5,000 ⁽²⁾
City of Sacramento	Municipal Government	4,556
San Juan Unified School District	Public School District	4,365
Sacramento City Unified School District	Public School District	4,364
Raley's	Grocery Store Chain	3,374
Los Rios Community College District	Two-year Community College	3,363
California State University Sacramento	University	3,130
Health Net	Healthcare	3,000
VSP Global	Vision Care	2,700
Sacramento Municipal Utility District	Municipal Electric Company	2,230
Folsom Cordova Unified School District	Public School District	2,012
Amazon – Sacramento Fulfillment Center	Retail Distribution	2,000
Wells Fargo & Company	Financial Services	1,761
Safeway	Grocery Chain	1,586
Golden 1 Credit Union	Non-Profit Financial Institution	1,315
Siemens Industry	Manufacturing	1,200

⁽¹⁾ Includes part-time and intermittent employees.

Source: Sacramento Business Journal, 2018 Book of Lists, December, 2018.

Commercial Activity

The following table summarizes taxable sales within the City during calendar years 2013 through 2017.

**CITY OF SACRAMENTO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR YEARS 2013 THROUGH 2017*
(\$ in Thousands)**

<u>Type of Business</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017*</u>
Motor Vehicle and Parts Dealers	\$388,898	\$397,302	\$494,138	\$592,960	\$605,178
Home Furnishings & Appliance Stores	203,675	254,332	319,599	312,443	304,978
Building Materials	303,311	296,075	321,595	358,733	393,822
Food & Beverage	299,456	320,301	330,704	335,385	351,094
Gasoline Stations	599,365	578,764	500,134	459,365	508,858
Clothing & Accessories	340,610	329,495	349,842	354,274	345,913
General Merchandise	513,841	505,521	468,938	456,208	466,679
Food & Drinking	796,733	848,980	934,198	1,005,781	1,073,794
Other Retail	506,059	505,414	531,045	571,602	588,475
Total Retail & Food Services	3,951,948	4,036,184	4,250,197	4,446,755	4,638,795
All Other Outlets	1,752,173	1,827,038	1,933,227	1,998,709	2,112,225
TOTAL:	<u>\$5,704,121</u>	<u>\$5,863,222</u>	<u>\$6,183,425</u>	<u>\$6,445,464</u>	<u>\$6,751,020</u>

* Most recent annual data available

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**

Fiscal Year	Domestic	International Flights	Total	Percent Change From Prior Year
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	5,643,478	117,434	5,760,912	10.8
2019	6,143,215	153,694	6,296,909	9.3

Source: Sacramento County

APPENDIX E

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. Note that in the main body of this Official Statement, the 2019 Bonds are referred to as the “2019 STID Bonds” and Additional Bonds issued on a parity with the 2019 Bonds are referred to as “Additional Senior Bonds.”

Certain Definitions

“**Additional Bonds**” means any series of bonds issued on a parity with the 2019 Bonds pursuant to the Indenture.

“**Annual Debt Service**” means, with respect to any Outstanding Bonds, the amount of Debt Service coming due with respect to the applicable Outstanding Bonds during the current or any future Bond Year.

“**Balloon Indebtedness**” means, with respect to any Bond, 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 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 for the 2019 Bonds and ends on June 1, 2020.

“**Bonds**” means, collectively, (a) the 2019 Bonds, and (b) any Additional 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 Subordinate 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 Subordinate Obligation during such period, (b) the principal (including mandatory sinking fund payments) due on such Bond or Subordinate Obligation during such period, and (c) any other regularly scheduled payments due on such Bond or Subordinate 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 Subordinate Obligation;

(iii) if such Bond or Subordinate Obligation bears, or any proposed Bond or Subordinate 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 Subordinate 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 Subordinate 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 Subordinate 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 Subordinate Obligation bears, or any proposed Bond or Subordinate 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 Subordinate 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 Subordinate 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 Subordinate Obligations, the City determines most closely approximates LIBOR as designated in writing by the City to the Trustee; and

(v) if such Bond or Subordinate Obligation bears, or any proposed Bond or Subordinate 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 Subordinate 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 Subordinate 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 Subordinate Obligation.

“Management District Plan” means the Management District Plan for the District, adopted by Resolution No. 2018-0419 adopted by the City Council on October 30, 2018, as may be amended in accordance with the PBID Law.

“Maximum Annual Debt Service” means, with respect to any Outstanding Bond or Subordinate Obligation, the maximum amount of Debt Service coming due with respect to such Bond or Subordinate Obligation during the current or any future Bond Year in which any Debt Service for such Bond or Subordinate 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 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 hereunder.

“**Owner**” means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

“**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 the acquisition and construction of an additional ballroom at the Sacramento Convention Center, and related improvements authorized pursuant to the Management District Plan.

“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 2019 Bonds Reserve Policy, or (b) 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 hereunder 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.

“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.

“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.

“2019 Bonds Account of the Project Fund” means the account by that name established and held by the City under the Indenture.

“2019 Bonds Reserve Insurer” means Assured Guaranty Municipal Corp., as issuer of the 2019 Bonds Reserve Policy, or any successor thereto.

“2019 Bonds Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy No. 219621-S issued by the 2019 Bonds Reserve Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2019 Bonds and any Participating Bonds, as provided in such policy

General Provisions of Bonds; Redemption

General provisions of the 2019 Bonds, including terms of payment and redemption, are set forth in the main body of the Official Statement.

In lieu of redemption of 2019 Bonds under the Indenture, the Trustee may purchase Outstanding 2019 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 2019 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 2019 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," into which the Trustee shall deposit a portion of the proceeds of sale of the 2019 Bonds under the Indenture. The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the 2019 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 February 1, 2019, or upon the earlier Request of the City, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the City for deposit in the 2019 Bonds Account of the Project Fund. After making such transfer, the Trustee shall close 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 "2019 Bonds Account of the Project Fund," into which the City shall deposit the portion of the proceeds of sale of the 2019 Bonds transferred to the City under the Indenture. The City shall disburse amounts in the 2019 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 deposit into the Debt Service Fund held by the Trustee for the payment of Debt Service on the 2019 Bonds, in accordance with a Certificate of the City related thereto. After making such transfer, the City shall close the Project Fund.

Establishment and Application of Redemption Fund

Upon the determination by the City to optionally redeem any Bonds under the Indenture or the applicable provisions of any Supplemental 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 and is fully protected in relying thereon.

Issuance of Parity Bonds and Subordinate Obligations

Provisions regarding the issuance of Additional Bonds and Subordinate Obligations are set forth in the main body of the Official Statement.

Reserve Accounts

Provisions regarding the establishment of reserve accounts for any series of Bonds (including the Reserve Account) are set forth in the main body of the Official Statement. Provisions related to Qualified Reserve Account Credit Instruments are summarized below under “–Qualified Reserve Account Credit Instruments.”

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.

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 Pledged Assessment Revenues Surplus Account shall be invested at a yield not in excess of the yield on the 2019 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 the Reserve Account (or other reserve account established for a series of Bonds) into the Interest Account, 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 under this provision.

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 2019 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 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 hereunder. 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 Pledged Assessment 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 anything in the Indenture to the contrary, 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 2019 Bonds Reserve Policy constitutes a Qualified Reserve Account Credit Instrument.

Provisions Relating to 2019 Bonds Reserve Policy

Notwithstanding anything to the contrary in the Indenture, the following provisions shall apply with respect to the 2019 Bonds Reserve Policy:

(a) Amounts drawn under the 2019 Bonds Reserve Policy shall be available only for the payment of scheduled principal and interest on the 2019 Bonds and any Participating Bonds when due. The prior written consent of the 2019 Bonds Reserve Insurer shall be a condition precedent to the deposit of any Qualified Reserve Account Credit Instrument credited to the 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 2019 Bonds Reserve Policy and pay all related reasonable expenses incurred by the 2019 Bonds Reserve Insurer and shall pay interest thereon from the date of payment by the 2019 Bonds Reserve Insurer at the 2019 Bonds Late Payment Rate. "2019 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 2019 Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The 2019 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 2019 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 hereunder to the extent that interest otherwise due hereunder 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 2019 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 2019 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 2019 Bonds Late Payment Rate (collectively, "2019 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 2019 Bonds Policy Costs related to such draw.

(d) Amounts in respect of 2019 Bonds Policy Costs paid to the 2019 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 2019 Bonds Reserve Insurer on account of principal due, the coverage under the 2019 Bonds Reserve Policy will be increased by a like amount, subject to the terms of the 2019 Bonds Reserve Policy. The obligation to pay 2019 Bonds Policy Costs shall be secured by a valid lien on, and payable solely from, the Pledged Assessment Revenues and other amounts pledged as security for the 2019 Bonds (subject only to the priority of payment provisions set forth in the Indenture).

(e) All cash and investments in the Reserve Account shall be transferred to the Debt Service Fund for payment of debt service on the 2019 Bonds and any Participating Bonds before any drawing may be made on the 2019 Bonds Reserve Policy or any other Qualified Reserve Account Credit Instrument credited to the Reserve Account in lieu of cash. Payment of any 2019 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 Reserve Account (including the 2019 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 Reserve Account. Payment of 2019 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 Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the 2019 Bonds Reserve Policy and the terms of any other Qualified Reserve Account Credit Instrument on deposit in the 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 2019 Bonds Policy Costs when due or any other breach of the terms of this Section, the 2019 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 2019 Bonds or (ii) remedies which would adversely affect owners of the 2019 Bonds.

(g) The Indenture shall not be discharged until all 2019 Bonds Policy Costs owing to the 2019 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 2019 Bonds.

(h) The City shall include any 2019 Bonds Policy Costs then due and owing to the 2019 Bonds Reserve Insurer in the calculation for the issuance of Additional Bonds.

(i) The Trustee shall ascertain the necessity for a claim upon the 2019 Bonds Reserve Policy in accordance with the provisions of the Indenture and to provide notice to the 2019 Bonds Reserve Insurer in accordance with the terms of the 2019 Bonds Reserve Policy at least five business days prior to each date upon which interest or principal is due on the 2019 Bonds. So long as deposits are required to be made by the City to the Trustee to the Debt Service Fund more often than semi-annually, the Trustee shall give notice to the 2019 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 2019 Bonds Reserve Insurer any and all charges, fees, costs, losses, liabilities and expenses which the 2019 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 2019 Bonds Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture, including defending, monitoring or participating in any litigation or proceeding (including any

bankruptcy proceeding in respect of the City) relating to the Indenture, any party to the Indenture or the transactions contemplated thereby, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture, if any, or the pursuit of any remedies under the Indenture, 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 or the 2019 Bonds Reserve Policy, whether or not executed or completed, or (v) any action taken by the 2019 Bonds Reserve Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture. Costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2019 Bonds Reserve Insurer spent in connection with the actions described in clauses (ii) through (v) above. The 2019 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. Amounts payable by the City under the Indenture shall bear interest at the 2019 Bonds Late Payment Rate from the date such amount is paid or incurred by the 2019 Bonds Reserve Insurer until the date the 2019 Bonds Reserve Insurer is paid in full.

(k) Subject to the provisions of sub-paragraph (l), the obligation of the City to pay all amounts due to the 2019 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 this Section, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to, the 2019 Bonds or the Indenture; (ii) any amendment or other modification of, or waiver with respect to the 2019 Bonds Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in the Pledged Assessment Revenues and other amounts securing the 2019 Bonds or the Indenture; (iv) whether or not the 2019 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 2019 Bonds Reserve Policy or the Indenture; (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 2019 Bonds Reserve Insurer, whether in connection with the transactions contemplated herein or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the 2019 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 2019 Bonds Reserve Insurer under the 2019 Bonds Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the 2019 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 2019 Bonds Reserve Insurer) of the Indenture applicable to it, each of the provisions thereof being expressly incorporated into this Section by reference solely for the benefit of the 2019 Bonds Reserve Insurer as if set forth directly herein. No provision of the Indenture shall be amended, supplemented, modified or waived, without the prior written consent of the 2019 Bonds Reserve Insurer, in any material respect or otherwise in a manner that could adversely affect the payment obligations of the City to the 2019 Bonds Reserve Insurer, or the priority accorded to the reimbursement of 2019 Bonds Policy Costs, under the Indenture.

(m) The 2019 Bonds Reserve Insurer is hereby expressly made a third-party beneficiary of the Indenture.

(n) The City covenants to provide to the 2019 Bonds Reserve Insurer, promptly upon request, any information regarding the 2019 Bonds or the financial condition and operations of the City as reasonably requested by the 2019 Bonds Reserve Insurer. The City will permit the 2019 Bonds Reserve Insurer to discuss the affairs, finances and accounts of the City or any information the 2019 Bonds Reserve Insurer may reasonably request regarding the security for the 2019 Bonds with appropriate officers of the City, and will use commercially reasonable efforts to enable the 2019 Bonds Reserve Insurer to have access to the facilities, books and records of the City on any Business Day, upon reasonable prior notice.

(o) Notices and other information to the 2019 Bonds Reserve Insurer shall be sent to the address designated in the Indenture.

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 Pledged Assessment 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 in the Indenture requires the City to make any such payment so long as the City in good faith contests the validity of said claims.

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 Pledged Assessment 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.

Priority of Pledge in Favor of Bonds. Except as set forth in the Indenture related to compensation and indemnification of the Trustee, the City shall not create any pledge, lien, or security interest in any of the Pledged Assessment Revenues having priority over the pledge, lien and security interest granted in favor of the Bonds.

Amounts Transferred for Particular Bonds. Amounts transferred by the City or the Trustee for the benefit of any particular series of Bonds in accordance with the terms of the Indenture (including payment of interest, principal or redemption price due with respect thereto) shall, upon such transfer and pending such payment, be held in trust for the Owners of the applicable series of Bonds with no other Owners of Bonds having a claim thereon.

City Actions. If the PBID Law, the STID Revenue Bond Law or any other law pursuant to which the Indenture is entered into, the Bonds are issued or the Pledged Assessment Revenues 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 2019 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 2019 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 2019 Bonds are not used in a manner which would cause the 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 Pledged Assessment 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 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 2019 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 of Additional Bonds in accordance with the Indenture, and to provide the terms and conditions under which such Additional Bonds may be issued, 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;

(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, 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 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 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 Bonds in law or at equity; and (ii) not take any action that could materially adversely affect the interests of the Owners of the 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.

Application of Funds After Event of Default

All of the Pledged Assessment 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 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 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 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 Bonds, including any 2019 Bonds Policy Costs due to the 2019 Bonds Reserve Insurer; and

Fourth, to the payment of any amounts due with respect to any other obligations secured by, or payable from, the Pledged Assessment Revenues and/or any other revenues pledged to any series of Bonds, including any Subordinate Obligations.

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 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 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.

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 Pledged Assessment Revenues and other amounts pledged under the Indenture, the principal of and interest on the 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, the Owners of a majority of the principal amount of the then-Outstanding 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.

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 Pledged Assessment Revenues 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.

The City shall file notice of such election with the Trustee. In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with the foregoing, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, 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.

APPENDIX F

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 2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds (Convention Center Ballroom) (the “**Series 2019 Bonds**”). The Series 2019 Bonds are being issued under an Indenture, dated as of August 1, 2019, 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 2019 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 2019 Bonds (including persons holding Series 2019 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.

“**Financial Obligation**” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities (defined in the Rule) as to which a final official statement (defined in the Rule) has been provided to the MSRB consistent with the Rule.

“**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 2019 Bonds listed on the cover page of the official statement required to comply with the Rule in connection with an offering of the Series 2019 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 2018-19 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 2019 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 2019 Bonds, dated August 13, 2019, to reflect actual results of the most recently completed fiscal year (projections need not be updated):
 - (1) Table 2 – Top 10 Assessment Payors (in alphabetical order)
 - (2) 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 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 2019 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
 - (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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 2019 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 2019 Bonds or other material events affecting the tax status of the Series 2019 Bonds.
 - (2) Modifications to rights of holders of the Series 2019 Bonds.

- (3) Optional, unscheduled, or contingent bond calls.
 - (4) Release, substitution, or sale of property securing repayment of the Series 2019 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.
 - (8) Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect holders of the Series 2019 Bonds.
- (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 2019 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 2019 Bonds, or the Series 2019 Bonds otherwise cease to be subject to the requirements of the Rule. If termination occurs before the final maturity of the Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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: August 22, 2019

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento, California

Name of Issue: \$_____ 2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds (Convention Center Ballroom)

Date of Issuance: August __, 2019

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 August 1, 2019, 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 G

PROPOSED FORM OF BOND COUNSEL OPINION

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[Closing Date]

City Council
City of Sacramento
915 I Street
Sacramento, California 95814

OPINION: \$50,465,000 City of Sacramento
2019 Sacramento Tourism Infrastructure District Assessment
Revenue Bonds (Convention Center Ballroom) _____

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 \$50,465,000 City of Sacramento 2019 Sacramento Tourism Infrastructure District Assessment Revenue Bonds (Convention Center Ballroom) (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, including a final judgment entered by the Superior Court of the State of California for the County of Sacramento in a validation action entitled *City of Sacramento v. All Persons Interested et al.*, No. 34-2018-00243701.

The Bonds are issued pursuant to the City’s charter powers, the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 through 36671) (“PBID Law”), as augmented by section 3.92.055 of the Sacramento City Code (the “STID Revenue Bond Law”), and an Indenture of Trust, dated as of August 1, 2019 (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 PBID Law, as augmented by the STID Revenue Bond Law, the Indenture establishes a valid lien on and pledge of the Pledged Assessment 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 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. The opinion set forth in the preceding sentence is 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 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 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 H

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 Underwriter 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 2019 STID Bonds. The 2019 STID 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 2019 STID 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.

Purchases of the 2019 STID Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 STID Bonds on DTC's records. The ownership interest of each actual purchaser of each of the 2019 STID 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 2019 STID 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 2019 STID Bonds, except in the event that use of the book-entry system for the 2019 STID Bonds is discontinued.

To facilitate subsequent transfers, all of the 2019 STID 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 2019 STID 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 2019 STID Bonds; DTC's records

reflect only the identity of the Direct Participants to whose accounts such 2019 STID 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 2019 STID Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 STID Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2019 STID Bond documents. For example, Beneficial Owners of the 2019 STID Bonds may wish to ascertain that the nominee holding the 2019 STID 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 2019 STID Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2019 STID 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 2019 STID 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 2019 STID Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2019 STID 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 2019 STID 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 2019 STID 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 2019 STID 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 Underwriter believe to be reliable, but the City and the Underwriter do not take any responsibility for the accuracy thereof.

