

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "Tax Matters" herein.



\$25,960,000

**CITY OF SACRAMENTO
WASTEWATER REVENUE BONDS, SERIES 2019**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The City of Sacramento Wastewater Revenue Bonds, Series 2019 (the "**Series 2019 Bonds**") are being issued by the City of Sacramento (the "**City**") to finance the costs of certain improvements to its Wastewater System (the "**Series 2019 Project**").

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

Interest on the Series 2019 Bonds will be payable semiannually on March 1 and September 1, commencing September 1, 2019. Payments of interest on and principal of the Series 2019 Bonds will be paid 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 Series 2019 Bonds. See APPENDIX F - "BOOK-ENTRY ONLY SYSTEM."

The Series 2019 Bonds are subject to optional redemption before their stated maturities, as described herein. See "THE SERIES 2019 BONDS – Redemption Provisions."

The Series 2019 Bonds are being issued pursuant to an Indenture, dated as of April 1, 2013, as supplemented, including as supplemented by the Second Supplemental Indenture, dated as of April 1, 2019 (as supplemented, the "**Indenture**"), between the City and U.S. Bank National Association, as trustee (the "**Trustee**"). The Series 2019 Bonds are limited obligations of the City, secured by a pledge of and payable solely from the Trust Estate, which primarily consists of (1) all System Net Revenues and (2) all funds and accounts held by the Trustee under the Indenture (other than the Rebate Fund and certain other funds specified in the Indenture) and all investments, money, instruments, and other property credited thereto or on deposit therein, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. "**System Net Revenues**" means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable. "**System Revenues**" consist primarily of all income, rents, rates, fees, charges, and other moneys derived from the ownership or operation of the Wastewater System excluding certain moneys as described herein.

The Series 2019 Bonds are payable from System Net Revenues on a parity with the City's Wastewater Revenue Bonds, Series 2013 (the "**Series 2013 Bonds**") and certain loans through the State Waste Resources Control Board (the "**SRF Loans**"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations." Pursuant to the Indenture, the City may issue additional bonds (together with the Series 2013 Bonds and the Series 2019 Bonds, the "**Bonds**") and incur other obligations (the "**Parity Obligations**") secured by the pledge of and payable from the Trust Estate on a parity basis with the Series 2013 Bonds and the Series 2019 Bonds and may also issue or incur other obligations secured by the pledge of and payable from the Trust Estate on a basis junior and subordinate to the Series 2013 Bonds and the Series 2019 Bonds, other Bonds, and Parity Obligations, subject to the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations" and "- Outstanding Parity Obligations."

The Series 2019 Bonds are limited obligations of the City and are secured by a pledge of and payable solely, both as to principal and interest and as to any premiums upon the redemption thereof, from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2019 Bonds except from the Trust Estate 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 Series 2019 Bonds or their interest. The Series 2019 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate 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 Series 2019 Bonds.

The Series 2019 Bonds will be offered when, as, and if issued and received by the Underwriter, subject to the approval of the validity of the Series 2019 Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood 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 Series 2019 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about April 10, 2019.

SIEBERT CISNEROS SHANK & CO., L.L.C.

\$25,960,000
CITY OF SACRAMENTO
WASTEWATER REVENUE BONDS, SERIES 2019

MATURITY SCHEDULE

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2021	\$ 840,000	5.00%	1.33%	108.609%	786087AX4
2022	880,000	5.00	1.35	112.059	786087AY2
2023	925,000	5.00	1.38	115.372	786087AZ9
2024	975,000	5.00	1.42	118.517	786087BA3
2025	1,025,000	5.00	1.49	121.322	786087BB1
2026	1,080,000	5.00	1.55	124.005	786087BC9
2027	1,135,000	5.00	1.62	126.418	786087BD7
2028	1,190,000	5.00	1.69	128.631	786087BE5
2029	1,250,000	5.00	1.79	130.313	786087BF2
2030	1,315,000	5.00	1.92	128.888 ^C	786087BG0
2031	1,385,000	5.00	2.06	127.374 ^C	786087BH8
2032	1,455,000	5.00	2.17	126.199 ^C	786087BJ4
2033	1,530,000	5.00	2.25	125.353 ^C	786087BK1
2034	1,610,000	5.00	2.31	124.723 ^C	786087BL9
2035	1,690,000	5.00	2.39	123.888 ^C	786087BM7
2036	1,775,000	5.00	2.46	123.163 ^C	786087BN5
2037	1,870,000	5.00	2.52	122.546 ^C	786087BP0
2038	1,965,000	5.00	2.56	122.137 ^C	786087BQ8
2039	2,065,000	5.00	2.60	121.729 ^C	786087BR6

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

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC 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 CUSIP Services Bureau. 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 Series 2019 Bonds. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2019 Bonds or as included herein. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2019 Bonds as a result of various subsequent actions.

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

Bill Busath
Director of Utilities

Dan Sherry
Engineering Services Division Manager

Gary DeJesus
*Wastewater/Drainage O&M
Division Manager*

Chuong (Ryan) Pham
Business Services Division Manager

Special Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth,
A Professional Corporation

Trustee

U.S. Bank National Association

Municipal Advisor

Hilltop Securities, 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 may the Series 2019 Bonds be sold 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 Series 2019 Bonds. Statements contained 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. The delivery of this Official Statement and any sale made hereunder will not, 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 Market Access (“EMMA”) website.

In connection with this offering, the Underwriter may over allot or effect transactions that may stabilize or maintain the market price of the Series 2019 Bonds at a level above that which 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.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” or other similar words. The achievement of certain results or other expectations contained in such 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 such 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 the expectations, events, conditions, or circumstances on which such 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.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance on an exemption from the registration requirements contained in such Act.

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

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OFFICIAL STATEMENT
\$25,960,000
CITY OF SACRAMENTO
WASTEWATER REVENUE BONDS, SERIES 2019

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2019 Bonds being offered and a brief description of the Official Statement (which includes the cover page and Appendices hereto). All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “**State**”) and any documents referred to herein do not purport to be complete, and such 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 such terms under the Indenture. See APPENDIX C – “SUMMARY OF THE INDENTURE.”

Changes Since the Preliminary Official Statement

This Official Statement contains revisions to the Preliminary Official Statement to reflect the interest rates, redemption provisions and certain other matters established in connection with the sale of the Series 2019 Bonds. In addition, Table 7 - “Summary of Historical Operating Results” contains certain revisions to reflect the audited financial statements for the Wastewater System for Fiscal Years 2013-14 through 2016-17. Such revisions included increases in Maintenance and Operation Costs, which resulted in decreases in the System Net Revenues and Coverage Requirement Compliance for such fiscal years as shown on Table 7. As shown in Table 7, following such revisions debt service coverage was 5.42x in Fiscal Year 2013-14; 3.78x in Fiscal Year 2015-15; 2.88x in Fiscal Year 2015-16; 2.40x in Fiscal Year 2016-17; and 4.50x in Fiscal Year 2017-18. See “THE WASTEWATER SYSTEM - Historical Financial Results.”

Authority for Issuance and Purpose

The purpose of this Official Statement is to set forth certain information concerning the issuance and sale of the City of Sacramento Wastewater Revenue Bonds, Series 2019 in the aggregate principal amount of \$25,960,000 (the “**Series 2019 Bonds**”) pursuant to an Indenture, dated as of April 1, 2013, as supplemented, including as supplemented by the Second Supplemental Indenture, dated as of April 1, 2019 (as supplemented, the “**Indenture**”), between the City of Sacramento (the “**City**”) and U.S. Bank National Association, as trustee (the “**Trustee**”). The Series 2019 Bonds are being issued by the City to finance the costs of certain improvements to its Wastewater System (the “**Series 2019 Project**”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE SERIES 2019 PROJECT.”

The City of Sacramento

The City is at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley (the “**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 B — “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO.”

The Wastewater System

The Wastewater System is owned and operated by the City under the administration of the City Department of Utilities (the “**Department**”). The operations of the Wastewater System are accounted for in an enterprise fund established and maintained by the City on its books (the “**Wastewater Fund**”). The Wastewater System provides wastewater services to approximately 77,500 residential and commercial accounts located within the City. The Wastewater System includes approximately 830 miles of pipe and 45

sewage-pump stations. The residential and commercial customers that receive wastewater service from the Wastewater System constitute approximately 60% of the total residential and commercial customers within the City. The remaining customers receive wastewater service from the Sacramento Area Sewer District (“SASD”), a separate entity not controlled by the City. All System Revenues are accounted for in the Wastewater Fund. See “THE WASTEWATER SYSTEM.”

The Wastewater System also includes treatment facilities that are utilized by the Wastewater System during significant wet-weather events. However, the majority of wastewater collected through the Wastewater System is delivered for treatment to a regional treatment facility, owned and operated by the Sacramento Regional County Sanitation District (the “SRCSD”), under a Master Interagency Agreement dated as of November 1, 1974, as amended (the “**Master Interagency Agreement**”) by and among the SRCSD and the City, the County of Sacramento, SASD, and the City of Folsom (collectively, the “**Contributing Agencies**”). See “THE WASTEWATER SYSTEM.”

Security and Sources of Payment for the Bonds

The Series 2019 Bonds are limited obligations of the City, secured by a pledge of and payable solely from the Trust Estate, which primarily consists of (1) all System Net Revenues; and (2) all funds and accounts held by the Trustee under the Indenture (other than the Rebate Fund and certain other funds specified in the Indenture) and all investments, money, instruments, and other property credited thereto or on deposit therein, subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. “**System Net Revenues**” means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable. “**System Revenues**” consist primarily of all income, rents, rates, fees, charges, and other moneys derived from the ownership or operation of the Wastewater System excluding certain moneys as described herein.

The Series 2019 Bonds are payable from System Net Revenues on a parity with the Series 2013 Bonds and the SRF Loans (each as defined below). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations.” Pursuant to the Indenture, the City may issue additional bonds (together with the Series 2013 Bonds and the Series 2019 Bonds, the “Bonds”) and incur other obligations (the “Parity Obligations”) secured by the pledge of and payable from the Trust Estate on a parity basis with the Series 2013 Bonds and the Series 2019 Bonds and may also issue or incur other obligations secured by the pledge of and payable from the Trust Estate on a basis junior and subordinate to the Series 2013 Bonds and the Series 2019 Bonds, other Bonds, and Parity Obligations, subject to the terms of the Indenture.

If no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations have been paid, then the City may spend System Net Revenues for any lawful purpose of the City. Any System Net Revenues so spent by the City for a lawful purpose as described in the preceding sentence will no longer be subject to the lien of the Indenture.

The Series 2019 Bonds are limited obligations of the City and are secured by a pledge of and payable solely, both as to principal and interest and as to any premiums upon the redemption thereof, from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2019 Bonds except from the Trust Estate 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 Series 2019 Bonds or their interest. The Series 2019 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate as provided in the Indenture.

Rate Covenant

Pursuant to the Indenture, the City has covenanted that it will at all times during each Fiscal Year fix, prescribe, and collect rates, fees, and charges for the Wastewater Service that are reasonably estimated to yield

System Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. “**Coverage Requirement**” means, for any Fiscal Year, an amount of System Net Revenues equal, in each case, to at least (1) 120% of the Debt Service on all Outstanding Bonds and Parity Obligations for such Fiscal Year; (2) 110% of the Debt Service on all Outstanding Bonds, Parity Obligations, and Subordinate Obligations for such Fiscal Year; and (3) 100% of all obligations of the City payable from System Net Revenues in such Fiscal Year. In fixing and prescribing such rates, fees, and charges, the City may make reasonable assumptions concerning contingencies that may affect System Revenues and the timing and amount of payments on Bonds, Parity Obligations, Subordinate Obligations, and any other obligations of the City that may become due and payable from System Revenues in such Fiscal Year. The City may make adjustments from time to time in such rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees, and charges then in effect unless the System Net Revenues from such reduced rates, fees, and charges will at all times be sufficient to meet the requirements set forth in this paragraph. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant.” In calculating Debt Service for purposes of the Coverage Requirement, the City may exclude payments on Obligations to the extent such payments are paid or expected to be paid from amounts allocated on the books of the City to the City’s Stormwater Drainage System (“**Stormwater Drainage System**”). The City may also make certain other assumptions and exclusions when calculating Debt Service for purposes of the Coverage Requirement. See APPENDIX C – “SUMMARY OF THE INDENTURE – Definitions.”

Outstanding Obligations

To finance a portion of the cost of certain improvements to the Wastewater System, since 1998 the City has entered into five separate Clean Water State Revolving Fund Loan Program Loan Contracts with the State, acting through the State Water Resources Control Board, which are currently outstanding in the aggregate available principal amount of approximately \$6.2 million (the “**SRF Loans**”). Pursuant to their terms, the SRF Loans are payable from System Net Revenues and also from revenues attributable to the “Stormwater Drainage System.” However, if for any reason Stormwater Drainage System revenues are unavailable for payment of the SRF Loans, the City would be obligated to make such payments from System Net Revenues on parity with the Bonds. The City’s obligations with respect to the SRF Loans constitute Parity Obligations under the Indenture. The SRF Loans are scheduled to be paid in full by 2021. See “PAYMENT SCHEDULE” for currently estimated payments. The SRF Loans provide that all payments thereunder may be immediately due and payable in the event of material breach by the City that is not promptly cured. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Obligations” and “THE WASTEWATER SYSTEM – Interrelationship Between Wastewater System and Stormwater Drainage System.” See also “CERTAIN RISK FACTORS – Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds.”

In addition, in 2013, the City issued \$30,855,000 of its Wastewater Revenue Bonds, Series 2013 (the “**Series 2013 Bonds**”), which are currently outstanding in the principal amount of \$28,480,000. The Series 2013 Bonds are payable from System Net Revenues on a parity with all other Bonds issued under the Indenture, including the Series 2019 Bonds.

In addition, the City has previously funded certain improvements to City assets (for the General Fund and other City utilities) by the issuance of bonds by the Sacramento City Financing Authority (“**SCFA**”) through the City’s Master Lease Program (as defined below in “THE WASTEWATER SYSTEM – Leasing of Certain Components of the Wastewater System”). In connection with the Master Lease Program, the City has leased certain components of the Wastewater System to SCFA and SCFA has subleased those components of the Wastewater System back to the City.

Pursuant to the Indenture, the City has covenanted that it will not encumber any components of the Wastewater System under a City General Fund lease except for the components of the Wastewater System that were, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease. However, this covenant does not prohibit the City from (1) improving, making additions to, rehabilitating, or replacing components of the Wastewater System that were, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease; or (2) incurring additional obligations under any City General Fund

lease that, as of the date of issuance of the Series 2013 Bonds, encumbered components of the Wastewater System.

No Debt Service Reserve Fund for Series 2019 Bonds

No debt service reserve fund will be established pursuant to the Indenture to secure the Series 2019 Bonds. The Series 2019 Bonds are not secured by the Bond Reserve Fund established with respect to the Series 2013 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – No Debt Service Reserve Fund for Series 2019 Bonds.”

Rate Stabilization Fund

Pursuant to the Indenture, the City has established and maintains on the City’s books a Rate Stabilization Fund. On the date of issuance of the Series 2019 Bonds, approximately \$2.5 million will be on deposit in the Rate Stabilization Fund. Upon compliance with the terms of the Indenture, from time to time the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City may reasonably determine, and the amount of available current System Revenues shall be reduced by the amount so allocated. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Wastewater Fund for inclusion in System Revenues for any Fiscal Year. Allocations to or from the Rate Stabilization Fund for each Fiscal Year shall be made before the end of the ninth month after the close of each Fiscal Year. All interest or other earnings upon amounts allocated to the Rate Stabilization Fund may be allocated to the Wastewater Fund and accounted for as System Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Stabilization Fund.”

Continuing Disclosure

The City has covenanted for the benefit of the Holders and Beneficial Owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the Wastewater System 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 EMMA website. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in APPENDIX D— “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. This covenant has been made in order to assist the Underwriter of the Series 2019 Bonds (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 Series 2019 Bonds.

Other Matters

Copies of the Indenture will be available for inspection at the City’s offices 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 Series 2019 Bonds are as follows:

Sources:	
Principal Amount	\$25,960,000.00
Premium	6,044,737.05
Contribution from Wastewater Fund	412,778.95
Total Sources	<hr/> \$32,417,516.00
Uses:	
Project Fund	\$32,004,737.05
Costs of issuance ⁽¹⁾	412,778.95
Total Use	<hr/> \$32,417,516.00

⁽¹⁾ Includes fees of Bond Counsel, Disclosure Counsel, the Trustee, Underwriter's discount, rating agency fees, printing costs, and certain miscellaneous expenses.

PLAN OF FINANCE

As described herein, the proceeds of the Series 2019 Bonds will be used primarily for the purpose of providing funds to finance or reimburse the City for costs relating to the Series 2019 Project. See "THE SERIES 2019 PROJECT."

THE SERIES 2019 BONDS

General

The Series 2019 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 such date at the rates set forth on the inside cover of this Official Statement, payable on March 1 and September 1 of each year, commencing September 1, 2019 (each, an "**Interest Payment Date**"). Interest on the Series 2019 Bonds will be computed on the basis of a 360-day year, composed of twelve 30-day months.

The Series 2019 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 Series 2019 Bonds. Individual purchases will be made in book-entry form. Purchasers will not receive a bond certificate representing their beneficial ownership interest in Series 2019 Bonds. So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as nominee of DTC, references herein to Bondholders, Holders, or owners of the Series 2019 Bonds will mean Cede & Co. and will not mean the Beneficial Owners of Series 2019 Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, principal of and interest on the Series 2019 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 such amounts to the DTC Participants for subsequent disbursement to Beneficial Owners of the Series 2019 Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

If the use of the book-entry system is discontinued, then principal of the Series 2019 Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the Series 2019 Bonds will be paid by check mailed by first-class mail on each Interest Payment Date to the person in whose name each Series 2019 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 (each, a "**Record Date**"), provided that registered owners of \$1,000,000 or more in aggregate principal amount of

Series 2019 Bonds may request payment by wire transfer to an account within the United States, such request to be submitted in writing and received by the Trustee on or before the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture.

Redemption Provisions

Optional Redemption. The Series 2019 Bonds maturing on and after September 1, 2030, are subject to redemption before their stated maturities, at the City's option, from any source of available funds, on any date on or after September 1, 2029, as a whole or in part by such maturity or maturities as may be specified by the City (and by lot within a maturity), at a Redemption Price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Selection of Series 2019 Bonds for Redemption. While the Series 2019 Bonds are in book-entry form and so long as DTC acts as Depository for the Series 2019 Bonds, whenever provision is made for redemption of less than all of the Series 2019 Bonds of any maturity, applicable provisions for selection of Series 2019 Bonds to be redeemed under DTC's book-entry system shall apply. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM." If the use of the book-entry system is discontinued, then whenever provision is made for redemption of less than all of the Series 2019 Bonds of any maturity, the Trustee shall select the Series 2019 Bonds of such maturity to be redeemed by lot in authorized denominations.

Notice of Redemption; Conditional Notice. The Trustee shall give notice of redemption not less than 20 days nor more than 60 days prior to the redemption date to each registered owner of a Series 2019 Bond designated for redemption. The Trustee shall also give notice of redemption to the Repository. Neither failure by the Trustee to give notice to the Repository, nor failure of any registered owner or the Repository to receive such notice, nor any defect therein will affect the sufficiency or validity of the proceedings for the redemption of any of the Series 2019 Bonds.

With respect to any notice of optional redemption of Series 2019 Bonds, unless, upon the giving of such notice, such Series 2019 Bonds are deemed to have been paid within the meaning of the provisions of the Indenture, such notice shall state (1) that redemption will be conditional upon the receipt by the Trustee on or before the date fixed for redemption of amounts sufficient to pay the principal of, and premium (if any) and interest on, such Series 2019 Bonds to be redeemed, and (2) that if such amounts are not so received, then the notice shall be of no force and effect and the City shall not be required to redeem such Series 2019 Bonds. The City may also instruct the Trustee to provide conditional notice of optional redemption, which may be conditioned on the occurrence of any other event, if such notice states that if such event does not occur then the notice shall be of no force and effect and the City shall not be required to redeem such Series 2019 Bonds. If a notice of optional redemption contains such a condition and such amounts are not so received or such event does not occur, then the optional redemption shall not be made, and the Trustee shall, within a reasonable time thereafter, give notice to the Holders to the effect that such amounts were not so received or such event did not occur and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to optionally redeem such Bonds shall not constitute an Event of Default pursuant to the Indenture.

The City may rescind any notice of optional redemption given pursuant to the Indenture by giving the Trustee notice at least five Business Days before the date specified for redemption. As soon as practicable thereafter, the Trustee shall give a notice of rescission in the same manner, and to the same parties, as notice of such redemption was given.

So long as the Series 2019 Bonds are in book-entry form, all notices of redemption and all other notices described under this caption shall be delivered to DTC, as Depository. Neither the City nor the Trustee can or do give any assurance that any such notice will be distributed by DTC to Beneficial Owners or that any such notice will be distributed on a timely basis. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Cessation of Interest. Interest on all Series 2019 Bonds for which notice of redemption has been given pursuant to the provisions of the Indenture and for which funds have been provided to the Trustee for the

payment of the Redemption Price thereof, together with interest accrued to the redemption date thereon, shall cease to accrue on the redemption date. Such Series 2019 Bonds shall cease to be entitled to any benefit or security under the Indenture on the redemption date, and the registered owners of such Series 2019 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest to the redemption date from the funds provided to the Trustee therefor.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General; Pledge of the Trust Estate

The Bonds, including the Series 2013 Bonds and the Series 2019 Bonds, are limited obligations of the City secured by a pledge of and payable solely from the Trust Estate, which consists of (1) all System Net Revenues; (2) all funds and accounts held by the Trustee under the Indenture and any Supplemental Indenture (other than the Rebate Fund, all Letter of Credit Funds, and all Purchase Funds) and all investments, money, instruments, and other property credited thereto or on deposit therein; (3) all investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited in the Rebate Fund, any Letter of Credit Fund, and any Purchase Fund; (4) all Swap Revenues; (5) all Subsidy Payments; and (6) all proceeds of the foregoing, whether now existing or hereafter arising, subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

“**System Net Revenues**” means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable.

“**System Revenues**” means all income, rents, rates, fees, charges, and other moneys derived from the ownership or operation of the Wastewater System determined in accordance with generally accepted accounting principles, consistently applied, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, connection fees, sewer development fees, charges, standby charges, capacity charges, or other moneys derived by the City from the wastewater services or facilities, and commodities or byproducts, sold, furnished, or supplied through the facilities of or in the conduct or operation of the business of the Wastewater System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Wastewater System by or pursuant to law; (2) any amount received from the levy or collection of taxes that are solely available and are earmarked for the support of the operation of the Wastewater System; (3) allocations from the Rate Stabilization Fund to the Wastewater Fund; and (4) grants for maintenance and operations to the extent that the restrictions for the use thereof do not preclude them from being applied to the payment of Maintenance and Operation Costs or the Obligations; provided, however, that System Revenues shall exclude in all cases (a) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City and (b) any proceeds of the voter-approved general tax imposed on the gross revenues of the Wastewater System from user fees and charges, which proceeds are paid into the City’s General Fund pursuant to Section 3.20.010 of the Sacramento City Code (the “**City Code**”). As provided in the Indenture, the amount of available System Revenues is reduced by the amount of System Revenues allocated to the Rate Stabilization Fund. See “– Rate Stabilization Fund” below.

“**Maintenance and Operation Costs**” means costs spent or incurred by the City for maintaining and operating the Wastewater System, calculated in accordance with generally accepted accounting principles used by the City consistently applied, including but not limited to the expenses of maintenance, repair, billing and collection, and other expenses incurred to maintain and preserve the Wastewater System in good repair and working order, and including administrative costs of the City, salaries and wages of employees, payments to employees retirement systems, overhead, taxes (if any), fees of auditors, accountants, attorneys, engineers, or other consultants, and insurance premiums, in each case as attributable to the Wastewater System, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions,

replacements, betterments, extensions, or improvements to the Wastewater System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (4) charges for the payment of Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations.

The Indenture provides that the pledge of the Trust Estate constitutes a lien on and security interest in the Trust Estate to the extent set forth in, and in accordance with, the Indenture.

If no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations have been paid then the City may spend System Net Revenues for any lawful purpose of the City. Any System Net Revenues so spent by the City for a lawful purpose as described in the preceding sentence will no longer be subject to the lien of the Indenture.

The Series 2019 Bonds are limited obligations of the City and are secured by a pledge of and payable solely, both as to principal and interest and as to any premiums upon the redemption thereof, from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2019 Bonds except from the Trust Estate 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 Series 2019 Bonds or their interest. The Series 2019 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate as provided in the Indenture.

Wastewater Fund; Application of System Revenues

So long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable under the Indenture remain unpaid, the City covenants and agrees that all System Revenues received by it shall be accounted for when and as received in the Wastewater Fund, which the City covenants and agrees to maintain on the City's books, and all money accounted for within the Wastewater Fund shall be applied and used only as provided in the Indenture, and the Wastewater Fund shall be accounted for separate and apart from all other moneys, funds or other resources of the City. The City may, to the extent provided in the Indenture, allocate amounts accounted for in the Wastewater Fund to the Rate Stabilization Fund or allocate amounts accounted for in the Rate Stabilization Fund to the Wastewater Fund. From amounts accounted for within the Wastewater Fund, the City shall pay, in the following order of priority: first, to the applicable payee or as otherwise required, all Maintenance and Operation Costs (including amounts reasonably required by the City to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required) as they become due and payable; and second, to the Trustee on or before each date the Trustee is required to make any transfer or deposit from the Revenue Fund as described below under the caption "Allocation of Revenues", such amount as is required for the Trustee to make the transfers and deposits required to be made by the Trustee on such date including all amounts of principal, purchase price, interest, and Redemption Price then due and payable with respect to the Bonds. If (a) no Event of Default has occurred and is continuing, (b) all Maintenance and Operation Costs are being and have been paid and are then current, and (c) all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid, then all money accounted for in the Wastewater Fund, and the proceeds thereof, will be available for any lawful purpose of the City.

Allocation of Revenues

The Trustee shall deposit in the Revenue Fund established under the Indenture all amounts received by it from the City pursuant to the Indenture, when and as received by the Trustee.

The Trustee shall set aside on each date set forth below the moneys in the Revenue Fund in the following respective funds in the following amounts, in the following order of priority, the requirements of

each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys in the Revenue Fund sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations), (ii) payments on Interest Rate Swap Agreements that constitute Parity Obligations shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations) and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys:

First Priority - Interest Fund. No later than the Business Day prior to each Interest Payment Date, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest on the Interest Payment Date). No deposit need be made into the Interest Fund with respect to any Bonds if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Date and on each Interest Payment Date any excess amounts in the Interest Fund not needed to pay interest on such Interest Payment Date shall be transferred to the Revenue Fund (excepting any moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

If Liquidity Facility Bonds are outstanding at the time of any required deposits to the Interest Fund, such deposits shall take into account and include the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

Second Priority - Principal Fund; Sinking Accounts. No later than the Business Day prior to each Principal Payment Date, the Trustee shall set aside in the Principal Fund an amount equal to (a) the aggregate amount of Bond Obligation becoming due and payable on such Principal Payment Date on the Outstanding Serial Bonds of all Series plus (b) the aggregate of the Mandatory Sinking Account Payments to be paid on such Principal Payment Date into the respective Sinking Accounts for the Term Bonds of all Series. If, however, the City certifies to the Trustee that any principal payments are expected to be paid from amounts on deposit in a Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with Mandatory Sinking Account Payments shall be made without priority of any payment over any other such payment.

In the event that moneys in the Revenue Fund shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any Principal Payment Date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series on such Principal Payment Date plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said amount of Bond Obligation on such Serial Bonds and said Bond Obligation of and redemption premium on such Term Bonds shall bear to each other. In the event that moneys in the Revenue Fund shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account on such date bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts on such date.

No deposit need be made into the Principal Fund on any date so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms on the immediately succeeding Principal Payment Date plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made on such Principal Payment Date. On each Principal Payment Date or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay Bond Obligation or Mandatory Sinking Account Payments on such Principal Payment Date shall be transferred to the Revenue Fund.

If any Liquidity Facility Bonds are outstanding at the time of any required deposits to the Principal Fund, such deposits shall take into account and include any amortizations or redemptions of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For purposes of the provisions above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates of any amortization or redemptions.

Third Priority - Reserve Funds. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund (including such amounts as are required by the Indenture to replenish withdrawals on any Reserve Facility), as is required pursuant to the Indenture, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Fourth Priority - Subordinate Obligations Fund. After any transfers described above that are required to be made on a given date have been made, the Trustee shall deposit in the Subordinate Obligations Fund such amount as the City shall specify in writing is necessary to make payments due and payable on such date with respect to Subordinate Obligations then outstanding.

Fifth Priority - Fees and Expenses Fund. After the transfers described above that are required to be made on a given date have been made, the Trustee shall deposit in the Fees and Expenses Fund the amounts necessary for payment of Fee and Expense Obligations owing on such date.

Transfer to the City. If no Event of Default has occurred and is continuing and all payments then due and payable by the City pursuant to the Indenture have been paid, then, except as the City shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, amounts remaining in the Revenue Fund after all transfers described above that are required to be made on a given date have been made, and the proceeds thereof, will be transferred to the City on the same Business Day or as soon as practicable thereafter. The City may use and apply such amounts when received by it for any lawful purpose of the City, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

Rate Covenant

Pursuant to the Indenture, the City has covenanted that it will at all times during each Fiscal Year fix, prescribe, and collect rates, fees, and charges for the Wastewater Service that are reasonably estimated to yield System Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. “**Coverage Requirement**” means, for any Fiscal Year, an amount of System Net Revenues equal, in each case, to at least (i) 120% of the Debt Service on all Outstanding Bonds and Parity Obligations for such Fiscal Year; (ii) 110% of the Debt Service on all Outstanding Bonds, Parity Obligations, and Subordinate Obligations for such Fiscal Year; and (iii) 100% of all obligations of the City payable from System Net Revenues in such Fiscal Year. This obligation of the City in the Indenture is referred to herein as the “**Rate Covenant**.” In fixing and prescribing such rates, fees, and charges, the City may make reasonable assumptions concerning contingencies that may affect System Revenues and the timing and amount of payments on Bonds, Parity Obligations, Subordinate Obligations, and any other obligations of the City that may become due and payable from System Revenues in such Fiscal Year. The City may make adjustments from time to time in such rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees, and charges then in effect unless the System Net Revenues from such reduced rates, fees, and charges will at all times be sufficient to meet the requirements of the Rate Covenant. In calculating Debt

Service for purposes of the Coverage Requirement, the City may exclude payments on Obligations to the extent such payments are paid or expected to be paid from amounts allocated on the books of the City to the City's Stormwater Drainage System. The City may also make certain other assumptions and exclusions when calculating Debt Service for purposes of the Coverage Requirement. See APPENDIX C – "SUMMARY OF THE INDENTURE – Definitions."

No Debt Service Reserve Fund for Series 2019 Bonds

No debt service reserve fund will be established pursuant to the Indenture to secure the Series 2019 Bonds.

In connection with the issuance of the Series 2013 Bonds, a Bond Reserve Fund was established pursuant to the Indenture which secures payment of debt service on the Series 2013 and any other Participating Bonds (as defined in the Indenture). See APPENDIX C – "SUMMARY OF THE INDENTURE." Amounts on deposit in the Bond Reserve Fund established in connection with the Series 2013 Bonds do not secure and are not available for payment of debt service on the Series 2019 Bonds.

Outstanding Parity Obligations

To finance a portion of the cost of certain improvements to the Wastewater System, since 1998 the City has entered into five separate Clean Water State Revolving Fund Loan Program Loan Contracts with the State, acting through the State Water Resources Control Board (the "SRF Loans"), which are currently outstanding in the aggregate available principal amount of approximately \$6.2 million. Pursuant to their terms, the SRF loans are payable from System Revenues and also from revenues attributable to the City's Stormwater Drainage System. The City currently pays approximately 75% of the debt service with respect to the SRF Loans from Stormwater Drainage System revenues and currently plans to continue to do so in the future. However, if for any reason Stormwater Drainage System revenues are unavailable for payment of the SRF Loans, the City would be obligated to make such payments from System Net Revenues on parity with the Bonds. See "THE WASTEWATER SYSTEM – Interrelationship Between Wastewater System and Stormwater Drainage System."

The City's obligations with respect to the SRF Loans constitute Parity Obligations under the Indenture. The SRF Loans are scheduled to be paid in full by 2021. See "PAYMENT SCHEDULE" for currently estimated payments. The SRF Loans provide that all payments thereunder may be immediately due and payable in the event of material breach by the City that is not promptly cured, including material breaches of its obligations to operate and maintain the Wastewater System, to maintain insurance, and to comply with applicable law. See "CERTAIN RISK FACTORS – Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds."

In addition, in 2013, the City issued the Series 2013 Bonds in the principal amount of \$30,855,000, which are currently outstanding in the principal amount of \$28,480,000. The Series 2013 Bonds are payable from System Net Revenues on a parity with all other Bonds issued under the Indenture, including the Series 2019 Bonds.

Pursuant to the Indenture, payments paid or expected to be paid from revenues attributable to the City's Stormwater Drainage System are excluded from Debt Service, including for purposes of the Rate Covenant and the provisions of the Indenture relating to the issuance of additional Obligations.

Additional Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations

Additional Bonds. The City may, by Supplemental Indenture, issue one or more additional Series of Bonds that, subject to the provision of the Indenture permitting the application thereof for the purposes of the terms and conditions set forth in the Indenture, are secured by a pledge of and payable from the Trust Estate equally and ratably with the Series 2013 Bonds and the Series 2019 Bonds, including Bonds issued to refund any Bonds then Outstanding (such Bonds being referred to as "**Refunding Bonds**"). Additional Series of

Bonds may be issued upon compliance by the City with the provisions set forth in the Indenture and subject to certain specific conditions precedent set forth in the Indenture.

Conditions precedent to the issuance of an additional Series of Bonds include but are not limited to the following:

(a) No Event of Default shall have occurred and then be continuing (or the issuance of such additional Series of Bonds will cure any such Event of Default).

(b) The Supplemental Indenture providing for the issuance of such Series shall state whether the Bonds of such Series are Participating Bonds. If the Bonds of such Series are Participating Bonds, the Supplemental Indenture shall require a deposit of the amount, if any, necessary to increase the amount on deposit in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Participating Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Subject to the provisions of the Indenture, in the event a Supplemental Indenture providing for the issuance of such Series shall require either (i) the establishment of a Bond Series Reserve Fund to provide additional security for such Series of Bonds, or (ii) that the balance on deposit in an existing Bond Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Series Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, then the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. The deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the City or from both such sources or may be made in the form of a Reserve Facility.

(c) The aggregate principal amount of Bonds issued shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(d) The City shall deliver to the Trustee a Certificate of the City, which Certificate shall also set forth the computations upon which such Certificate is based, certifying either of the following:

(1) The System Net Revenues for either the most recent Fiscal Year for which audited financial statements are available or for any other period of twelve (12) consecutive months (selected by the City) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to the Coverage Requirement for the most recently completed Fiscal Year, including in the calculation of the Coverage Requirement for this purpose the Average Annual Debt Service for the additional Series of Bonds to be issued. For the purpose of providing such Certificate, the City may adjust the System Net Revenues for such Fiscal Year or twelve (12) month period, as the case may be, to reflect:

(A) an allowance for System Net Revenues that would have been derived from each new connection to the Wastewater System that was made prior to the issuance of such additional Series of Bonds but which was not in existence, during all or any part of such Fiscal Year or twelve (12) month period under consideration, in an amount equal to 90% of the estimated additional System Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) month period, and

(B) an allowance for System Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which became effective prior to the issuance of such additional Series of Bonds but which was not in effect, during all or any part of such Fiscal Year or twelve (12) month period, in an amount equal to the estimated additional System Net Revenues that would have been derived from

such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) month period; or

(2) The estimated System Net Revenues for each of the five Fiscal Years next following the earlier of (i) the end of the period during which interest on the additional Series of Bonds is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the additional Series of Bonds is to be issued, or (ii) the date on which substantially all projects financed with the proceeds of any Bonds, including the additional Series of Bonds to be issued, are expected to commence operations will be at least equal to the Coverage Requirement for each such Fiscal Year. For the purpose of providing such Certificate, the City may adjust the System Net Revenues to reflect:

(A) an allowance for System Net Revenues that are estimated to be derived from any increase in the rates, fees and charges for Wastewater Service which have been adopted by the City and which will be in effect during all or any portion of the period for which such estimates are provided; and

(B) an allowance for System Net Revenues that are estimated to be derived from new customers of the Wastewater System anticipated to be served by any additions or improvements to or extensions of the Wastewater System reasonably expected to become available during all or any portion of the period for which such estimates are provided in an amount equal to 90% of the additional System Net Revenues that are estimated to be derived from such customers.

For purposes of any computation pursuant to (2), with respect to Maintenance and Operation Costs, the City shall use such assumptions (which shall be set forth in such Certificate) as the City believes to be reasonable, taking into account: (i) historical Maintenance and Operation Costs, (ii) Maintenance and Operation Costs associated with the additions or improvements to or replacements or extensions of the Wastewater System to be financed with the proceeds of such additional Series of Bonds and any other new additions or improvements to or extensions of the Wastewater System during any period for which estimates are provided and (iii) such other factors, including inflation and changing operations or policies of the City, as the City believes to be appropriate.

In calculating Debt Service for purposes of the Coverage Requirement, the City may exclude payments on Obligations to the extent such payments are paid or expected to be paid from amounts allocated on the books of the City to the City's storm drainage enterprise fund. The City may also make certain other assumptions and exclusions when calculating Debt Service for purposes of the Coverage Requirement. See APPENDIX C – "SUMMARY OF THE INDENTURE – Definitions."

In addition, Refunding Bonds may be issued without satisfaction of the tests set forth in subsection (d) above if Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds.

Parity Obligations. In addition to additional Bonds, the City may also issue or incur other obligations, including Interest Rate Swap Agreements (but excluding termination payments on Interest Rate Swap Agreements which shall be secured as Fee and Expense Obligations), secured by a pledge of and payable from the Trust Estate on a parity basis with the Bonds (including the Series 2013 Bonds and the Series 2019 Bonds), subject to the provisions of the Indenture, provided that certain conditions precedent to the issuance or incurrence of such Parity Obligations, as set forth in the Indenture, are satisfied.

Conditions precedent to the issuance or incurrence of Parity Obligations include, but are not limited to, the following:

(a) No Event of Default shall have occurred and then be continuing (or the issuance of such Parity Obligations will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the City to that effect; and

(b) The City shall deliver to the Trustee a Certificate of the City, which Certificate shall also set forth the computations upon which such Certificate is based, certifying one of the following:

(A) Such Parity Obligations are being issued or incurred for purposes of refunding and the City has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance or incurrence of such Parity Obligations is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance or incurrence of such Parity Obligations.

(B) The requirements set forth in the Indenture relating to the issuance of Additional Bonds shall have been satisfied with respect to such Parity Obligations; provided, however that if the Parity Obligation being issued or incurred consists of an Interest Rate Swap Agreement that relates to a Series of Bonds or Parity Obligations (excluding fees and expenses and termination payments on such Interest Rate Swap Agreement), the City shall be deemed to have complied with this requirement, with respect to such Interest Rate Swap Agreement to the extent that the Series of Bonds or Parity Obligations to which the Interest Rate Swap Agreement relates (x) satisfies this requirement after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into concurrently with, or subsequent to, the issuance of such Bonds or Parity Obligations), or (y) is expected to satisfy this requirement after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into in advance of the issuance of such Bonds or Parity Obligations); or

(C) Such Parity Obligations consist of Reimbursement Obligations relating to Bonds or Parity Obligations.

Subordinate Obligations. Except to the extent restricted by the Indenture, the City may issue or incur other obligations, including Interest Rate Swap Agreements (but excluding termination payments on the Interest Rate Swap Agreements which shall be secured as Fee and Expense Obligations) secured by a pledge of and payable from the Trust Estate on a basis junior and subordinate to the Series 2019 Bonds, any additional Bonds and Parity Obligations.

Fee and Expense Obligations. The City may also issue or incur obligations secured by a pledge of and payable from the Trust Estate on a basis junior and subordinate to the Subordinate Obligations. See APPENDIX C – “SUMMARY OF THE INDENTURE.”

Rate Stabilization Fund

Pursuant to the Indenture, the City has established and maintains on the City’s books a fund within the Wastewater Fund known as the “**Rate Stabilization Fund.**” As of the date of issuance of the Series 2019 Bonds, \$2.5 million is on deposit in the Rate Stabilization Fund. Upon compliance with the terms of the Indenture, from time to time thereafter the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City may reasonably determine, and the amount of available current System Revenues shall be reduced by the amount so allocated. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Wastewater Fund for inclusion in System Revenues for any Fiscal Year. Allocations to or from the Rate Stabilization for each Fiscal Year shall be made before the end of the ninth month after the close of each Fiscal Year. All interest or other earnings upon amounts allocated to the Rate Stabilization Fund may be allocated to the Wastewater Fund and accounted for as System Revenues.

Separate Utility Systems

The City may create, acquire, construct, finance, own, and operate one or more additional systems not constituting any part of the then-existing Wastewater System for wastewater service or other commodity or service, and the revenues of that separate utility system shall not be included in the System Revenues and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand such separate utility system. The System Net Revenues shall not be pledged by the City to the payment of any obligations of a separate utility system except in accordance with the other provisions of the Indenture.

DEBT SERVICE SCHEDULE

Debt Service with respect to the outstanding SRF Loans, the Series 2013 Bonds and the Series 2019 Bonds is set forth below. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations.”

Fiscal Year Ending June 30	SRF Loans ⁽¹⁾		Series 2013 Bonds		Series 2019 Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 765,738.81	\$ 52,082.50	\$ 630,000.00	\$ 1,327,031.26			\$ 2,774,852.57
2020	783,430.10	34,390.83	660,000.00	1,297,931.26		\$ 1,157,383.33	3,933,135.52
2021	715,457.77	16,287.97	690,000.00	1,264,181.26		1,298,000.00	3,983,927.00
2022			725,000.00	1,228,806.26	\$ 840,000.00	1,277,000.00	4,070,806.26
2023			765,000.00	1,191,556.26	880,000.00	1,234,000.00	4,070,556.26
2024			805,000.00	1,152,306.26	925,000.00	1,188,875.00	4,071,181.26
2025			845,000.00	1,111,056.26	975,000.00	1,141,375.00	4,072,431.26
2026			890,000.00	1,067,681.26	1,025,000.00	1,091,375.00	4,074,056.26
2027			935,000.00	1,022,056.26	1,080,000.00	1,038,750.00	4,075,806.26
2028			980,000.00	974,181.26	1,135,000.00	983,375.00	4,072,556.26
2029			1,030,000.00	923,931.26	1,190,000.00	925,250.00	4,069,181.26
2030			1,080,000.00	876,581.26	1,250,000.00	864,250.00	4,070,831.26
2031			1,125,000.00	832,481.26	1,315,000.00	800,125.00	4,072,606.26
2032			1,170,000.00	786,581.26	1,385,000.00	732,625.00	4,074,206.26
2033			1,215,000.00	738,121.88	1,455,000.00	661,625.00	4,069,746.88
2034			1,270,000.00	686,868.75	1,530,000.00	587,000.00	4,073,868.75
2035			1,325,000.00	632,518.75	1,610,000.00	508,500.00	4,076,018.75
2036			1,380,000.00	575,037.50	1,690,000.00	426,000.00	4,071,037.50
2037			1,440,000.00	515,112.50	1,775,000.00	339,375.00	4,069,487.50
2038			1,500,000.00	452,637.50	1,870,000.00	248,250.00	4,070,887.50
2039			1,565,000.00	387,506.25	1,965,000.00	152,375.00	4,069,881.25
2040			1,640,000.00	313,250.00	2,065,000.00	51,625.00	4,069,875.00
2041			1,725,000.00	229,125.00			1,954,125.00
2042			1,815,000.00	140,625.00			1,955,625.00
2043			1,905,000.00	47,625.00			1,952,625.00
Totals	\$ 2,264,626.68	\$ 102,761.30	\$ 29,110,000.00	\$ 19,774,790.77	\$ 25,960,000.00	\$ 16,707,133.33	\$ 93,919,312.08

⁽¹⁾ Represents 25% of total debt service, which is the portion of total debt service payable with respect to the SRF Loans that the City expects to pay from System Net Revenues. However, as described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations,” 100% of debt service with respect to the SRF Loans may be payable from System Net Revenues. See also “THE WASTEWATER SYSTEM – Interrelationship of Wastewater System and Stormwater Drainage System.”

THE WASTEWATER SYSTEM

General

The City is located at the confluence of the Sacramento and American Rivers in the northern part of the Central Valley and is approximately 75 air miles northeast of San Francisco. Settled in the late 1830s and incorporated in 1849, the City became the location of the capital of the State in 1854. Today, State government employees and government-related activities contribute substantially to the City's economy.

The City operates under a charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Clerk, the City Auditor and the City Treasurer to carry out its adopted policies. The Mayor is chairperson of the City Council and is elected in at-large City elections. Members of the City Council serve four-year terms and are elected from eight geographic council districts.

As of January 1, 2019, the City had an estimated population over 500,000.

Service Area

The Wastewater System began providing service in the City in 1854 and now provides wastewater collection and conveyance services to approximately 77,500 residences and businesses in the City. The balance of the residences and businesses (primarily in the northwest and southeast sections of the City) receive wastewater collection and conveyance services from SASD.

Management

The Wastewater System is administered by the City Department of Utilities (the "**Department**"), which also administers the City's water treatment and distribution system (the "**Water System**") and storm drainage collection and conveyance through the Stormwater Drainage System. The Wastewater System and the Water System are financially independent from each other. Following are biographies of key management personnel:

Bill Busath, Director – Mr. Busath has over 22 years of experience in the design, construction, operation, and management of water, drainage, and wastewater systems with the Department. He has held several positions in the Department, including managing the City's stormwater-management and floodplain-management programs; and serving as the Engineering Services Division Manager. Mr. Busath has been the Director of the City of Sacramento Department of Utilities for over four years. He holds a Bachelor of Science in Civil Engineering and a Master of Science in Engineering Management from California State University, Sacramento, and has been a licensed Professional Engineer for 24 years.

Dan Sherry, Engineering Services Division Manager – Mr. Sherry has over 25 years of experience in the design, construction, operations, and management of the water, drainage, and wastewater systems with the Department. He has held several positions in the Department, including managing the City's Capital Improvement Program. Mr. Sherry has been the Manager of the Engineering Services for four years. He holds a Bachelor of Science in Civil Engineering from California State University Sacramento, holds a State of California Treatment Certification III from the California Division of Drinking Water of the State Water Resources Control Board and has been a licensed Professional Engineer for 24 years.

Gary DeJesus Wastewater and Drainage Division Manager – Mr. DeJesus has over 23 years of experience in water utility management in Northern California, this includes sustainable operation and maintenance of wastewater, storm water and drinking water systems. Mr. DeJesus holds a Bachelor of Science degree in Agriculture Business Management from California Polytechnic State University in San Luis Obispo, and State of California operator certificates in wastewater treatment, drinking water treatment and drinking water distribution from the State Water Resources Control Board.

Chuong (Ryan) Pham, Business Services Division Manager - Mr. Pham has over 22 years of experience in state and local government with 13 years of leadership capacity. He has held several positions in the City of Sacramento before his position as a Revenue Officer of the City of Stockton. Before his current role as the Business Services Division Manager, Mr. Pham served as the Billing Services Manager. He holds a Bachelor of Science degree in Business Administration from California State University Sacramento, a Master’s Degree in Organization Development from University of Phoenix, and has been an affiliate member of the International City/County Management Association (ICMA).

Employees

During Fiscal Year 2018-19, the City has assigned 561.9 employees to the Department, many of whom perform work for more than one of the Department’s utilities. Employee costs of the Department are allocated by the City among the various utilities. For Fiscal Year 2018-19, the Wastewater System was allocated approximately 14% of Department employee costs. Employees assigned to the Department are represented by the following Bargaining Units with the following Memorandum of Understanding expiration:

Bargaining Unit	Number of Employees	Expiration
Western Council of Engineers (WCE)	22	June 21, 2019
UA Local 447 Plumbers & Pipefitters Local Union	175	June 21, 2019
Stationary Engineers Local 39	202	June 21, 2019
Sac Sierra Building and Construction Trades, rep unit 6	61	June 21, 2019
Sacramento City Exempt Employees Association (SCXEA)	100	June 19, 2020
Non-Represented	1.9	

Wastewater System Facilities

Other than the main trunklines (which are operated and maintained by SRCSD, as described below), wastewater collection within the City boundaries is provided by both the City and SASD. SASD maintains approximately 40 percent of the public collection system within the City limits, primarily in the northwest and southeast sections. The Wastewater System comprises the remaining portion of the public collection system, which includes a combined sewer system (“CSS”) receiving wastewater and stormwater in the same pipe network in the older central City area serving an area of approximately 7,545 acres with approximately 257 miles of 4- to 120-inch-diameter pipes. In addition to the wastewater and stormwater flows from those 7,545 acres, the CSS also receives wastewater flows from approximately 3,700 acres encompassing the eastern section of downtown, the River Park area, the California State University, and the most easterly areas of the City. The separated sewer system (“SSS”) is located primarily in the northeast, east, and southwest sections of the City, serving an area of about 20,750 acres with approximately 570 miles of 4- to 45-inch-diameter pipes. The Wastewater System also includes two wet-weather detention and primary treatment facilities—the Combined Wastewater Treatment Plant (“CWTP”) and the Pioneer Reservoir—as well as major pumping facilities.

Combined Sewer System. The older, central areas of the City are served by a collection system, parts of which were built well over 100 years ago, that combines sewage with stormwater flows into a single network of pipes, the CSS. The City stopped expanding the CSS service area in 1946.

The CSS collects and conveys combined wastewater and stormwater to two primary pump station facilities: Pump Station 1/1A and Pump Station 2/2A. Pump Stations 1, 1A, and 2 are owned and operated by the City, while Pump Station 2A is owned by SRCSD and operated by the City. SRCSD reimburses the City for certain costs the City incurs to operate and maintain Pump Station 2A. Pump Stations 1/1A and 2 are not normally used during the summer (during dry weather periods) and are only operated as needed during wet weather or large storm events. Pump Station 2/2A is the primary pump station facility for the CSS, and Sump 2A is operated continuously throughout the year.

Pursuant to operational arrangements between the City and SRCSD, as described below, SRCSD is contracted to accept up to 60 million gallons per day (“MGD”) of wastewater and storm water runoff from the CSS. Flows from the CSS are managed by the operations at Sump 2/2A, which is operated by the City. Flows in excess of 60 MGD are automatically routed through the Pioneer Interceptor to the Pioneer Reservoir, which has 23 million gallons of storage capacity in the reservoir with 5 million gallons of storage capacity in the Pioneer Interceptor. After available storage in the Pioneer Interceptor and the Pioneer Reservoir is exhausted, flows are routed to the CWTP, which has additional storage capacity of 9.2 million gallons (including the CWTP interceptor). The City uses these facilities to store CSS flows when they exceed the 60 MGD discharge limit to the SRCSD treatment plant (“**SRCS D Treatment Plant**”). Stored wastewater is eventually discharged to the SRCSD Treatment Plant.

During large storm events when available storage capacity has been exhausted, the City may discharge primary treated and disinfected flows from the CWTP and/or Pioneer Reservoir to the Sacramento River within the Sacramento-San Joaquin River Basins watershed. The City has six permitted CSS discharge points, each of which discharge directly to the Sacramento River. Pioneer Reservoir provides primary treatment and disinfection for up to 250 MGD. CWTP provides primary treatment and disinfection for an additional 130 MGD (described below). Treated wastewater is dechlorinated before being discharged to the Sacramento River. See “Regulatory Compliance” for a description of federal and state regulation of the operations of the CSS.

Combined Wastewater Treatment Plant. The CWTP was constructed in 1954 as a wastewater treatment plant and was converted to a wet-weather facility upon construction of the SRCSD Treatment Plant. The City only uses the CWTP during wet-weather events, when flows from the CSS exceed the 60 MGD that can be discharged to and treated by the SRCSD Treatment Plant. The CWTP provides primary treatment (i.e., a mechanical settling process that removes oil and roughly 50 percent of the settleable solids) and disinfection for up to 130 MGD of combined wastewater from the CSS prior to discharge to the river. The CWTP is also used for temporary storage of combined wastewater flows to reduce overflows to the Sacramento River as described above.

Pioneer Reservoir. The Wastewater System also includes the Pioneer Reservoir constructed in 1978 to provide 23 million gallons of temporary storage to reduce overflows to the Sacramento River from the CSS. The Pioneer Reservoir provides primary treatment and disinfection of combined wastewater flows prior to discharge to the river. The Pioneer Reservoir is a pile-supported, covered, reinforced-concrete structure that encompasses an area of approximately 3.5 acres.

Separated Sewer System. In addition to the City’s CSS, the City’s SSS conveys wastewater into major trunk sewer lines owned and operated by SRCSD, which then conveys the wastewater to the SRCSD Treatment Plant for treatment and disposal. In general, the City maintains the separated sewer pump stations and the collection system within the SSS. All wastewater originating from the City and conveyed through either the SSS or the SASD system is delivered to the SRCSD Treatment Plant.

See “Regulatory Compliance” for a description of federal and state regulation of the operations of the SSS.

Pumping Facilities. The City service area is divided into 51 sewer basins, of which 40 sewer basins are pumped through 40 individual sewer pump stations. The remaining 11 sewer basins gravity flow directly or indirectly into SRCSD interceptor pipes. Thirty of the sewer pump stations were constructed in the 1950’s, 1960’s and 1970’s; most of these pumps have been rehabilitated or upsized during the past 10 years. The remaining 10 sewer pump stations were constructed between 1985 and 2004 with only one pump station rehabilitated in 1999. Many of the pump stations discharge into downstream gravity sewers, that, in turn, convey the wastewater to pump stations further downstream.

Pipes and Other Facilities. Pipe materials include vitrified clay, reinforced concrete (mostly greater than 24 inches in diameter) and plastic (PVC). The pipes range in age up to more than 100 years old; approximately 43% of the pipes that service the Wastewater System only are more than 70 years old. More

than 70% of the pipes that serve CSS are more than 70 years old. Approximately 2.6 miles of pipeline are rehabilitated or replaced annually.

There are an estimated 1,300 miles of sewer service laterals in the Wastewater System. These are small pipes (typically 4 inches in diameter) that connect homes and businesses to the collection system sewer mains. The maintenance and repair of these pipes are the responsibility of the homes and businesses that receive service through the pipes.

Wastewater Treatment

As described herein, except for some flows from the CSS during significant wet weather events (such events typically occur five or six times per year), the City receives wastewater treatment and disposal services from SRCSD under the Master Interagency Agreement. SRCSD provides services to the Wastewater System primarily through the SRCSD Treatment Plant, which provides secondary treatment before discharge to the Sacramento River.

The SRCSD establishes charges to be imposed on customers of the Wastewater System for the services provided by SRCSD. The City includes these charges as a separate line item on the bills of customers of the Wastewater System. Under the Master Interagency Agreement, however, the Wastewater System is responsible for any nonpayment of SRCSD charges by Wastewater System customers. See “Collection Procedures.”

The charges set by SRCSD take into account all of SRCSD’s costs in providing its services, including operating costs, capital costs, and debt service on SRCSD’s bonds. In order to finance and refinance certain capital improvements of SRCSD, from time to time the Sacramento Regional County Sanitation District’s Financing Authority has issued revenue bonds, of which approximately \$1.8 billion were outstanding as of June 30, 2018 (the “**SRCSD Bonds**”).

The SRCSD Treatment Plant is subject to a National Pollution Discharge Elimination System (“**NPDES**”) permit, which SRCSD is responsible for complying with. NPDES permits generally have five-year terms. On December 9, 2010, the Central Valley Regional Water Quality Control Board (the “**Regional Board**”) issued a new permit with respect to the SRCSD’s Treatment Plant (the “**SRCSD Treatment Plant Permit**”). The SRCSD Treatment Plant Permit significantly increases treatment requirements for wastewater discharged from the SRCSD Treatment Plant, requiring SRCSD to design and install major new treatment systems by 2023. On April 21, 2016, the Regional Board issued a new discharge permit for the SRCSD Treatment Plant that largely continued the requirements from the 2010 SRCSD Treatment Plant Permit. SRCSD has moved forward with and is now in the process of constructing significant new treatment processes to remove ammonia and nitrates and add filtration and enhanced disinfection to inactivate pathogens. SRCSD secured \$1.6 billion in low-interest financing from California’s Clean Water State Revolving Fund (“**SRF**”) to fund the new treatment systems. SRCSD’s monthly rate (for a single-family residential unit) is currently scheduled to increase from the current rate of \$37 per month to \$39 per month on July 1, 2021.

The current term of the Master Interagency Agreement expires on June 30, 2024, which is before the final maturity of the Series 2019 Bonds. If the Master Interagency Agreement is not renewed before it expires, then the City would have to make other arrangements for the treatment of wastewater it collects. While there can be no assurances that the Master Interagency Agreement will be renewed, the City has already discussed renewing the Master Interagency Agreement with SRCSD and fully expects that the regional wastewater-treatment system operated by SRCSD will continue to be the most economically practical means of wastewater treatment and disposal for the Contributing Agencies throughout the term of the Series 2019 Bonds and that renewal of the Master Interagency Agreement beyond the term of the Series 2019 Bonds will occur. However, if the Master Interagency Agreement is not renewed, there can be no assurances that any alternate arrangements entered into by the City for wastewater treatment and disposal would not result in significantly higher Maintenance and Operation Costs of the Wastewater System.

Interrelationship Between the Wastewater System and Stormwater Drainage System

As described above under “Wastewater System Facilities,” the CSS consists of pipes and facilities (including the CWTP and the Pioneer Reservoir) that collect, transport, store, and treat both wastewater and stormwater, with the result that the Wastewater System and Stormwater Drainage System jointly use the pipes and facilities within the CSS. Historically, funding of improvements has been allocated between the Stormwater Drainage System and the Wastewater System. Examples of this are the SRF Loans, with respect to which the City pays approximately 75% of the debt service from Stormwater Drainage System revenues and approximately 25% of the debt service from System Net Revenues. Stormwater Drainage System revenues generally consist of voter-approved charges collected by the City from property owners.

As described under “ – Capital Improvement Program,” the City intends to implement significant improvements over the next 30 years to the CSS. Among other things, such improvements are intended to provide for continuing compliance by the CSS with regulatory requirements. The Series 2019 Project and other improvements to the CSS through Fiscal Year 2019-20 relate primarily to the wastewater collection, transportation, and treatment function of the CSS and are being funded from the proceeds of Bonds and amounts available from the Wastewater System. The City has not determined the respective portions of the costs of improvements in the period after Fiscal Year 2019-20 that will be paid from Stormwater Drainage System revenues and from available funds of the Wastewater System.

Although the City believes that Stormwater Drainage System revenues expected to be generated from charges which have been previously approved by City Council will be sufficient to fund ongoing operation and maintenance costs of the Stormwater Drainage System and have the capacity to pay 75% of debt service with respect to the existing SRF Loans, in order to fund a significant portion of the costs of the future capital improvements in the period after Fiscal Year 2019-20 future voter approval of increases to Stormwater Drainage System charges will be required. On a preliminary basis, the City currently projects that such voter approval would be required at some point in the next two to five years. There can be no assurances that voters will approve such increases.

If the voters do not approve increases to Stormwater Drainage System charges in the future, the City will nonetheless be required to implement the improvements to the CSS for the Wastewater System to continue to operate efficiently in accordance with current and expected future regulatory requirements. In such circumstances, up to 100% of the costs of such improvements could be funded from the issuance of additional Bonds or Parity Obligations payable from System Net Revenues on parity with the Series 2019 Bonds and Series 2013 Bonds or from System Net Revenues remaining after the payment of debt service on Bonds and Parity Obligations. See “- Capital Improvement Program.”

In addition, the City anticipates that revenues of the Stormwater Drainage System will also be used to pay a portion of increases in operation and maintenance costs in the future for facilities utilized by both the Wastewater System and the Stormwater Drainage System. If Stormwater Drainage System revenues are not available for that purpose for any reason, then amounts payable from System Revenues (as Maintenance and Operation Costs) for such purpose may increase significantly.

Regulatory Compliance

Generally. The Regional Board regulates water quality in the Central Valley under the authority of the Federal Clean Water Act (the “CWA”) and the State’s Porter-Cologne Water Quality Control Act. The Regional Board is the enforcement arm of the State and federal water-pollution-control programs in the Central Valley. Regulations with respect to sanitary sewer systems pertain to the prohibition against overflows or bypasses of untreated wastewater. Except as provided in the permits, such overflows and bypasses that reach the surface waters of the United States are violations of the CWA and subject to fines by the State Water Resources Control Board (the “SWRCB”) and the Regional Board, which have the authority to enforce the CWA in the State.

SSS. The primary permit with respect to the SSS is the Waste Discharge Requirements permit issued by the SWRCB (the “**WDR Permit**”). The goal of the WDR Permit is to minimize Sanitary Sewer Overflows (“**SSOs**”) from the SSS. (An SSO occurs when wastewater comes out of the SSS, including when it enters a street, residence, business, or yard. This is usually caused by pipe blockage, failure, or lack of capacity). The WDR Permit regulates the operation of the SSS and prohibits any SSO that results in a discharge to waters of the United States or any SSO that results in a nuisance under State law. The WDR has no stated expiration or renewal dates. The WDR Permit generally requires that the SSS be operated in accordance with Statewide General Waste Discharge Requirements for Sanitary Sewer Systems issued by the SWRCB in 2006 and amended in 2013 (the “**Order**”). Although the Regional Board could issue an individual NPDES permit for the SSS (which might contain different or more stringent requirement than the Order), there has not been any action to do so by the Regional Board.

The City believes it is in material compliance with the requirements of the WDR Permit.

The CSS Permit. The primary permit with respect to the CSS (including the CWTP and the Pioneer Reservoir) is a NPDES permit issued by the Regional Board (the “**CSS Permit**”). The goals of the CSS Permit are to reduce Combined Sewer Overflows (“**CSOs**”) from the CSS into the Sacramento River and to reduce flooding and outflows within the area of the City served by the CSS. The CSS Permit requires a Long Term Control Plan (“**LTCP**”) that drives the capital program. The implementation of the LTCP fulfills the requirement mandating the City to obtain protection from a 5-year and 10-year storm event throughout the CSS with a final goal of minimizing street flooding during a 10-year storm event and to prevent structural flooding during a 100-year storm event. The LTCP specifies an implementation schedule, which states that the City will implement the top 20% of identified projects by 2026 to reduce and prevent CSOs and CSS outflows and flooding. The projects have a net present value for project and program cost of \$77.5 million. As described above, a portion of the required spending has been funded from revenues of the Stormwater Drainage System in the past and is expected to continue to be funded in the future, to the extent revenues of the Stormwater Drainage System are available for such purpose. See “Interrelationship between the Wastewater System and the Stormwater Drainage System.”

The current CSS Permit was adopted on April 12, 2015, and expires on May 31, 2020. (As previously noted, NPDES permits, such as the CSS Permit, generally have five-year terms.) In connection with the renewal of the CSS Permit, the City is required to submit an application for issuance of new Waste Discharge Requirements, by December 3, 2019 (180 days prior to expiration of the current NPDES Permit). The City does not currently expect that significant additional operational requirements or limitations will be imposed in connection with the renewal of the CSS permit. However, in connection with the 2020 renewal or any future renewal, the Regional Board could require the City to implement substantial capital improvements or operational modifications that could substantially increase the Maintenance and Operations Costs of the Wastewater System or require the issuance of additional Bonds or Parity Obligations to fund the costs thereof.

The most likely challenge the City faces with respect to the renewal of the CSS Permit relates to implementation of the existing LTCP. The Regional Board could require the City to make faster progress in meeting the LTCP goals to minimize outflows within the collection system and reduce overflows to the Sacramento River. This may require an increase in capital expenditures; however, the City could successfully negotiate a delay in implementing these requirements until funding could be increased. In addition, should the City demonstrate secure funding for the existing LTCP improvements, the Regional Board would likely be satisfied with the current level of capital expenditure.

The City completed an updated Water Quality Assessment (“**WQA**”) in June 2013 to evaluate whether implementation of our LTCP under the U.S. EPA CSO Control Policy presumption approach ensures continued compliance with applicable water quality standards and is adequately protective of beneficial uses. The 2013 WQA concluded that the infrequent and short duration of CSS overflow discharges and pollutant loadings do not impact applicable receiving water beneficial uses. As a part of the 2015 NPDES Permit reissuance, the Regional Board performed a reasonable potential analysis to verify that the CSS overflow discharges do not affect receiving water quality or impact applicable beneficial uses. This analysis concluded

that there was no reasonable potential for the CSS overflow discharges to exceed applicable water quality standards.

The CSS Permit requires the City to comply with the Delta Methylmercury Total Maximum Daily Load (Resolution No. R5-2010-0043) by 2030. The City submitted a Methylmercury Control Study in October 2018, which shows that current operation will comply with the methylmercury waste load allocation. However, the Regional Board may revise the permit to address changes in the Delta Mercury Control Program that would require CSS improvements or change in operations to further reduce methylmercury discharges.

See “CERTAIN RISK FACTORS – Statutory and Regulatory Impact.”

Violations. According to the California Integrated Water Quality System (“CIWQS”), since November 2013, the CSS received nine (9) effluent violations, five (5) surface water violations, one (1) deficient monitoring violation and two (2) late report violations. During the past five years, the City received one (1) Mandatory Minimum Penalty (“MMP”) violation on October 15, 2015 for effluent violations that occurred between May 1, 2013, and June 30, 2015, for exceedances of pH levels. According to CIWQS, since November 2013, the separated sewer collection system received one (1) sanitary sewer overflow (“SSO”) violation.

Storms and Flooding. The CWA also makes municipalities responsible for regulating and managing the quality of stormwater runoff throughout their jurisdictions. A separate municipal stormwater permit is enforced by the Regional Board. The Wastewater System and the Stormwater Drainage System jointly use pipes and facilities within the CSS. See “- Interrelationship between the Wastewater System and the Stormwater Drainage System.”

There also can be no assurances that a significant flooding event would not materially adversely affect the operations of the Wastewater System. See “- Floods” and “CERTAIN RISK FACTORS - Earthquake, Flood or Other Natural Disasters.”

Future Regulatory Requirements. The City believes that the Wastewater System complies with current operations and reporting requirements of local, State, and federal regulators. However, regulations may change, and compliance with future requirements could substantially increase the costs of operating and maintaining the Wastewater System. See “CERTAIN RISK FACTORS – Statutory and Regulatory Impact.”

Customers

The following table shows the number of connections of the Wastewater System by user type. Non-residential accounts typically represent approximately 20% of System Revenues.

**Table 1
City of Sacramento
Wastewater System
Number of Connections by User Type
as of June 30**

User Type	2014	2015	2016	2017	2018
Residential	71,993	72,062	72,169	72,446	72,809
Commercial/Industrial	4,664	4,681	4,680	4,691	4,712
Total All Users	76,657	76,743	76,849	77,137	77,521

Source: The City.

The following table shows the 10 largest users of the Wastewater System based on service charge revenues for fiscal year 2017-18.

Table 2
City of Sacramento
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2017-18

<u>User</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total System Revenue⁽¹⁾</u>
State of California	\$596,771	1.63%
City of Sacramento	415,239	1.13
Sacramento City Unified School District	380,170	1.04
Sacramento Housing and Redevelopment Agency	320,549	0.87
County of Sacramento	194,302	0.53
7 Up Bottling Company	179,453	0.49
Regents of University of California	173,226	0.47
KW Sacramento LLC*	106,432	0.29
U.C. Davis	99,515	0.27
Los Rios Community College District	95,344	0.26
Total	\$2,561,002	6.97%

⁽¹⁾ Based on total user fee revenue of \$36.7 million in Fiscal Year 2017-18.

* KW Sacramento LLC is a real estate franchise known as Keller Williams.

Source: The City.

Rates and Charges

Subject to the requirements of Proposition 218, the City has the power to establish rates and charges for services provided through the Wastewater System. (Charges for services provided by SRCSD are established by SRCSD, which also must comply with Proposition 218.) The rates and charges are recommended by the Utility Rate Advisory Commission, a non-binding advisory commission established by the City Council and are not subject to approval by any agency other than the City Council. The following table shows the percentage amount of rate increases adopted by the City since Fiscal Year 2010-11.

Table 3
City of Sacramento
Wastewater System
Adopted Rate Increases

<u>Fiscal Year</u>	<u>Rate Increase % ⁽¹⁾</u>
2010-11	5
2011-12	0
2012-13	16
2013-14	15
2014-15	14
2015-16	0
2016-17	9
2017-18	9
2018-19	9
2019-20	9

⁽¹⁾ Does not include charges for services provided by SRCSD.

Wastewater rate adjustments are approved through Fiscal Year 2019-20 and there are no approved rate increases beyond that year at this time. In the future, if there is a need for a rate increase, the Department currently expects that it would contract with a consulting firm to analyze future revenue requirements needed to fund infrastructure projects that maintain system reliability and sustainability, move toward meeting industry best practices for infrastructure replacement and maintenance, and maintain compliance with federal, State, and local regulatory mandates. The City has a utility rate assistance program to assist income-eligible City residents with their utility bills by offsetting recent utility rate adjustments. In Fiscal Year 2018-19, there are approximately 7,750 participants in the program, which is funded by contributions from the City's General Fund, and not from Wastewater System revenues. The General Fund contribution is estimated to be approximately \$398,000 in Fiscal Year 2018-19.

The following table shows selected monthly rates for services. (The following rates do not include SRCSD charges.)

**Table 4
City of Sacramento
Wastewater System
Selected Monthly Rates**

	<u>Rates Effective⁽¹⁾:</u>		
	July 1, 2017	July 1, 2018	July 1, 2019
<i>Flat Wastewater Rates (\$/month)</i>			
<i>Single Family Residential:</i>			
1-3 rooms	17.45	19.02	20.74
4-5 rooms	22.12	24.11	26.28
6-7 rooms	26.64	29.03	31.65
8-9 rooms	30.77	33.54	36.56
10-15 rooms	35.31	38.49	41.95
Over 15, each additional room	2.41	2.63	2.87
<i>Metered Wastewater Use, Unit Rate</i>			
<i>Wastewater Rate</i>			
<i>(\$/100 Cu.Ft. of Monthly Metered Water Use)</i>	1.0902	1.1883	1.2953
<i>Service Charge (\$/month)</i>			
The minimum monthly charge, based on water meter size and monthly metered water use, is set forth above. The minimum charge is the Unit Rate times the maximum monthly metered water use set forth below for each water meter size. Each additional 100 cubic feet of monthly metered water use, or portion thereof, will be billed at the Unit Rate			
<i>Water Meter Size:</i>	<i>Monthly Metered Water Use</i>		
5/8"	0-1,200 cu.ft.	13.08	14.26
3/4"	0-1,700 cu.ft.	18.53	20.20
1"	0-2,100 cu.ft.	22.89	24.96
1 1/2"	0-3,700 cu.ft.	40.34	43.97
2"	0-6,200 cu.ft.	67.59	73.67
3"	0-12,500 cu.ft.	136.28	148.54
4"	0-21,800 cu.ft.	237.66	259.04
6"	0-50,000 cu.ft.	545.09	594.15
8"	0-106,200 cu.ft.	1,157.78	1,261.98
10"	0-168,700 cu.ft.	1,839.14	2,004.67
12"	0-262,500 cu.ft.	2,861.73	3,119.28

⁽¹⁾ On March 29, 2016, the City Council approved four-year rate increases for wastewater (9% per year), to take effect on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019 respectively.

Collection Procedures

The City bills the legal owners of parcels for wastewater service connections to the City’s Wastewater System. (As described herein, the City also bills for charges imposed by SRCSD. The City is responsible for payment to SRCSD of any charges not paid by City customers.) Billing for wastewater service (including SRCSD charges) is included on a monthly bill that may include other utility services provided by the City. Bills are generated within 16 billing cycles a month. Typically, one cycle is billed each business day. Bills are due 20 days from the bill-generation date in accordance with the City Code, and late-payment penalties are automatically assessed once an account becomes 15 days past due (i.e., 35 days after the bill date). A 10% late charge is added to each service charge on the account for a single bill’s current charges once it becomes 15 days past due. An additional 0.5% late penalty is added each month to the portion of the overall outstanding balance that is 45 days past due. A delinquency notice is generated to the legal owners once an account becomes 45 days past due. If the account is not paid current, a lien is then assessed against the parcel at 75 days past due (i.e., 95 days after the bill date).

Annually, legal owners of parcels with delinquent accounts that have a balance more than 75 days past due are noticed with a special-assessment levy. Legal owners are given the opportunity to protest the charges and have a hearing before an independent hearing officer. Unpaid delinquent amounts are placed on the County property-tax bills annually once approved by City Council in July.

In the past two years, an average of 10,945 liens have been recorded against properties having delinquent service charges each year, and an average of 3,722 properties have had levies placed on the property-tax bills. The number of liens and levies represent the properties that had at least one delinquent utility-service charge. Since 2010, an annual aggregate average of \$319,000 in late fees has been assessed on utility bills for past due wastewater service charges, and an annual aggregate average of \$757,000 in delinquent wastewater service charges have been placed on delinquent customers’ property-tax bills as a special-assessment levy.

The City believes that the use of liens to secure the payment of delinquent charges and late fees is an effective tool to ensure collection of delinquent accounts. If a property changes ownership and there is a lien on the property, the title companies issue a demand notice and payment is made to the utility. If a subject property is foreclosed and a trust deed is in place, the lien with respect to the utility bills is removed (without payment of the delinquent amounts). Accounts with these types of foreclosures as well as accounts that close with delinquent amounts less than 75 days past due are sent to a collection agency, which then pursues collection of the unpaid amount on the closed accounts.

The following table shows unpaid wastewater charges (including charges of SRCSD) the City was unable to collect through the lien and special-assessment procedure described above. When establishing rates each year, the City takes into account projected amounts of charges that it will be unable to collect. (SASD is responsible for the collection of the charges it imposes within the City.)

Table 5
Uncollected Wastewater System Charges
(Fiscal Year ending June 30)

	2014	2015	2016	2017	2018
City Wastewater Charges	\$ 104,354	\$ 66,916	\$ 66,586	\$ 61,745	\$ 37,841
SRCSD Charges	<u>167,153</u>	<u>97,782</u>	<u>104,527</u>	<u>105,596</u>	<u>68,337</u>
Total	\$ 271,507	\$ 164,698	\$ 171,113	\$ 167,341	\$ 106,178

Source: The City.

General Fund Tax on Wastewater System Revenues

In 1998, voters in the City approved Measure I, which provides for a general tax on the City's water, wastewater (previously known as sewer), storm-drainage, and solid-waste enterprises at the rate of 11% of the total gross revenues received from user fees and charges of all of the enterprises combined. Codified as section 41.10.150 (now codified as Section 3.20.010) of the Sacramento City Code, Measure I also provides that, in levying the tax, the City Council may impose a tax rate higher or lower than the 11% on one or more of the enterprises so long as the total tax paid by all of the enterprises does not exceed 11% of the total gross revenues received from user fees and charges of all of the enterprises combined.

The City currently imposes the tax at the rate of 11% of the collected utility-rate revenues of each of the enterprises, including the Wastewater System. In preparing the budget for the Wastewater System each year, the City takes into account the requirement that 11% of total gross revenues received from user fees and charges be paid as the tax and sets rates and charges accordingly. At the beginning of each Fiscal Year, the City estimates the total amount of the general tax that will be due, and by the first day of each month during the Fiscal Year, one-twelfth of that amount is recorded to the General Fund on the City's books from the receipts of the Wastewater System. At the end of each Fiscal Year, the City compares the total amount of monthly amounts allocated to 11% of the actual collected utility- rate revenues of the Wastewater System, and a reconciliation is made between the Wastewater Fund and the General Fund.

Under the Indenture, System Revenues do not include the portion of gross revenues of the Wastewater System from user fees and charges that are recorded to the City's General Fund as part of the voter-approved 11% general tax. Such amounts have not been included for purposes of the calculation of debt-service coverage in the Projected Operating Results in Table 8. See "Projected Financial Results."

Budgetary and Financial Procedures

The Wastewater Fund is an enterprise fund used to account for the activities associated with the collection and treatment of wastewater. It supports both the capital and the operating costs of providing wastewater services throughout the Wastewater System service area, including the costs of collection and treatment systems. Revenues are generated by service charges, interest earnings, and development fees. Generally, revenues are to be used to offset enterprise operations and improvements and may not exceed the estimated reasonable cost of providing these services, plus overhead.

The service charges and development fees are collected through various methods. Then, typically within one business day of receipt, they are deposited into the City's general bank account, which is used for the receipt of all of the City's cash (including cash from the City's other utilities, parking facilities and General Fund amounts). Each night, the amounts in this account are swept into the City's primary investment account, which is part of the City's Pool A (described below). The City then identifies the amounts within Pool A that consist of utility payments (includes payments from all of the City's utilities, including the Wastewater System) and records these amounts to a utility revolving fund in the City's books. Payments for each utility are then recorded to the appropriate enterprise fund in the City's books, which in the case of the Wastewater System is the Wastewater Fund.

The City maintains the following funds in connection with the Wastewater System:

Wastewater Fund. Revenue generated by the City for the purpose of providing wastewater service to its customers is deposited in the Wastewater Fund. Revenues are derived from customer charges, interest earnings, and development fees. Wastewater Fund revenues are structured to cover the costs of providing wastewater service to its customers, which include costs of plant maintenance, collection-system repair and maintenance, related engineering services, customer service and billing, and capital improvements.

Development Impact Fee Fund. Revenue generated by the City in relation to Wastewater System development impact fees are deposited in the Development Impact Fee Fund. Wastewater System development impact fees are one-time fees paid at the time of connection to the Wastewater System and

represent the estimated reasonable cost of providing system capacity to new development. Proposed Wastewater System development fees are based on the system buy-in methodology.

Grant Projects Fund. The Grant Projects Fund was established to account separately for Wastewater Fund restricted grants and other third-party reimbursements for multi-year programs.

Bond Fund. The Bond fund was established to account separately for Wastewater Revenue Bond expenditures.

Investment of Funds

Funds of the Wastewater System are invested in the City's Investment Pool A ("**Pool A**"). Pool A contains approximately 99% of the City's cash and investments and is governed by the investment policy of the City Treasurer (the "**Investment Policy**"), which is annually presented to the City Council for approval. This policy requires the City Treasurer to conform to Government Code section 53600 and following, with the primary objectives, in order of priority, of safety, liquidity, and yield. Quarterly, the City's investment committee consisting of representatives of the various entities that are investors in Pool A (including the City, Sacramento City Employees' Retirement System, Sacramento Housing and Redevelopment Agency, Capital Area Development Authority, American River Flood Control District, The Natomas Basin Conservancy, Sacramento Public Library Authority, and several endowment funds) (the "**Investment Committee**") convenes to audit and review the investments to confirm that they are in compliance with the Government Code and the Investment Policy. The Investment Committee also reviews the investment strategy and guidelines in relation to the changing financial markets. Each month the City Treasurer submits an investment-activity report for review by the City Council.

Wastewater System funds in Pool A are available to the City (including the General Fund) for cash-flow purposes during each Fiscal Year. Any amounts used by such purpose must be repaid before June 30 of the Fiscal Year in which they are borrowed. While the City utilized Wastewater System funds and other enterprise funds for cash-flow purposes from time to time in the past (and may do so in the future), the City also has utilized tax revenue anticipation notes for cash-flow purposes from time to time but has not done so since July 18, 2013.

See "CERTAIN RISK FACTORS- Effect of Losses in City Investment Pool."

Capital Improvement Program

The City's capital-improvement program is a comprehensive five-year plan for capital-project expenditures for the entire City, including the Wastewater System. The capital-improvement program is a guide for identifying current and future infrastructure requirements and becomes the basis for determining annual capital-budget expenditures. Capital improvements are major projects undertaken by the City that are generally not recurring and are for repairs, maintenance, improvement, or acquisition with a total cost of at least \$20,000.

Wastewater CIP. The focus of the Wastewater System Capital Improvement Program (the "**Wastewater CIP**") over the next five years will be on rehabilitating or replacing aging infrastructure, primarily pipes and sump stations, and complying with regulatory mandates. See "THE SERIES 2019 PROJECT."

The following table sets forth capital-improvement costs currently identified in the Wastewater CIP from Fiscal Year 2018-19 through Fiscal Year 2022-23, as well as expected sources of funding. (The table includes the Series 2019 Project.) As described below, the City is likely to undertake additional capital improvement projects in the period through Fiscal Year 2022-23. However, such projects have not been identified with sufficient specificity to identify projected costs or funding sources as of the date of issuance of the Series 2019 Bonds. If the City identifies and elects to proceed with additional capital improvement projects, it will identify funding sources at that time, which may include use of then-existing fund balance, or

then-current available revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations.”

Table 6
City of Sacramento
Projected Wastewater CIP and Sources of Funding
(Dollars in Millions)

Fiscal Year Ending June 30	Bond Proceeds	Current Revenues	Capital Improvement Cost
2019	\$ 32.0	\$ 9.7	\$ 41.7
2020	0	0.3	0.3
2021	0	10.0	10.0
2022	0	5.0	5.0
2023	0	2.0	2.0
Total	\$ 32.0	\$ 27.0	\$ 59.0

Total may not add due to rounding.
Source: The City

Future Capital Improvements. As mentioned above, the City’s capital-improvement program includes a comprehensive five-year plan for identifying current fiscal requirements. Additionally, the program includes a long-term 30-year capital-investment plan that serves as a planning tool and guide for longer-term projects and programs to ensure that they are consistent and incrementally keeping pace with the need to invest in the City’s critical and aging infrastructure. The goals of the 30-year plan are to fully comply with regulatory, legislative, and other requirements.

The City will continue to face future fiscal challenges in using an aged Wastewater System infrastructure, some components of which are nearing or exceeding their remaining service lives, to provide the level of service customers expect. As a result, after 2020, the City will need to continue its ongoing effort to implement the long-term plan to address the above-mentioned goals beyond the current four-year plan. The City’s estimated capital replacement plan over the next 25 years is approximately \$800 million in 2018 dollars (estimated \$1.1 billion inclusive of increases in construction costs). The capital projects are prioritized based on meeting regulatory requirements, replacing failed infrastructure and then replacing pipe infrastructure to meet the utilities industry “best practice” of 100-year replacement cycle. As a result, although the City is not currently considering specific rate increases or debt issuances, in the future the City will revisit the need for rate increases to the Wastewater System, in conjunction with potential issuances of debt to meet capital improvement requirements. Projects that are not a regulatory requirement or considered failed could be deferred if funding is not available. The City also expects that significant capital improvements will be required with respect to the Stormwater Drainage System. As described herein under “Interrelationship Between Wastewater System and Stormwater Drainage System,” certain capital improvements within the CSS which the City expects to fund partially from revenues of the Stormwater Drainage System may ultimately be funded from Wastewater System Revenues.

In addition to the planning efforts described above, the City continues master planning for separated sewer basins. The master planning efforts considers the projected impact of potential future growth in the City over the next 30 years. If there is significant growth, improvements and expansions to the Wastewater System may be required and could be substantial depending on the level of growth expected at the time. The City’s policy is that new development would bear the cost of these growth-related expansions or improvements; therefore, the costs of these expansions or improvements are not included in the Projected Operating Results or the planned capital-improvement costs described above.

Retirement Programs

Salaries and benefits costs of the Wastewater System include funding of retirement benefits for employees assigned to the Wastewater System who, as City employees, participate in the California Public Employees Retirement System (“PERS”). City employees assigned to the Wastewater System constitute approximately 2% of all City employees. Retirement payments paid from Wastewater System revenues, with respect to employees assigned to the Wastewater System, were approximately \$769,000 in Fiscal Year 2015-16, approximately \$881,000 in Fiscal Year 2016-17, and approximately \$882,000 in Fiscal Year 2017-18. The City projects that the required contribution for Fiscal Year 2018–19 will be approximately \$1.1 million. Payments to PERS constitute Maintenance and Operation Costs of the Wastewater System.

For a variety of reasons, including investment losses, the City has experienced significant unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Wastewater System, have increased in recent years. As of June 30, 2017, the City’s “Miscellaneous Plan” with PERS (in which the City employees assigned to the Wastewater System participate) had an unfunded accrued liability (with respect to all participating City employees, including employees assigned to the General Fund, the Wastewater Fund, and other enterprise funds) of approximately \$340 million and a funded ratio of 72.7%.

PERS has taken a number of actions the last several years which are expected to increase the amount the City is required to contribute. On December 21, 2016, PERS Board lowered the discount rate from 7.5% to 7% by Fiscal Year 2019-20. Based on preliminary estimates provided by PERS, the City’s total annual pension contribution will increase from the \$106.4 million projected for Fiscal Year 2019-20 to almost \$149.4 million in Fiscal Year 2024-25.

As a result, required contributions from the City are expected to continue to increase. See APPENDIX A — “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2018 — Note 8 to the Basic Financial Statements” for a discussion of retirement liabilities payable by the City. The actual amount payable by the City to CalPERS will depend on a variety of factors including investment performance, and changes in actuarial assumptions and benefits.

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension benefits (“OPEB”) for such employees. The City’s OPEB related payments were approximately \$10.0 million in Fiscal Year 2016-17 and are projected to be approximately \$10.1 million in Fiscal Year 2017-18 and are projected to be approximately \$10.8 million in Fiscal year 2018-19. In Fiscal Year 2015-16, the City adopted the OPEB Funding Policy and began contributing to the California Employers Retiree Benefit Trust (CERBT) to prefund OPEB obligations. This policy directed staff to continue efforts to reduce and eventually eliminate this unfunded accrued liability for retiree benefits. See APPENDIX A — “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2018 — Note 9 to the Basic Financial Statements” for a discussion of OPEB liabilities payable by the City, as well as the City’s current unfunded OPEB liability.

Insurance

The City insures its assets (including assets of the Wastewater System) through the Alliant Property Insurance Program (“APIP”). APIP was formed in 1993 to meet the property insurance needs faced by public entities. APIP is a joint purchase program. The total insurable property values for the City are \$1,908,902,930 for Fiscal Year 2019. The property policy contains a \$100,000 deductible with coverage limits of \$1,000,000,000. Coverage limits are shared with other APIP members in different geographical areas to reduce the risk of one large property loss affecting a high percentage of members. Earthquake insurance is not purchased due to the high cost and limited coverage.

The City purchases excess insurance coverage for the following risks: general liability, automobile liability and workers’ compensation. All coverage is on an occurrence basis. Excess liability limits are \$35,000,000 with a self-insured retention of \$2,000,000 and a \$2,000,000 loss corridor deductible. The City is currently participating in the California State Association of Counties Excess Insurance Authority (CSAC

EIA) GL2 Program for the purchase of excess liability insurance. CSAC EIA provides comprehensive liability coverage to public agencies across the nation.

The City's excess workers' compensation limits are set at statutory coverage for Fiscal Year 2019 with a self-insured retention of \$2,000,000. Statutory coverage provides payment for claims up to the amount required by law, without limits. Excess workers' compensation insurance is purchased through CSAC EIA. The CSAC EIA program is the largest pool in the nation and provides services to a large number of counties and cities in California. The program has a \$5,000,000 pooled limit and statutory reinsurance coverage for each accident.

The City's insurance program is subject to modifications based on insurance market conditions, the availability of insurance to public entities and the cost effectiveness of certain levels of self-insured retentions.

Leasing of Certain Components of the Wastewater System

Since 1999, the City has from time to time financed capital improvements through the issuance of bonds ("**Master Lease Bonds**") by the Sacramento City Financing Authority ("**SCFA**") under a "**Master Lease Program**." There are currently approximately \$351 million of Master Lease Bonds outstanding. Under the Master Lease Program, the City has leased various City-owned properties (the "**Leased Property**") to SCFA. Examples of Leased Property include City Hall, the Granite Regional Park, various City fire stations, the Memorial Auditorium, and as described in the next paragraph, certain components of the Wastewater System. SCFA concurrently subleased the Leased Property back to the City under a lease agreement (the "**Master Lease**") in consideration for the payment of rent by the City in an amount equal to debt service on the Master Lease Bonds. SCFA then assigned to a trustee for the holders of the Master Lease Bonds (the "**Master Lease Trustee**") SCFA's rights under the Master Lease, including the right to receive City's lease payments.

In connection with the previous issuance of Master Lease Bonds for projects unrelated to the Wastewater System, the City added portions of the Wastewater System, consisting of Sump #2 and the Pioneer Reservoir, as part of the Leased Property. The final maturity of the Master Lease Bonds is currently December 1, 2036, but could be extended. While the Master Lease Bonds are outstanding, the components of the Wastewater System that constitute Leased Property cannot be released from the Master Lease until (a) the City either adds additional property satisfying the requirements of the Master Lease or determines that the Leased Property that remains after the release meets the requirements of the Master Lease, and (b) the City elects to effectuate the release. There can be no assurances that the Wastewater System components that constitute Leased Property will be released from the Master Lease before the final maturity of the Series 2019 Bonds.

The Master Lease obligates the City to make lease payments from the City's General Fund. (The obligation of the City to make lease payments is subject to abatement to the extent the Lease Property is unavailable for beneficial use because of damage, destruction, or condemnation.) Where Master Lease Bonds were issued to finance improvements for one of the City's enterprises (such as water or solid waste), the City has generally paid the portion of Master Lease payments allocable to such bonds from the enterprise which benefitted.

Under the Master Lease, the Master Lease Trustee (as assignee of SCFA) has certain remedies if the City fails to pay the entire amount of rent due from time to time with respect to the Leased Property. These remedies include the right to bring an action against the City to compel payment, as well as the right to relet all or any portion of the Leased Property. (The remedies of the Trustee do not include the right to sell any portion of the Leased Property.) If any portion of the City's Master Lease payments are not made (regardless of the source), the Master Lease Trustee can avail itself of remedies with respect to any portion of the Leased Property. Therefore, in the event that the City fails to make payments allocable to the Master Lease Bonds, the Master Lease Trustee could elect to exercise remedies against the portion of the Leased Property consisting of the components of the Wastewater System.

Under the Indenture, the City has covenanted that it will not encumber any components of the Wastewater System under a City General Fund lease except for the components of the Wastewater System that

were, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease. However, this covenant does not prohibit the City from improving, making additions to, rehabilitating or replacing components of the Wastewater System that were, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease or incurring additional obligations under any City General Fund lease that, as of the date of issuance of the Series 2013 Bonds, encumbers components of the Wastewater System.

There can be no assurances that, if the City fails to make required payments under the Master Lease for any reason, that failure would not result in significant increases in costs of the Wastewater System, or materially adversely affect the operation of the Wastewater System or the ability of the Wastewater System to generate System Net Revenues in the amounts required by the Indenture.

Floods

The Federal Emergency Management Agency (“**FEMA**”) produces Flood Insurance Rate Maps (“**FIRMs**”) that show which portions of the city are in the 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

The Natomas area was remapped into a 100-year floodplain, AE flood zone, on December 8, 2008, after the Army Corps of Engineers (the “**Corps**”) determined that the levees around the basin did not meet current federal standards. The AE flood zone designation required elevating or floodproofing structures at or above the 100-year floodplain, which would be up to 20 feet in some areas. This caused a de-facto building moratorium in Natomas.

Before the remap of Natomas into an AE flood zone, city officials were already working with Sutter County, Sacramento County, the Sacramento Area Flood Control Agency (“**SAFCA**”), the California Department of Water Resources (“**DWR**”), the Central Valley Flood Protection Board, and the Corps to identify and implement a comprehensive flood control project to provide a minimum of 100-year flood protection and ultimately provide 200-year protection. In 2014, the improvement project was approximately 50% funded and constructed by DWR and SAFCA and federal authorization was received for the project. Because of this, on June 16, 2015, the City obtained new FIRMS with an A99 flood zone designation. Now, the City has an A99 flood zone, which is still considered a high-risk flood zone, but allows construction in Natomas. The remaining levee work around the Natomas Basin is currently being constructed to meet the 200-year level of protection.

Outside of the Natomas Basin, the FIRMs currently show the majority of the City not in the 100-year floodplain. Small floodplains exist along Arcade Creek, Dry Creek, and Magpie Creek. In order to have an area be mapped outside the 100-year floodplain by FEMA, the levee protecting the area must be certified. In March 2012 and August 2013, the Corps issued a letter notifying the City that the levee certifications had expired for Arcade Creek, the left bank of the Natomas East Main Drainage Canal (NEMDC), Dry Creek, portions of Robla Creek, American River, Sacramento River, and Morrison Creek. FEMA currently has an undetermined timeline for remapping these areas behind these levees into a floodplain.

An effort is currently underway, led by SAFCA, to recertify these levees before any remapping occurs by FEMA. The Water Resource Development Act of 2016 under the American River Commons Feature Project authorized the work needed to recertify these levees. Annual appropriations and a 2018 supplemental appropriation bill have fully funded the flood control projects on the Sacramento River, American River, Arcade Creek, left bank of NEMDC, Magpie Creek, Folsom Dam Raise, and Sacramento bypass and weir widening. Construction is already underway on some of these flood control projects.

According to the FIRMs, all of the major facilities of the Wastewater System are currently outside the 100-year floodplain. There are however, five pump stations that are within FEMA-designated floodplains. Four of the pump stations are near the Sacramento Marina and will remain in a riverine floodplain. One pump station will be removed from the floodplain upon completion of Corps’ levee-improvement projects. However,

there can be no assurances that a significant flooding event would not materially adversely affect the operations of the Wastewater System. See “CERTAIN RISK FACTORS - Earthquake, Flood or Other Natural Disasters.”

Historical Financial Results

The following table contains a summary of certain historical operating results of the Wastewater System, as excerpted from the City’s audited financial statements. These results are not presented in accordance with the conventions of the Indenture.

Table 7*
Summary of Historical Operating Results
(in thousands)

	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17⁽⁷⁾</u>	<u>FY 2017-18</u>
Operating Revenues					
Utility Rate Fees ⁽¹⁾	\$ 27,544	\$ 31,203	\$ 30,501	\$ 33,305	\$ 36,724
Wastewater Impact Fees ⁽²⁾	73	899	521	831	1,884
Interest Earnings ⁽³⁾	345	173	529	183	82
Miscellaneous Revenues ⁽⁴⁾	949	1,020	1,031	1,006	872
Total Operating Revenues:	<u>\$ 28,911</u>	<u>\$ 33,295</u>	<u>\$ 32,582</u>	<u>\$ 35,325</u>	<u>\$ 39,562</u>
General Fund Tax Transfer Out					
General Fund Tax ⁽⁵⁾	\$ (3,005)	\$ (3,652)	\$ (3,334)	\$ (3,639)	\$ (4,014)
System Revenues:	<u>\$ 25,906</u>	<u>\$ 29,643</u>	<u>\$ 29,248</u>	<u>\$ 31,686</u>	<u>\$ 35,548</u>
Maintenance and Operation Costs					
Employee Services	\$ 8,299	\$ 8,371	\$ 8,164	\$ 9,893	\$ 10,568
Services and Supplies	12,949	12,712	12,979	15,026	12,294 ⁽⁸⁾
Total Maintenance and Operation Costs	<u>\$ 21,248</u>	<u>\$ 21,083</u>	<u>\$ 21,143</u>	<u>\$ 24,919</u>	<u>\$ 22,862</u>
System Net Revenues	<u>\$ 4,658</u>	<u>\$ 8,560</u>	<u>\$ 8,105</u>	<u>\$ 6,767</u>	<u>\$ 12,686</u>
Obligations and Debt Service					
Wastewater and Revenue Bonds, Series 2013	-	\$ 1,404	\$ 1,955	\$ 1,955	\$ 1,957
State Revolving Fund Loans ⁽⁶⁾	859	859	859	859	859
Total Debt Service	<u>\$ 859</u>	<u>\$ 2,263</u>	<u>\$ 2,814</u>	<u>\$ 2,814</u>	<u>\$ 2,816</u>
Coverage Requirement Compliance					
Parity Obligations and Bonds (Requirement is 1.20 times)	5.42x	3.78x	2.88x	2.40x	4.50x

*Table 7 has been revised since the Preliminary Official Statement to reflect increases in the Maintenance and Operation Costs in Fiscal Years 2013-14 through 2016-17 and certain other adjustments. These revisions have resulted in decreases as set forth in the Preliminary Official Statement in the "System Net Revenues" and "Coverage Requirement Compliance" for such fiscal years.

- 1) Utility Rate increases were 15% for Fiscal Year 2013-14; 14% for Fiscal Year 2014-15, 0% for Fiscal Year 2015-16; and 9% each for Fiscal Years 2016-17 and 2017-18.
- 2) Impact fee revenues includes capital contributions.
- 3) Includes interest earnings/revenue associated with Wastewater Development Impact Fee Fund and the Wastewater User Fee Fund.
- 4) Miscellaneous Revenues include Miscellaneous, Transfers in, Other Capital, and Revenues From Other Agencies. Does not include Contributed Capital for the private development dedications.
- 5) Pursuant to Measure 1 of the City Code (Section 41.10.150), the voter-approved general fund tax is equal to 11% of the collected utility rate revenue. City utility service rates are set at the amounts necessary to pay the City's costs of service, which includes the general fund tax. The general fund tax is calculated on an annual basis and transferred to the City's General Fund each year to support city wide services. See "-- General Fund Tax on Wastewater System Revenues
- 6) Includes only the portion of the SRF Loans paid by the Wastewater Fund. The remaining portion paid by the Stormwater Drainage Fund is excluded.
- 7) Fiscal Year 2016-17 services and supplies included one-time increases to CIP, computer equipment, new vehicles, and other expenses.
- 8) Reflects a reduction in Services and Supplies for Fiscal Year 2017-18 due to a recharacterization of \$489,000 as capital expenses of certain prior year amounts previously reported as Services and Supplies.

Totals may not add due to rounding.

Source: The City

Projected Financial Results

The following table contains a summary of certain projected operating results of the Wastewater System, as prepared by the City. The projected operating results are based upon a variety of assumptions, calculations, and qualifications. While the City believes these assumptions to be reasonable, the assumptions may vary significantly from actual future conditions because of unanticipated events and circumstances. To the extent that actual future conditions vary from those assumed in the preparation of the projected operating results, the actual results will vary from those contained in the Table. See “CERTAIN RISK FACTORS - Rate Covenant Not a Guarantee; Failure to Meet Projections.”

The projected operating results reflect the Department’s current capital improvement planning and do not assume any rate increases in addition to rate increases already approved through Fiscal Year 2019-20. As described in “-Capital Improvement Program,” the Department anticipates that additional capital improvements (over that identified Table 6) may be implemented during the projection period. Depending on the magnitude and timing of such potential additional capital improvements, future approval of rate increases by the City Council may be required. In addition, although debt service with respect to additional Parity Obligations during the projection period is not reflected in the table, depending on the timing and/or magnitude of additional capital improvements the City ultimately implements, the City may enter into additional Parity Obligations which are payable during the projection period. There can be no assurances that the City will not modify the rehabilitation and capital-improvement plan described herein or decline to adopt rates in the amounts contemplated in the projected operating results.

For the purposes of projecting revenue, minimal growth in customers has been assumed. If there is significant growth, additional improvements and expansions to the Wastewater System infrastructure may be required and could be substantial depending on the level of growth expected at the time. The City’s policy is that new development would bear the cost of these growth-related expansions or improvements, and therefore the costs of these expansions or improvements are not included in the Projected Operating Results. These projects will only be constructed as projected development occurs and are expected to be funded using impact fee revenues and/or to be developer built and dedicated.

Table 8
Summary of Projected Operating Results

	FY 2018-19⁽⁷⁾	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Operating Revenues					
Utility Rate Fees ⁽¹⁾	\$ 39,471,000	\$ 44,112,000	\$ 44,151,000	\$ 44,191,000	\$ 44,233,000
Interest Earnings ⁽²⁾	392,000	559,000	701,000	707,000	711,000
Miscellaneous Revenues	1,013,000	1,053,000	\$ 1,152,514	\$ 1,192,852	\$ 1,234,602
Total Operating Revenues	\$ 40,876,000	\$ 45,724,000	\$ 46,004,514	\$ 46,090,852	\$ 46,178,602
General Fund Tax Transfer Out					
General Fund Tax ⁽³⁾	\$ (4,315,400)	\$ (4,705,007)	\$ (4,718,541)	\$ (4,727,357)	\$ (4,736,172)
System Revenues:	\$ 36,560,600	\$ 41,018,993	\$ 41,285,973	\$ 41,363,495	\$ 41,442,430
Maintenance and Operation Costs					
Employee Services ⁽⁴⁾	\$ (9,824,479)	\$ (10,315,703)	\$ (10,934,645)	\$ (11,372,031)	\$ (11,826,912)
Services and Supplies ⁽⁵⁾	(15,878,376)	(16,761,934)	(16,303,038)	(16,825,928)	(17,368,102)
Total Maintenance and Operation Costs	\$ (25,702,855)	\$ (27,077,637)	\$ (27,237,683)	\$ (28,197,959)	\$ (29,195,014)
System Net Revenues	\$ 10,857,745	\$ 13,941,356	\$ 14,048,290	\$ 13,165,536	\$ 12,247,415
Obligations and Debt Service					
Parity Obligations					
Wastewater Revenue Bonds Series 2013	\$ (1,957,031)	\$ (1,957,931)	\$ (1,954,181)	\$ (1,953,806)	\$ (1,956,556)
State Revolving Fund Loan ⁽⁶⁾	(817,822)	(817,821)	(731,746)	-	-
Wastewater Revenue Bonds, Series 2019	-	(1,157,383)	(1,298,000)	(2,117,000)	(2,114,000)
Total Debt Service	\$ (2,774,853)	\$ (3,933,135)	\$ (3,983,927)	\$ (4,070,806)	\$ (4,070,556)
Coverage Requirement Compliance					
Parity Obligations and Bonds (Requirement is 1.2 times)	3.91 x	3.54 x	3.53 x	3.23 x	3.01 x
Capital Outlay					
Capital Outlay (Pay Go & Use of Water Fund Capital Reserve)	\$ (9,699,000)	\$ (270,000)	\$ (10,003,000)	\$ (5,012,000)	\$ (2,003,000)
Net Change to Unrestricted Fund Balance	\$ (1,616,108)	\$ 9,738,221	\$ 61,363	\$ 4,082,730	\$ 6,173,859
Beginning Unrestricted Wastewater Fund Balance	11,542,000	9,925,892	19,664,113	19,725,476	23,808,205
Ending Unrestricted Wastewater Fund Balance	\$ 9,925,892	\$ 19,664,113	\$ 19,725,476	\$ 23,808,205	\$ 29,982,065

Notes on following page.

NOTES

- 1) Utility rate increases of 9% for Fiscal Year 2019-20 have been approved. Assumed 0.1% growth thereafter.
- 2) Interest earnings on the Wastewater Fund are estimated at 1.0% of the Wastewater Fund revenue in Fiscal Year 2018-19, 1.2% in Fiscal Year 2019-20 and 1.5% thereafter.
- 3) The voter approved General Fund tax is equal to 11% of the collected Wastewater Fund revenue. See "-- General Fund Tax on Wastewater System Revenues."
- 4) Employee Services cost increases are subject to approval by the City Council. Growth is assumed at 5.0% in Fiscal Year 2019-20, 6.0% in Fiscal Year 2020-21 and 4.0% thereafter.
- 5) Services and Supplies costs assume annual increases of 3% for utilities, 4 % for fuel and 4.5% for chemicals. All other Services and Supplies are expected to increase 3.5% annually.
- 6) Pursuant to their terms, the SRF loans are payable from System Net Revenues and also from revenues attributable to Stormwater Drainage System. See "DEBT SERVICE SCHEDULE." Table 8 only reflects portion expected to be paid from System Net Revenues. However, if for any reason Stormwater Drainage System revenues are unavailable for payment of the SRF Loans, the City would be obligated to make additional payments from System Net Revenues (on parity with the Bonds) to make up for the shortfall. The City's obligations with respect to the SRF Loans constitute Parity Obligations under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Obligations."
- 7) All Fiscal Year 2018-19 revenues and expenditures are based on the Fiscal Year 2018-19 Budget approved by City Council.

Totals may not add due to rounding.

Source: The City

THE SERIES 2019 PROJECT

The Series 2019 Project consists of that portion of the Wastewater CIP to be funded from the proceeds of the Series 2019 Bonds. The following table identifies costs associated with major components of the Series 2019 Project as currently contemplated by the Department. (The Department may elect to fund other improvements to the Wastewater System from the proceeds of the Series 2019 Bonds.)

Table 9
Series 2019 Project Components
(Dollars in Millions)

Category	Amount
System Rehabilitation and Replacement	\$13.9
CSS Permit Compliance	8.5
Sump Rehabilitation and Replacement	7.0
Other	2.6
Total	<u>\$32.0</u>

Major proposed projects:

- Electrical rehabilitation of wastewater sumps and motor-control center at CWTP.
- Complete reconstruction of wastewater sumps.
- Sixteen pipe rehabilitation projects replacing aging infrastructure in the CSS.
- Pipe rehabilitation and construction projects replacing aging infrastructure and improving in the separated system.
- Continuation of the CSS improvement program with construction of large diameter pipelines for improved conveyance, in-line storage, and underground storage structure.

Acquisition and construction of various components of the Series 2019 Project requires certain governmental permits and approvals, including demonstration of compliance with the California Environmental Quality Act, as amended, division 13 of the California Public Resources Code (“CEQA”). Notices of exemption or notices of determination (as applicable) have been filed in compliance with CEQA for all components of the Series 2019 Project.

CERTAIN RISK FACTORS

When evaluating the Series 2019 Bonds, potential investors should consider the following major risk factors along with all other information in this Official Statement. There can be no assurance that other risk factors do not currently exist or will not arise at any future time because of changed circumstances or otherwise.

Rate Covenant Not a Guarantee

The City’s ability to pay the principal of and interest on the Series 2019 Bonds depends on its ability to generate System Net Revenues at the levels required by the Indenture. Although the City has covenanted in the Indenture to impose rates, fees, and charges as more particularly described herein, and expects that sufficient revenues will be generated through the imposition and collection of such rates, fees, charges, and other System Revenues described herein, there is no assurance that the imposition and collection of such rates, fees, charges, and other System Revenues will result in the generation of System Net Revenues in the amounts

required by the Indenture. The City's covenant does not constitute a guarantee that sufficient System Net Revenues will be available to make debt-service payments on the Series 2019 Bonds.

Increased Costs

The actual cost of operating and maintaining the Wastewater System and implementing necessary capital improvements (including the Series 2019 Project) will depend on a variety of factors, including but not limited to potential rising costs or shortages of labor or materials; the discovery of unforeseen subsurface conditions; earthquakes, floods, or other natural disasters; severe weather conditions; and other events outside of the City's control. There can be no assurances that actual costs will not significantly exceed the costs projected by the City. If the actual costs of operating and maintaining the Wastewater System and implementing necessary capital improvements (including the Series 2019 Project) significantly exceed the costs projected by the City, then there could be a material adverse impact on the ability of the City to generate System Net Revenues in the amounts required by the Indenture.

Reliance on Projections

Table 8 in this Official Statement contains certain assumptions and forecasts. The notes following Table 8 should be read for a discussion of certain assumptions and rationale underlying the forecasts. 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 Table 8 and elsewhere in the Official Statement, and any projections that may be contained in any future certificate of the City or a consultant, are not necessarily indicative of future performance, and the City does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. 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 Series 2019 Bonds are cautioned not to place undue reliance upon any projections or requirements for projections. 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 System Net 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 Series 2019 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 any forecasts or projection contained in the Official Statement. The City's independent auditors assume no responsibility for, and disclaim any association with, the System Net Revenues forecast; they have not expressed any opinion or any form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the System Net Revenue forecast.

Statutory and Regulatory Impact

Laws and regulations governing the treatment and disposal of wastewater are enacted and promulgated by government agencies on the federal, State, and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the City with respect to its facilities and services could be significant. Such claims are payable from assets of the City or from other legally available sources.

The City has identified a number of existing environmental conditions, as well as anticipated regulatory requirements, that could materially impact the City's operations, and require significant increases in the City's capital and operating costs. In particular, significant permits relating to the operation of the

Wastewater System are subject to renewal in 2020 and 2021. See “THE WASTEWATER SYSTEM—Regulatory Compliance.”

Although rates are the major source of funding for regulatory costs and the City has covenanted in the Indenture to establish such rates as are estimated to enable the City to pay debt service for the Series 2019 Bonds, no assurance can be given that the cost to remediate identified environmental conditions or to comply with increased requirements imposed as part of permit renewals, or by new laws and regulations will not materially adversely affect the City’s ability to generate System Net Revenues in the amounts required by the Indenture and in the amounts required to pay debt service for the Series 2019 Bonds.

Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds

As described herein in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations,” since 1997 the City has entered into the SRF Loans, of which approximately \$6.2 million remains outstanding as of April 1, 2019. The SRF Loans provide that all payments thereunder may be immediately due and payable in the event of material breach by the City (and failure to cure). The Bonds (including the Series 2019 Bonds) are not subject to acceleration; however, if in the future any Bonds are issued as Variable Rate Obligations, then such Bonds might be subject to acceleration if they become Liquidity Facility Bonds. In addition to the City’s obligations with respect to the SRF Loans, other Parity Obligations issued or incurred by the City in the future may be subject to acceleration upon the occurrence of an event of default thereunder. There can be no assurances that the City’s ability to pay debt service for the Series 2019 Bonds will not be materially adversely affected if the payments with respect to the SRF Loans, any Liquidity Facility Bonds, or any future Parity Obligations are accelerated.

Aging Components of Wastewater System

Significant portions of the pipeline within the Wastewater System are significantly older than their originally expected useful lives. There can be no assurances that this will not result in higher-than-expected pipe failures or higher-than-expected repair and replacement costs. See “THE WASTEWATER SYSTEM – Wastewater System Facilities.”

Earthquake, Flood or Other Natural Disasters

In California the potential for natural disasters to cause catastrophic damage to any urban area, including its above-ground and below-ground wastewater infrastructure, is great. The occurrence of a flood, earthquake, or other natural disaster could result in the temporary or permanent closure of one or more components of the Wastewater System. Certain areas in the Wastewater System service area have been identified as being within a 100-year flood plain. See “THE WASTEWATER SYSTEM—Floods.”

The occurrence of a flood, earthquake, or other natural disaster could result in significantly increased costs that could materially adversely affect the City’s ability to operate the Wastewater System or to generate System Net Revenues at the levels required by the Indenture.

Commingling of System Revenues

As described herein in “THE WASTEWATER SYSTEM - Budgetary and Financial Procedures,” the City commingles the System Revenues with its other funds. The Trustee and the Holders or Beneficial Owners of the Series 2019 Bonds may not have a perfected interest in such commingled System Net Revenues, and the City may not be required to turn over to the Trustee any System Net Revenues that are in its possession and have been commingled with other moneys. Under such circumstances, there could be delays or reductions in payments on the Series 2019 Bonds.

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 or Beneficial Owners of the Series 2019 Bonds.

If the System Net Revenues are “special revenues” under the Bankruptcy Code, then System Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. “Special revenues” are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the System Net Revenues appear to satisfy this definition and thus be “special revenues,” no assurance can be given that a court would not hold that the System Net Revenues are not special revenues or are not subject to the lien of the Indenture. In addition, the determination of whether or not particular revenues are “special revenues” is subject to broad judicial discretion, and may evolve over time as decisions are rendered in various bankruptcy cases throughout the United States. If the System Net Revenues are determined to not be “special revenues,” then System Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The Holders or Beneficial Owners of the Series 2019 Bonds may not be able to assert a claim against any property of the City other than the System Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the Holders or Beneficial Owners of the Series 2019 Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the City may be able to use System Net Revenues to pay necessary operating expenses of the Wastewater System that are greater than or different from the Maintenance and Operation Costs defined in the Indenture before the remaining System Net Revenues are made available to the Trustee to pay amounts owed to the Holders or Beneficial Owners of the Series 2019 Bonds. It is not clear which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, then the City’s creditors (including the Holders or Beneficial Owners of the Series 2019 Bonds) may be prohibited from taking any action to collect any amount from the City (including but not limited to System Net Revenues constituting “special revenues”) or to enforce any obligation of the City without the bankruptcy court’s permission. This prohibition may also prevent the Trustee from making payments to the Holders or Beneficial Owners of the Series 2019 Bonds from funds in the Trustee’s possession. The Rate Covenant (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant”) may not be enforceable in bankruptcy by the Trustee or the Holders or Beneficial Owners of the Series 2019 Bonds.

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 System Net Revenues and may allow the City to continue to spend System Net 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.

The City is permitted to commingle the System Revenues with its own funds for up to one year before transferring System Net Revenues to the Trustee. If the City goes into bankruptcy, the City may not be required to turn over to the Trustee any System Net Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. With respect to System Net Revenues collected after the bankruptcy filing, if the City does not voluntarily turn over such System Net Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the Holders or Beneficial Owners of the Series 2019 Bonds would have to follow to attempt to obtain possession of such System Net 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 Series 2019 Bonds.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the System Net 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 or Beneficial Owners of the Series 2019 Bonds will be adequately protected. The City may be able to cause some of the System Net 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 or Beneficial Owners of the Series 2019 Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the Holders or Beneficial Owners of the Series 2019 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 Series 2019 Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

As described herein in “THE WASTEWATER SYSTEM - Leasing of Certain Components of the Wastewater System,” the City has leased certain assets of the Wastewater System in connection with the City’s Master Lease Program. In bankruptcy, if the City decided not to, failed to, or was unable to assume the Master Project Lease, the City could lose its rights to the leased assets. Under such circumstances, the Trustee and the Holders or Beneficial Owners of the Series 2019 Bonds may no longer be entitled to receive any System Net Revenues generated by such leased assets, and the Wastewater System may experience an increase in operating costs, thereby further reducing the System Net Revenues available to pay debt service on the Series 2019 Bonds. Similarly, if the City is authorized by the bankruptcy court to assume the Master Project Lease and then assign it to a third party, the City could lose its rights to the leased assets. Under such circumstances, the Trustee and the Holders or Beneficial Owners of the Series 2019 Bonds may no longer be entitled to receive any System Net Revenues generated by such leased assets, and the Wastewater System may experience an increase in operating costs, thereby further reducing the System Net Revenues available to pay debt service on the Series 2019 Bonds.

There may be delays in payments on the Series 2019 Bonds while the 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 Series 2019 Bonds, or result in losses to the Holders or Beneficial Owners of the Series 2019 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 Series 2019 Bonds.

Effect of Losses in City Investment Pool

The City intends to invest the moneys in the Project Fund in the City’s Investment Pool A. Should those investments suffer any losses, then the City may have insufficient funds to complete the Project, System Net Revenues may be lower than expected, and there may be delays or reductions in payments on the Series 2019 Bonds.

Pending delivery of System Net Revenues to the Trustee, the City intends to invest System Revenues in the City’s Investment Pool A. Should those investments suffer any losses, there may be delays or reductions in payments on the Series 2019 Bonds.

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 (including the Wastewater System) or economies, and there can be no assurances such effects will not be material and adverse.

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.

Limitation on Remedies

If an Event of Default should occur, the Trustee and the Holders or Beneficial Owners of the Series 2019 Bonds will have no ability to accelerate any maturity of the Series 2019 Bonds. This means that even after an Event of Default occurs, the Series 2019 Bonds may be paid according to the regularly scheduled due dates. This may result in delays or reductions in payments on the Series 2019 Bonds compared to what would happen if the Trustee could accelerate the maturities of the Series 2019 Bonds, and it could cause the market value of the Series 2019 Bonds to decline after the occurrence of an Event of Default.

Potential Termination of Master Interagency Agreement

The current term of the Master Interagency Agreement with SRCSD expires on June 30, 2024, which is prior to the final maturity of the Series 2019 Bonds. If the Master Interagency Agreement expires, then the City will have to make other arrangements for the treatment of wastewater that it collects. While there can be no assurances that the Master Interagency Agreement will be renewed prior to its expiration, the City expects that the regional wastewater-treatment system operated by SRCSD will continue to constitute the most economically practical means of wastewater-treatment-and-disposal services for the Contributing Agencies throughout the term of the Series 2019 Bonds and beyond into the foreseeable future, and that the renewal of the Master Interagency Agreement beyond the term of the Series 2019 Bonds will occur. However, if the Master Interagency Agreement does expire, then there can be no assurances that any alternate arrangements entered into by the City for wastewater-treatment-and-disposal services would not result in significantly higher Maintenance and Operation Costs of the Wastewater System.

Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("**Proposition 218**"). Proposition 218 added articles XIIC and XIID to the California Constitution, which contain a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees, and charges.

Section 3 of article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees, and charges, regardless of the date such taxes, assessments, fees, or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees, and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of

article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments, or fees and charges imposed prior to November 6, 1996.

“Fees” and “charges” are not expressly defined in article XIIC or in the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with articles XIIC and XIID (the “**Omnibus Act**”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil* (the “**Bighorn Decision**”) that charges for ongoing water delivery are property-related fees and charges within the meaning of article XIID and are also fees or charges within the meaning of section 3 of article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to section 3 of article XIIC.

In the *Bighorn Decision*, the Supreme Court stated that nothing in section 3 of article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contracts clause of the United States Constitution. Additionally, the Omnibus Act provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after the effective date of Proposition 218, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the service area of the City will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees, or charges. (In 2010, an initiative qualified for the November 2010 ballot which would have repealed rate increases for the City’s utilities, including the Wastewater System. The voters did not approve it.)

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “**property-related service**” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of article XIID. Article XIID requires that any public agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, article XIID also includes a number of limitations applicable to existing fees and charges, including provisions to the effect that (1) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (2) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (3) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (4) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26, which amended article XIII C of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax; that the amount is no more than necessary to cover the reasonable costs of the governmental activity; and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Wastewater System that would have to be reduced or eliminated because of Proposition 26.

The City believes that it has complied with the requirements of Proposition 218 with respect to the charges that it currently imposes.

In addition to imposing fees for wastewater service, the City also imposes development-impact fees as a condition for connecting new properties to the Wastewater System. The City does not believe that these development-impact fees are subject to Proposition 218.

Under the Indenture, the City has covenanted that it will set rates for Wastewater System services at specified levels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Rate Covenant.” If proposed increased service charges cannot be imposed as a result of a majority protest or an initiative, then such circumstances may adversely affect the ability of the City to generate System Revenues in the amounts required by the Indenture and to pay principal and interest on the Series 2019 Bonds.

ABSENCE OF LITIGATION

There is no controversy or litigation of any nature now pending or threatened that seeks to restrain or enjoin the issuance of the Series 2019 Bonds or to contest or affect in any way the validity of the Series 2019 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 and adversely affect the Wastewater System or the sources of payment for the Series 2019 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Series 2019 Bonds (1) 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) (the “**Annual Report**”), commencing with the report for Fiscal Year 2018-19; and (2) to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its EMMA website. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in “APPENDIX D- FORM OF CONTINUING DISCLOSURE

CERTIFICATE,” attached to this Official Statement. These covenants have been made in order to assist the Underwriter of the Series 2019 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 Rule 15c2-12(b)(5) 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 City’s budget in at least two instances). The City did not file notices of late filings in the past five years. On one occasion in the last five years, the City inadvertently failed to file a notice of an insurer-related rating change. On a couple of 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 to ensure that in the future it will make its continuing disclosure filings as required.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City (“**Bond Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Bonds**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

APPROVAL OF LEGALITY

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel Opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, and for the City by the City Attorney and its disclosure counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

RATINGS

Standard & Poor's and Fitch assigned the Series 2019 Bonds the long-term ratings of "AA" and "AA," respectively.

The ratings reflect only the respective views of the rating agencies, and any explanation of the significance of such ratings may be obtained only from such 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 such 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 Series 2019 Bonds.

UNDERWRITING

Siebert Cisneros Shank & Co., L.L.C. (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Series 2019 Bonds at a price of \$32,004,737.05 (consisting of the principal amount of the Series 2019 Bonds plus net original-issue premium of \$6,044,737.05). The Underwriter will be paid an underwriting fee of \$120,578.95 from the Wastewater Fund. The Bond Purchase Agreement relating to the Series 2019 Bonds provides that the Underwriter will purchase the Series 2019 Bonds if any are purchased.

The Series 2019 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the Series 2019 Bonds. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing the Series 2019 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2019 Bonds to the public. The obligation of the Underwriter to accept delivery of the Series 2019 Bonds is subject to the terms and conditions set forth in the Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

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

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

MUNICIPAL ADVISOR

The City has retained Hilltop Securities, Inc., as municipal advisor in connection with the issuance and sale of the Series 2019 Bonds. Although Hilltop Securities, Inc. has assisted in the preparation of the Official Statement, Hilltop Securities, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the

information contained in the Official Statement or any of the other legal documents, and further Hilltop Securities, Inc. does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Series 2019 Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

INDEPENDENT AUDITOR

Audited financial statements of the City (including the Wastewater Fund) for the Fiscal Year ended June 30, 2018, are attached hereto as Appendix A. The City's financial statements were audited by the independent accounting firm of Macias Gini & O'Connell 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 Auditor's report in this Official Statement. The audited financial statements include information concerning the City's General Fund and other funds, including the Wastewater Fund and the other enterprise funds relating to, the City's Wastewater System, solid-waste system and stormwater-drainage system. The Series 2019 Bonds are special obligations of the City, secured by and payable solely from the Trust Estate. No other funds of the City are available for payment of the Series 2019 Bonds.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. 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 to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2019 Bonds.

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

CITY OF SACRAMENTO

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

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APPENDIX A

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

The audited financial statements of the City have been prepared in accordance with generally accepted accounting principles. The projected operating results and certain other information presented in the Official Statement have been prepared in accordance with the requirement and definitions contained in the Indenture, which may differ from generally accepted accounting principles.

The audited financial statements include information concerning the City's General Fund and other funds, including the Wastewater Fund, funds relating to the City's water system, solid-waste system and stormwater-drainage system. The Series 2019 Bonds are special obligations of the City, secured by and payable solely from the Trust Estate. No other funds of the City are available for payment of the Series 2019 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

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CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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



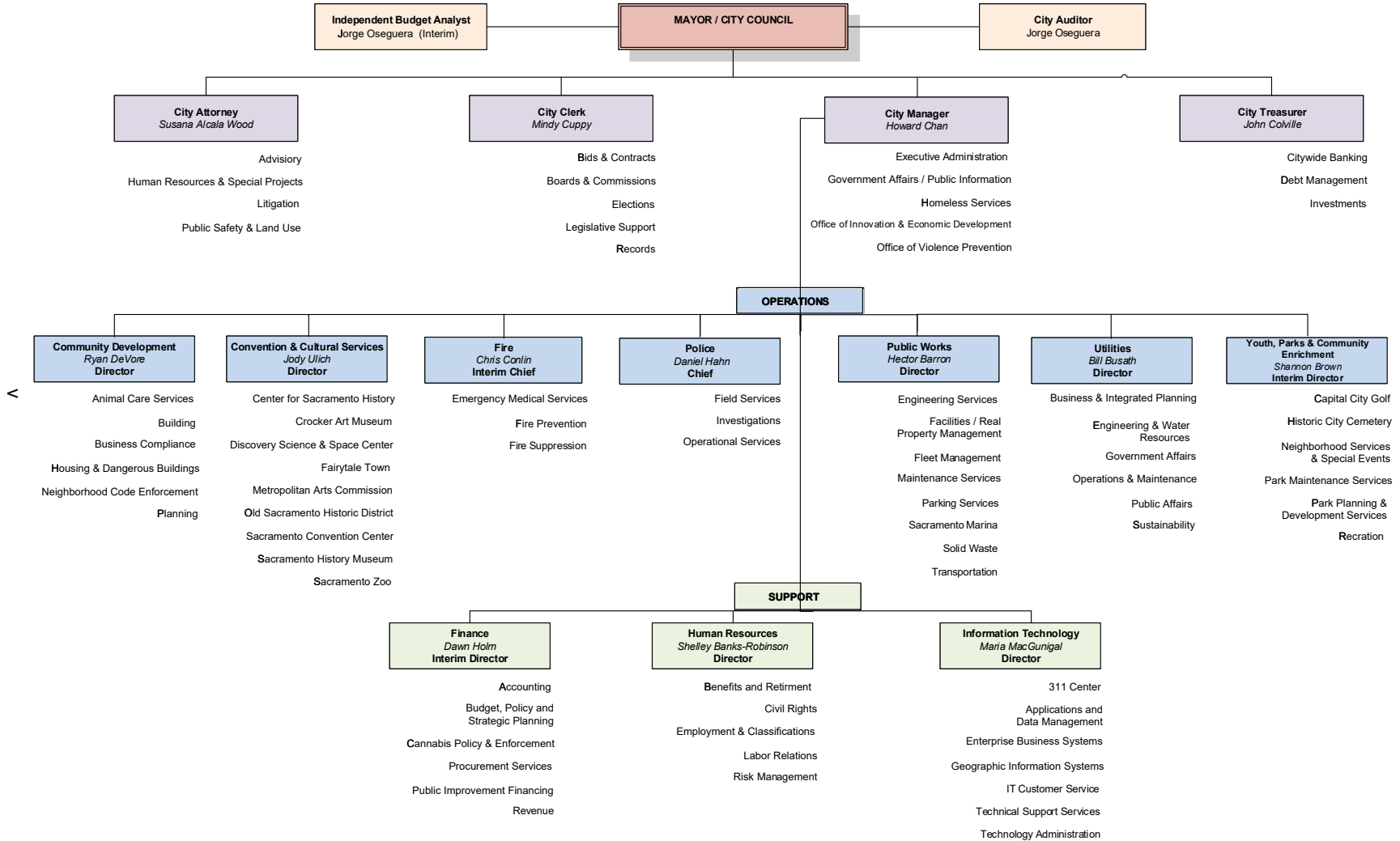
Dawn Holm
Finance Director



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)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
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	\$ 911,749	\$ 1,034,290	\$ 1,946,039

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
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:</p>		
Governmental capital assets	3,229,113	
Less: accumulated depreciation	<u>(1,504,100)</u>	1,725,013
<p>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:</p>		
Interest payable		(5,658)
<p>Deferred outflows of resources are not recognized in the current period and therefore not reported in the governmental funds.</p>		
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
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds</p>		
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)
<p>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.</p>		
		<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	<u>473,932</u>	<u>46,664</u>	<u>2,279</u>
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	<u>460,986</u>	<u>55,173</u>	<u>24,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,946</u>	<u>(8,509)</u>	<u>(22,637)</u>
Other financing sources (uses):			
Transfers in	35,414	-	-
Transfers out	(31,545)	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	<u>3,869</u>	<u>-</u>	<u>-</u>
Net change in fund balances	16,815	(8,509)	(22,637)
Fund balances (deficit), beginning of year	<u>155,554</u>	<u>44,743</u>	<u>22,771</u>
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>Final Budget -</u>		
			<u>Budgetary</u>	<u>Positive</u>	<u>to GAAP</u>	<u>Amounts -</u>
			<u>Basis</u>	<u>(Negative)</u>	<u>Reconciliation</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
ASSETS				
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>
DEFERRED OUTFLOWS OF RESOURCES				
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	<u>71,944</u>	<u>15,315</u>	<u>10,583</u>	<u>9,705</u>
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	<u>(19,836)</u>	<u>(3,922)</u>	<u>(4,126)</u>	<u>(6,319)</u>
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	<u>(93,596)</u>	<u>(11,019)</u>	<u>(4,648)</u>	<u>(1,975)</u>
Cash flows from investing activities:				
Collection/payment of interest and investment	627	6	38	(35)
Loan repayments received	-	-	-	-
Net cash provided by investing activities	<u>627</u>	<u>6</u>	<u>38</u>	<u>(35)</u>
Net increase (decrease) in cash and cash equivalents	(40,861)	380	1,847	1,376
Cash and cash equivalents, beginning of year	<u>215,586</u>	<u>46,476</u>	<u>39,625</u>	<u>43,464</u>
Cash and cash equivalents, end of year	<u>\$ 174,725</u>	<u>\$ 46,856</u>	<u>\$ 41,472</u>	<u>\$ 44,840</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			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	404	-	(1)	-
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	<u>\$ 51,132</u>	<u>\$ 29,116</u>	<u>\$ 388,141</u>	<u>\$ 113,385</u>
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	<u>\$ (4,842)</u>	<u>\$ 7,748</u>	<u>\$ 110,453</u>	<u>\$ 24,548</u>
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	585,800	-	(39,983)	545,817	20,348
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	14,883	-	(424)	14,459	1,653
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	4,455	-	(2,156)	2,299	1,288
Plus deferred amounts:					
For issuance discounts	(6)	-	2	(4)	(2)
For issuance premiums	20,303	-	(1,187)	19,116	1,187
Subtotal deferred amounts	20,297	-	(1,185)	19,112	1,185
Subtotal, debt governmental activities	625,435	-	(43,748)	581,687	24,474
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	1,269,207	232,179	(156,515)	1,344,871	27,078
Total governmental activities	\$ 1,894,642	\$ 232,179	\$ (200,263)	\$ 1,926,558	\$ 51,552

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
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

- \$5,177 State Water Resources Control Board Note Payable
Authorized March 2001, issued July 2001, due in annual installments of \$342 through September 2019, bearing an interest rate of 2.6%, for the purpose of financing the construction of underground storage and pumping facilities. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through September 2019. Total principal and interest remaining to be paid on the note is \$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
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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
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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
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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
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NOTE 8 – PENSION PLANS (Continued)

Net Pension Liability (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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
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NOTE 8 – PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

Miscellaneous Plan:

	Increase (Decrease)		
	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:

Fiscal Year Ended June 30,	<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
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NOTE 8 – PENSION PLANS (Continued)

SCERS

The City reports SCERS as a pension trust fund. SCERS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 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
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NOTE 8 – PENSION PLANS (Continued)

General Information about the Pension Plan (Continued)

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

<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
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NOTE 8 – PENSION PLANS (Continued)

Net Pension Liability

The City’s net pension liability for SCERS was measured as of June 30, 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
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NOTE 8 – PENSION PLANS (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability – The changes in the Net Pension Liability for SCERS Plan for the measurement date June 30, 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
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(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
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(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
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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
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NOTE 11 – INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 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
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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
	<u> </u>		<u> </u>
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
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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
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(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
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(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

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	<u>112</u>	<u>51</u>	<u>23</u>	<u>-</u>
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	<u>-</u>	<u>(7,953)</u>	<u>-</u>	<u>-</u>
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
	<u>30,307</u>	<u>3,769</u>	<u>2,404</u>	<u>6,938</u>
Total revenues				
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	-	-
	<u>20,952</u>	<u>4,037</u>	<u>3,520</u>	<u>3,571</u>
Total expenditures				
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)	-	-	-
	<u>771</u>	<u>-</u>	<u>253</u>	<u>5</u>
Total other financing sources (uses)				
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 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2006 Series B Revenue 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	<u>\$ 3</u>	<u>\$ 1,990</u>	<u>\$ 1,855</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of resources:			
Unavailable revenue	-	1,990	-
Total deferred inflows of resources	<u>-</u>	<u>1,990</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	-	-	-
Committed:			
Debt service	-	-	-
Assigned:			
Debt service	3	-	1,855
Total fund balances	<u>3</u>	<u>-</u>	<u>1,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3</u>	<u>\$ 1,990</u>	<u>\$ 1,855</u>

(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	<u>-</u>	<u>105</u>	<u>39</u>
Expenditures:			
Debt service:			
Principal	-	-	8,542
Interest and fiscal charges	-	4,132	4,710
Total expenditures	<u>-</u>	<u>4,132</u>	<u>13,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(4,027)</u>	<u>(13,213)</u>
Other financing sources:			
Transfers in	-	4,027	13,251
Total other financing sources (uses)	<u>-</u>	<u>4,027</u>	<u>13,251</u>
Net change in fund balances	-	-	38
Fund balances, beginning of year	<u>3</u>	<u>-</u>	<u>1,817</u>
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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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>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	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(28,895)</u>	<u>1,354</u>	<u>-</u>
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	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>(754)</u>	<u>(35,922)</u>	<u>345</u>	<u>(5,532)</u>
Cash flows from investing activities:				
Collection of interest and investment revenue	562	(460)	-	51
Net cash provided by (used for) investing activities	<u>562</u>	<u>(460)</u>	<u>-</u>	<u>51</u>
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
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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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)

	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
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
Total deferred outflows of resources	<u>2,316</u>	<u>1,190</u>	<u>3,506</u>

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.
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- (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	592,639	579,163	586,620	568,302	597,431
<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	238,662	206,782	211,333	220,473	216,693
Total primary government expenses	\$ 831,301	\$ 785,945	\$ 797,953	\$ 788,775	\$ 814,124

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.

(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				
	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>

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
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

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
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	<u>\$ 22,433</u>	<u>\$ 12,906</u>	<u>\$ (9,290)</u>	<u>41.41%</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)}

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	<u>\$ 8,937</u>	<u>\$ 2,356</u>	<u>\$ (6,581)</u>	<u>73.64%</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)}

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	\$ 1,017	\$ 509	\$ (508)	49.95%

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
Principal Property Taxpayers - Merged Downtown
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2018			2009		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
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)

Assessee	2018			2009		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
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
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
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
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
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
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
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
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.

(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.

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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**

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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 B
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 2018**

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

⁽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**

LABOR FORCE:	2013	2014	2015	2016	2017
Labor force ⁽¹⁾	1,046,500	1,046,700	1,055,800	1,073,300	1,080,900
Employment	955,900	972,200	994,200	1,017,300	1,032,000
Unemployment	90,600	74,500	61,600	56,000	48,900
Unemployment Rate	8.7%	7.1%	5.8%	5.2%	4.5%
EMPLOYMENT INDUSTRY:					
Total All Industries ⁽²⁾	878,200	898,800	927,200	958,700	977,700
Total Farm	8,900	9,200	9,400	9,700	9,200
Total Non-farm	869,300	889,600	917,800	949,000	968,500
Mining & Logging	400	400	400	400	500
Construction	43,300	45,500	50,200	54,900	58,600
Manufacturing	34,100	35,400	36,400	36,200	35,500
Trade, Transportation & Utilities	141,700	143,400	147,200	152,100	154,400
Information	14,800	13,900	14,100	13,800	12,500
Financial Activities	49,400	48,900	50,800	51,700	52,100
Professional & Business Services	114,600	118,200	120,200	128,000	130,500
Education & Health Services	130,700	134,300	140,100	145,600	152,200
Leisure & Hospitality	88,700	91,800	95,400	99,800	103,400
Other Services	29,000	30,200	30,900	31,700	32,300
Total Government	222,500	227,800	232,000	234,700	236,600
Federal Government	13,500	13,600	13,700	14,000	14,200
State and Local Government	209,100	214,200	218,200	220,600	222,500

⁽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
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

⁽¹⁾ Includes contract employees.

Source: Sacramento Business Journal, 2018 Book of Lists, December, 2018.

The following tables contain certain data related to income and unemployment.

**MEDIAN HOUSEHOLD INCOME
Calendar Year**

	<u>City of Sacramento</u>	<u>State of California</u>	<u>United States</u>
2017	\$54,615	\$67,169	\$57,652
2016	\$52,071	\$63,783	\$55,322
2015	\$50,739	\$61,818	\$53,889
2014	\$50,013	\$61,489	\$53,482
2013	\$49,753	\$61,094	\$53,046

Source: United States Census Bureau

**CITY OF SACRAMENTO
PER CAPITA INCOME
Calendar Year**

<u>Year</u>	<u>Per Capita Income</u>
2013	\$25,508
2014	26,020
2015	26,208
2016	27,146
2017	28,671

Source: United States Census Bureau

**UNEMPLOYMENT STATISTICS
Calendar Year**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Sacramento	7.7%	6.3%	5.5%	4.7%	3.9%
California	7.5	6.2	5.5	4.8	4.2
National	6.2	5.3	4.9	4.4	3.9

Source: U.S. Department of Labor, Bureau of Labor Statistics

Commercial Activity

The following table summarizes taxable sales within the City during calendar years 2012 through 2016.

**CITY OF SACRAMENTO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR YEARS 2012 THROUGH 2016
(\$ in Thousands)**

<u>Type of Business</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Motor Vehicle and Parts Dealers	\$338,082	\$388,898	\$397,302	\$494,138	\$592,960
Home Furnishings & Appliance Stores	203,543	203,675	254,332	319,599	312,443
Building Materials	258,469	303,311	296,075	321,595	358,733
Food & Beverage	295,149	299,456	320,301	330,704	335,385
Gasoline Stations	612,199	599,365	578,764	500,134	459,365
Clothing & Accessories	339,108	340,610	329,495	349,842	354,274
General Merchandise	504,732	513,841	505,521	468,938	456,208
Food & Drinking	762,531	796,733	848,980	934,198	1,005,781
Other Retail	487,314	506,059	505,414	531,045	571,602
Total Retail & Food Services	3,801,126	3,951,948	4,036,184	4,250,197	4,446,755
All Other Outlets	1,670,192	1,752,173	1,827,038	1,933,227	1,998,709
TOTAL:	\$5,471,319	\$5,704,121	\$5,863,222	\$6,183,425	\$6,445,464

Note: Detail may not compute to total due to rounding.
Source: State Board of Equalization

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APPENDIX C

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture, dated as of April 1, 2013 (the “Original Indenture”), between the City of Sacramento (the “City”) and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of April 1, 2013 (the “First Supplemental Indenture”) and as further supplemented by the Second Supplemental Indenture, dated as of April 1, 2019 (the “Second Supplemental Indenture” and, together with the Original Indenture and the First Supplemental Indenture, the “Indenture”), between the City and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

“Accreted Value” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date. For purposes of the Indenture, the term “principal of” shall also include Accreted Value, if appropriate.

“Accreted Value Table” means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

“Alternate Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond, or other instrument, which secures, enhances, or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund, or other institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

“Alternate Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement, or similar liquidity facility, which secures, enhances, or guarantees the payment of purchase price of such Series of Bonds under certain conditions specified therein, issued by a commercial bank, insurance company, pension fund, or other institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

“Annual Debt Service” means, with respect to any Obligations and for any Fiscal Year, the aggregate amount of Debt Service on such Obligations becoming due and payable during such Fiscal Year.

“Authorized Representative” means the City Manager of the City, the City Treasurer of the City, or such other person as may be designated to act on behalf of the City by resolution of the City Council of the City or by a written certificate delivered to the Trustee signed on behalf of the City by an Authorized Representative.

“Average Annual Debt Service” means with respect to any Obligations and as of any date of calculation, the quotient obtained by dividing (1) the sum of the Annual Debt Service on such Obligations

for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or, if appropriate, the first full Fiscal Year following the issuance or incurrence of such Obligations) and terminating in the last Fiscal Year in which any Debt Service on such Obligations is due by (2) the number of such Fiscal Years.

“Balloon Indebtedness” means, with respect to any Obligation 25% or 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 Account Payments deemed to be payments of matured principal), that portion of such Obligation which matures or becomes due on such date or within such 12-month period.

“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 Bond, including any Person holding Bonds through nominees or depositories, including the Securities Depository.

“Bond Obligation” means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

“Bond Reserve Fund” means the fund by that name established pursuant to the Indenture.

“Bond Reserve Requirement” means: (1) with respect to the Bond Reserve Fund, as of any date of calculation, an amount equal to 50% of the Maximum Annual Debt Service for the Participating Bonds, as computed and determined by the City and specified in writing to the Trustee; provided, that with respect to the issuance of additional Participating Bonds if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such additional Participating Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such Bonds) then the Bond Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to any Bond Series Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Bond Series Reserve Fund.

“Bond Series Reserve Fund” means any fund by that name established with respect to one or more Series of Bonds other than Participating Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Bondholder” or “Holder” or “owner,” whenever used with respect to a Bond, means the person in whose name such Bond is registered.

“Bond” or “Bonds” means one or more of the City of Sacramento Wastewater Revenue Bonds or Notes authorized by, and at any time Outstanding pursuant to, the Indenture.

“Business Day” means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds is issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed; (2) for purposes of payments and other actions relating to Bonds secured or enhanced by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing institution at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed; (3) a day on which the New York Stock Exchange is closed; or (4) a day on which the payment system of the Federal Reserve System is not operational.

“Capital Appreciation Bonds” means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by an Authorized Representative. Any such instrument and supporting opinions or representations may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

“City” means the City of Sacramento, a municipal corporation and chartered city, duly organized and existing under and by virtue of the Constitution and laws of the State of California, and any successor thereto.

“Code” means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

“Continuing Disclosure Certificate” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the continuing disclosure certificate or continuing disclosure agreement delivered by the City at the time of issuance and delivery of such Series of Bonds, as the same may be supplemented, modified, or amended in accordance with its terms.

“Corporate Trust Office” or “corporate trust office” means the corporate trust office of the Trustee at U.S. Bank National Association, One California Street, Suite 1000, San Francisco, California 94111, Attention: Global Corporate Trust Services, or such other or additional offices as may be designated by the Trustee from time to time; provided, that for registration, transfer, exchange, surrender, and payment of the Bonds, Corporate Trust Office shall initially mean the corporate trust operations office of the Trustee in Saint Paul, Minnesota.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of a Series of Bonds, including advertising and printing costs; costs of preparation and reproduction of documents; filing and recording fees; travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds; initial fees, expenses, and charges of the Trustee; legal fees and charges; fees and disbursements of consultants and professionals; financial advisor fees and expenses; rating agency fees; fees and charges for preparation, execution, transportation, and safekeeping of Bonds; surety, insurance, credit enhancement, and liquidity costs; fees payable in connection with the execution or termination of an Interest Rate Swap Agreement in connection with the issuance of a Series of Bonds; and any other cost, charge, or fee incurred in connection with the issuance of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

“Costs of Issuance Fund” means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

“Counterparty” means an entity which has entered into an Interest Rate Swap Agreement with the City.

“Coverage Requirement” means, for any Fiscal Year, an amount of System Net Revenues equal, in each case, to at least (1) 120% of the Debt Service on all Outstanding Bonds and Parity Obligations for such Fiscal Year, (2) 110% of the Debt Service on all Outstanding Bonds, Parity Obligations, and Subordinate Obligations for such Fiscal Year, and (3) 100% of all obligations of the City payable from System Net Revenues in such Fiscal Year.

“Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond, or other instrument, which secures, enhances, or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund, or other institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms. In the event of the delivery or availability of an Alternate Credit Enhancement, “Credit Enhancement” means such Alternate Credit Enhancement.

“Credit Enhancement Provider” means, with respect to a Series of Bonds, the Insurer, commercial bank, pension fund, or other institution issuing (or having primary obligation, or acting as agent for the institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

“Current Interest Bonds” means the Bonds of any Series that are designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and pay interest to the Holders thereof on a periodic basis prior to maturity.

“Debt Service,” when used with respect to any Obligations, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Obligations during such Fiscal Year, (2) the principal or Mandatory Sinking Account Payments required to be paid with respect to such Obligations during such Fiscal Year, and (3) any other regularly scheduled payments on such Obligations during such Fiscal Year to the extent not included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of such Obligations shall cease to be outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Balloon Indebtedness may, at the option of the City, 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 computation 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;

(B) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in each Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond and any contingencies that may result in a request for earlier payment shall be disregarded;

(C) if any Obligations bear, or if any Obligations proposed to be issued 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 Obligations for periods when the actual interest rate cannot yet 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 (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as the City shall designate in writing to the Trustee);

(D) if any Obligations bear, or if any Obligations proposed to be issued 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 Obligations shall be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five years preceding such date of calculation or such higher rate as shall be specified in a Certificate of the City delivered to the Trustee (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as the City shall designate in writing to the Trustee);

(E) with respect to any Obligations bearing interest, or expected to 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 with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (1) the fixed interest rate or rates to be paid on the Obligations, minus (2) the fixed interest rate receivable by the City under such Interest Rate Swap Agreement, plus (3) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the City delivered to the Trustee, or, if not based on an identifiable index, then the average of the SIFMA Swap Index, in each case, over the five years preceding the date of calculation or such higher rate as shall be specified in a Certificate of the City delivered to the Trustee;

(G) if any Obligations feature an option, on the part of the owners or a requirement under the terms of such Obligations, to tender all or a portion of such Obligations to the City, the Trustee, or other fiduciary or agent, and to purchase such Obligations or portion thereof if properly presented, then for purposes of determining the amounts due in any Fiscal Year on such Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment shall be ignored;

(H) payments on Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, and interest payments shall be excluded to the extent that such interest payments are (1) to be paid from the proceeds of Obligations, including any investment earnings thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or (2) paid or expected to be paid from Subsidy Payments;

(I) with respect to Obligations for which a reserve fund (including a Reserve Fund) is in place, the calculation of Debt Service for such Obligations for any Fiscal Year shall be reduced by the

amount of investment earnings on amounts on deposit in such reserve fund used or expected to be used to pay Debt Service on such Obligations during such Fiscal Year;

(J) with respect to Obligations for which a reserve fund (including a Reserve Fund) is in place, the amount on deposit in such reserve fund on any date of calculation of Debt Service shall be deducted from the amount due on the final maturity or due date of such Obligations if such amount on deposit in such reserve fund would be released at such maturity or due date and, to the extent the amount on deposit in such reserve fund is in excess of the amount due on the final maturity or due date of such Obligations, such excess shall be applied to the full amount due in each preceding Fiscal Year, in inverse order, until such amount on deposit in such reserve fund is exhausted;

(K) Reimbursement Obligations or potential Reimbursement Obligations shall be ignored; and

(L) net payments payable by the City on any Interest Rate Swap Agreement shall be ignored to the extent such Interest Rate Swap Agreement is used or expected to be used to determine the interest on Obligations under clauses (E) or (F) of this definition; and

(M) payments on Obligations shall be excluded to the extent such payments are paid or expected to be paid from amounts allocated on the books of the City to the City's storm drainage enterprise fund.

“Event of Default” means any of the events specified in the Indenture and described under the caption “Events of Default and Remedies – Events of Default” below.

“Fee and Expense Obligations” means any obligations of the City that constitute fees, expenses, and similar charges in connection with any Bonds, Parity Obligations, or Subordinate Obligations (including fees and expenses and termination payments on Interest Rate Swap Agreements) issued or incurred in accordance with the Indenture, which obligations are secured under the Indenture by the pledge made pursuant to the Indenture and payable from the Revenue Fund with the priority set forth in the Indenture.

“Fees and Expenses Fund” means the fund by that name established pursuant to the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the City, which designation shall be provided to the Trustee in a Certificate delivered by the City.

“Fitch” means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“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, dated as of April 1, 2013, between the Trustee and the City, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof.

“Insurance” means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

“Insurer” means any provider of Insurance with respect to a Series of Bonds.

“Interest Fund” means the fund by that name established pursuant to the Indenture.

“Interest Payment Date,” with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Interest Rate Swap Agreement” or “Swap” 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 Obligations, 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 Obligations.

“Interest Subsidy Bonds” means Bonds for which the City is entitled to receive Subsidy Payments.

“Investment Securities” means any of the following:

(A) The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:

- (1) Cash;
- (2) Direct obligations of the Department of the Treasury of the United States of America;
- (3) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development (PHA’s)
 - Federal Housing Administration
 - Federal Financing Bank; and
- (4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other government sponsored agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

(B) The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

(1) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) that have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and mature no more than 365 days after the date of purchase;

(2) Commercial paper that is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's or "P-1" by Moody's, and matures not more than 270 days after the date of purchase;

(3) Investments in a money market fund rated at the time of investment "AAAm" or "AAAm-G" or better by Standard & Poor's, including funds for which the Trustee or an affiliate provides investment advice or other services;

(4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated at the time of purchase, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(5) General obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state with a rating, at the time of purchase, of "Baa1/BBB+" or higher by both Moody's and Standard & Poor's;

(6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured, and unguaranteed debt obligations or a claims paying ability rated (or the parent company or

guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State, but only to the extent such investment is registered in the name of the Trustee;

(8) Shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(9) Investments in the City of Sacramento Investment Pool A; and

(10) Any other forms of investments that relate solely to a Series of Bonds, as specified in a Supplemental Indenture providing for the issuance of such Series of Bonds.

"Letter of Credit Fund" means a fund by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement, or similar liquidity facility that secures, enhances, or guarantees the payment of purchase price of such Series of Bonds under certain conditions specified therein, issued by a commercial bank, insurance company, pension fund, or other institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms. In the event of the delivery or availability of an Alternate Liquidity Facility, "Liquidity Facility" means such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility. If designated as such in a Supplemental Indenture, Bonds purchased with moneys drawn under Credit Enhancement in the form of a letter of credit or other similar instrument shall be treated as Liquidity Facility Bonds.

"Liquidity Facility Provider" means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund, or other institution issuing (or having primary obligation, or acting as agent for the institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

"Liquidity Facility Rate" means, with respect to a Series of Bonds, the interest rate per annum, if any, specified in the Liquidity Facility delivered in connection with such Series of Bonds as applicable to Liquidity Facility Bonds.

"Maintenance and Operation Costs" means costs spent or incurred by the City for maintaining and operating the Wastewater System, calculated in accordance with generally accepted accounting principles used by the City consistently applied, including the expenses of maintenance, repair, billing and collection, and other expenses incurred to maintain and preserve the Wastewater System in good repair and working order, and including administrative costs of the City, salaries and wages of employees,

payments to employees retirement systems, overhead, taxes (if any), fees of auditors, accountants, attorneys, engineers, or other consultants, and insurance premiums, in each case as attributable to the Wastewater System, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Wastewater System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (4) charges for the payment of Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the City in a Sinking Account for the payment of Term Bonds of such Series and maturity.

“Maturity Date” means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Maximum Annual Debt Service” means, with respect to any Obligations and as of any date of calculation, the maximum amount of Annual Debt Service becoming due and payable on such Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which such calculation is made and terminating with the last Fiscal Year in which any Debt Service for such Obligations is due.

“Maximum Rate” means, with respect to any Bonds, the lesser of (1) the rate designated as the Maximum Rate for such Bonds in the Supplemental Indenture with respect to such Bonds and (2) the maximum rate of interest that may legally be paid on the Bonds from time to time.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Notice Parties” means, as and to the extent applicable, the City, the Trustee, any Credit Enhancement Provider for the Series of Bonds to which the notice being given relates, any Liquidity Provider for the Series of Bonds to which the notice being given relates, and any other party designated as a “Notice Party” for a Series of Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Obligations” means any Bonds, any Parity Obligations, or any Subordinate Obligations, as applicable.

“One Month USD LIBOR Rate” means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time on the date of determination of such rate, except that, if such rate does not appear on such page on such date, then One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. \$1,000,000 are

offered at approximately 11:00 a.m., London time on such date to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the City (provided, however, that the City may appoint an agent to identify such Reference Banks). The City or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month USD LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the City or its agent, at approximately 11:00 a.m. New York City time on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a one-month maturity. If none of the banks in New York City selected by the City or its agent is then quoting rates for such loans, then the One Month USD LIBOR Rate for the ensuing interest period will mean the One Month USD LIBOR Rate most recently in effect.

“Opinion of Bond Counsel” means a written opinion of a law firm of national standing in the field of public finance selected by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture described below under the caption “Disqualified Bonds”) theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with the provisions of the Indenture described below under the caption “Defeasance – Discharge of Liability on Bonds,” including Bonds (or portions of Bonds) referred to the Indenture described below under the caption “Money Held for Particular Bonds;” and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall, to the extent of such payment, remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the City, and the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Holders shall continue to exist and shall run to the benefit of such Credit Enhancement Provider, and such Credit Enhancement Provider shall, to the extent of such payment, be subrogated to the rights of such Holders.

“Parity Obligations” means (1) the City’s obligations with respect to the loans disbursed under the SWRCB Loan Contracts, (2) any obligation of the City (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured as Fee and Expense Obligations) incurred in accordance with the Indenture, and (3) any obligation of the City to pay the Rebate Requirement, all of which obligations are secured under the Indenture and payable from the Revenue Fund with the priority set forth in the Indenture.

“Participating Bonds” means the Bonds of each Series which, pursuant to the terms of the Supplemental Indenture relating to such Series, are secured by amounts in the Bond Reserve Fund.

“Participating Underwriter” means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Person” means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof, or any other entity, whether or not a legal entity.

“Principal Fund” means the fund by that name established pursuant to the Indenture.

“Principal Payment Date” means any date any amount of Bond Obligation becomes due and payable or any Mandatory Sinking Account Payments are required to be paid.

“Project Fund” means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the particular projects being financed with the proceeds of such Series of Bonds.

“Proportionate Basis,” when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, “Proportionate Basis” shall have the same meaning set forth above except that “pay” or purchase” shall be substituted for “redeem” or “redemption” and “paid” or “purchased” shall be substituted for “redeemed.”

“Purchase Fund” means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Rate Stabilization Fund” means the fund within the Wastewater Fund referred to by that name in the Indenture.

“Rating Agency” means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody’s, and Standard & Poor’s, but in each instance only so long as each such Rating Agency maintains a rating on such Series of Bonds at the Request of the City.

“Rating Category” means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign, or other modifier; and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Rebate Requirement” means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Redemption Price” means, with respect to any Bond (or portion thereof), the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Refunding Bonds” means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption “Issuance of Additional Bonds and Other Obligations – Issuance of Refunding Bonds.”

“Reimbursement Obligations” means any obligation of the City to repay, from System Net Revenues, amounts provided by a Credit Enhancement Provider under a Credit Enhancement or by Liquidity Facility Provider under a Liquidity Facility as credit or liquidity support for a Series of Bonds or by any similar credit provider or liquidity provider as credit or liquidity support for Parity Obligations or Subordinate Obligations.

“Repository” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission or any successor agency thereto to receive reports and notices pursuant to Rule 15c2-12.

“Reserve Facility” means any insurance policy, letter of credit, or surety bond issued by a Reserve Facility Provider, meeting the requirements of the Indenture described below under the caption “Establishment and Application of Funds and Accounts – Reserve Funds,” and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Reserve Fund” means the Bond Reserve Fund or a Bond Series Reserve Fund, as the context requires.

“Revenue Bond Index” means the Revenue Bond Index published from time to time in *The Bond Buyer*.

“Revenue Fund” means the fund by that name established pursuant to the Indenture.

“Rule 15c2-12” means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

“Securities Depository” means The Depository Trust Company, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the City may designate in a Request of the City delivered to the Trustee.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series,” whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption, and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

“Series 2013 Bonds” means the City of Sacramento Wastewater Revenue Bonds, Series 2013 authorized by, and at any time Outstanding pursuant to, the Indenture.

“Series 2019 Bonds” means the City of Sacramento Wastewater Revenue Bonds, Series 2019 authorized by, and at any time Outstanding pursuant to, the Indenture.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and effective from such date.

“Sinking Account” means an account by that name established in the Principal Fund pursuant to the Indenture for the payment of Term Bonds.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, which is a subsidiary of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” or “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“State” means the State of California.

“SWRCB Loan Contracts” means (i) the Clean Water State Revolving Fund Loan Program Loan Contract (Contract No. 7-819-550-0, Loan No. C-06-4441-110), dated as of September 30, 1997; (ii) the Clean Water State Revolving Fund Loan Program Loan Contract (Contract No. 7-829-550-0, Loan No. C-06-4441-120), dated as of April 10, 1998; (iii) the Clean Water State Revolving Fund Loan Program Loan Contract (Contract No. 99-831-550-0, Loan No. C-06-4653-110), dated as of April 27, 2000; (iv) the Clean Water State Revolving Fund Loan Program Loan Contract (Contract No. 99-826-550-0, Loan No. C-06-4652-110, dated as of May 3, 2000; and (v) the Clean Water State Revolving Fund Loan Program Loan Contract (Contract No. 00-806-550-0, Loan No. C-06-4685-110), dated as of September 7, 2000, each between the City and the State of California, acting through the State Water Resources Control Board (the “SWRCB”).

“Subordinate Obligations” means any obligations (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured as Fee and Expense Obligations) of the City issued or incurred in accordance with the Indenture, which obligations are secured under the Indenture and payable from the Revenue Fund with the priority set forth in the Indenture.

“Subordinate Obligations Fund” means the fund by that name established pursuant to the Indenture.

“Subsidy Payments” means payments with respect to the interest due on a Series of Bonds made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code, Section 6431 of the Code, or Section 1400U-2 of the Code or any successor to or extension or replacement of any of such provisions of the Code, or any provisions of the Code that create substantially similar direct-pay subsidy programs to such programs created pursuant to Section 54AA, Section 6431, or Section 1400U-2 of the Code.

“Supplemental Indenture” means any indenture hereafter duly executed and delivered, supplementing, modifying, or amending the Indenture, but only if and to the extent that such supplemental indenture is authorized under the Indenture.

“Swap Revenues” means all amounts, including termination payments, owed or paid to the City by any Counterparty under any Interest Rate Swap Agreement after offset for amounts owed or paid by the City to such Counterparty under such Interest Rate Swap Agreement.

“System Net Revenues” means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable.

“System Revenues” means all income, rents, rates, fees, charges, and other moneys derived from the ownership or operation of the Wastewater System determined in accordance with generally accepted accounting principles, consistently applied, including (1) all income, rents, rates, fees, connection fees, sewer development fees, charges, standby charges, capacity charges, or other moneys derived by the City from the wastewater services or facilities, and commodities or byproducts, sold, furnished, or supplied through the facilities of or in the conduct or operation of the business of the Wastewater System, and including investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Wastewater System by or pursuant to law; (2) any amount received from the levy or collection of taxes that are solely available and are earmarked for the support of the operation of the Wastewater System; (3) allocations from the Rate Stabilization Fund to the Wastewater Fund; and (4) grants for maintenance and operations to the extent that the restrictions for the use thereof do not preclude them from being applied to the payment of Maintenance and Operation Costs or the Obligations; provided, however, that System Revenues shall exclude in all cases (a) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City and (b) any proceeds of the voter-approved general tax imposed on the gross revenues of the Wastewater System from user fees and charges, which proceeds are paid into the City’s General Fund pursuant to Section 3.20.010 of the Sacramento City Code. As provided in the Indenture, the amount of available System Revenues shall be reduced by the amount of System Revenues allocated to the Rate Stabilization Fund.

“Tax Certificate” means each Tax Certificate delivered by the City at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Trust Estate” shall have the meaning given to such term in the provisions of the Indenture described below under Wastewater Fund; Revenue Fund; Pledge of Trust Estate.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

“Variable Rate Indebtedness” means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

“Wastewater Fund” means the existing fund by that name established and maintained by the City on its books.

“Wastewater Service” means the wastewater services made available or provided by the Wastewater System.

“Wastewater System” means the whole and each and every part of the properties, works, and facilities of the wastewater system of the City including the portion thereof existing on the date hereof and including all additions, betterments, extensions, replacements, and improvements to such system or any part thereof and hereafter acquired or constructed.

Wastewater Fund; Revenue Fund; Pledge of Trust Estate

So long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable hereunder remain unpaid, the City covenants and agrees that all System Revenues received by it shall be accounted for when and as received in the Wastewater Fund which fund the City covenants and agrees to maintain on the City’s books so long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations, or any other amounts payable hereunder remain unpaid, and all money accounted for within the Wastewater Fund shall be applied and used only as provided herein and the Wastewater Fund shall be accounted for separate and apart from all other moneys, funds, or other resources of the City. The City may, to the extent provided in the Indenture, allocate amounts accounted for in the Wastewater Fund to the Rate Stabilization Fund or allocate amounts accounted for in the Rate Stabilization Fund to the Wastewater Fund. From amounts accounted for within the Wastewater Fund, the City shall pay, in the following order of priority: first, to the applicable payee or as otherwise required, all Maintenance and Operation Costs (including amounts reasonably required by the City to be set aside in contingency reserves for Maintenance and Operation Costs, the payment of which is not immediately required) as they become due and payable; and second, to the Trustee on or before each date the Trustee is required to make any transfer or deposit pursuant to the Indenture, such amount as is required for the Trustee to make the transfers and deposits required to be made by the Trustee on such date by the Indenture, including all amounts of principal, purchase price, interest, and Redemption Price then due and payable with respect to the Bonds. If (a) no Event of Default has occurred and is continuing, (b) all Maintenance and Operation Costs are being and have been paid and are then current, and (c) all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid, then all money accounted for in the Wastewater Fund, and the proceeds thereof, will be available for any lawful purpose of the City.

As security for the payment of all amounts owing on the Bonds, the Parity Obligations, the Subordinate Obligations and the Fee and Expense Obligations, in the amounts and with the priorities set forth in the Indenture and in the Bonds, the City irrevocably pledges to the Trustee: (a) all System Net Revenues collected after the date of issuance of the Series 2013 Bonds; (b) all funds and accounts held by the Trustee under the Indenture or any Supplemental Indenture (other than the Rebate Fund, all Letter of Credit Funds, and all Purchase Funds) and all investments, money, instruments, and other property credited thereto or on deposit therein; (c) all investment earnings on amounts held by the Trustee in the funds and accounts under the Indenture, excluding amounts deposited in the Rebate Fund, any Letter of Credit Fund, and any Purchase Fund; (d) all Swap Revenues; (e) all Subsidy Payments; and (f) all proceeds of the foregoing whether now existing or hereafter arising (clauses (a) through (f) above collectively, the “Trust Estate”), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. This collateral shall immediately be subject to this pledge, and this pledge shall constitute a lien and security interest which shall immediately attach to the collateral and be effective, binding, and enforceable against the City and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. All System Net Revenues spent by the City for a lawful purpose as described in the last sentence of the immediately preceding paragraph shall no longer be subject to the lien of the Indenture.

All Bonds and Parity Obligations shall be of equal rank with each other without preference, priority, or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations. All Subordinate Obligations shall be of equal rank with each other without preference, priority, or distinction of any Subordinate Obligations over any other Subordinate Obligations. All Fee and Expense Obligations shall be of equal rank with each other without preference, priority, or distinction of any Fee and Expense Obligations over any other Fee and Expense Obligations.

The Trustee shall deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all amounts received by it from the City pursuant to the Indenture, when and as received by the Trustee. Subject to the Indenture, all Swap Revenues and Subsidy Payments received by the Trustee shall also be deposited in the Revenue Fund.

The Trustee shall hold all funds and accounts established under the Indenture and required to be held by the Trustee (other than the Rebate Fund, all Letter of Credit Funds, and all Purchase Funds), and all investments, money, instruments, and other property credited thereto or on deposit therein, in trust for the benefit of the holders of the Bonds, the Parity Obligations, the Subordinate Obligations, and the Fee and Expense Obligations as their interests may appear under the Indenture. Such property shall be applied solely as provided in the Indenture.

The Bonds are limited obligations of the City and are payable as to both principal or purchase price and interest, and any premium upon redemption thereof, exclusively from the Trust Estate pledged under the Indenture and as provided in the Indenture.

Allocation of Moneys in the Revenue Fund

So long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable under the Indenture remain unpaid, the Trustee shall set aside on each date set forth in the Indenture and described below, the moneys in the Revenue Fund in the following funds (each of which the Trustee shall establish, maintain, and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations) in the following amounts and in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys in the Revenue Fund sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) the Trustee may set aside or transfer, on a parity with such deposits, amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); (ii) payments on Interest Rate Swap Agreements that constitute Parity Obligations shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys:

First Priority – Interest Fund. No later than the Business Day prior to each Interest Payment Date, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest

Payment Date (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest on the Interest Payment Date). No deposit need be made into the Interest Fund with respect to any Bonds if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Date, and on each Interest Payment Date any excess amounts in the Interest Fund not needed to pay interest on such Interest Payment Date shall be transferred to the Revenue Fund (excepting any moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

If Liquidity Facility Bonds are outstanding at the time of any required deposits to the Interest Fund, such deposits shall take into account and include the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

Second Priority – Principal Fund; Sinking Accounts. No later than the Business Day prior to each Principal Payment Date, the Trustee shall set aside in the Principal Fund an amount equal to (a) the aggregate amount of Bond Obligation becoming due and payable on such Principal Payment Date on the Outstanding Serial Bonds of all Series plus (b) the aggregate of the Mandatory Sinking Account Payments to be paid on such Principal Payment Date into the Sinking Accounts for the Term Bonds of all Series. If, however, the City certifies to the Trustee that any principal payments are expected to be paid from amounts on deposit in a Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with Mandatory Sinking Account Payments shall be made without priority of any payment over any other such payment.

In the event that the moneys in the Revenue Fund shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any Principal Payment Date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series on such Principal Payment Date plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as the amount of Bond Obligation on such Serial Bonds and the Bond Obligation of and redemption premium on such Term Bonds shall bear to each other. In the event that the moneys in the Revenue Fund shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account on such date bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts on such date.

No deposit need be made into the Principal Fund on any date so long as there shall be in such fund (a) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms on the immediately succeeding Principal Payment Date plus (b) the aggregate of all Mandatory Sinking Account Payments required to be made on such Principal Payment Date. On each Principal Payment Date or as soon as practicable thereafter, any excess amounts in the Principal Fund not needed to pay Bond Obligation or Mandatory Sinking Account Payments on such Principal Payment Date shall be transferred to the Revenue Fund.

If any Liquidity Facility Bonds are outstanding at the time of any required deposits to the Principal Fund, such deposits shall take into account and include any amortizations or redemptions of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For

purposes of the provisions above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates of any amortization or redemptions.

Third Priority – Reserve Funds. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund, as is required pursuant to the provisions of the Indenture described below under the caption “Establishment and Application of Funds and Accounts – Reserve Funds,” with each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Fourth Priority – Subordinate Obligations Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Subordinate Obligations Fund.” After the transfers to the Interest Fund, the Principal Fund, and the Reserve Funds described above that are required to be made on a given date have been made, the Trustee shall deposit in the Subordinate Obligations Fund such amount as the City shall specify in writing is necessary to make payments due and payable on such date with respect to Subordinate Obligations then outstanding.

Fifth Priority – Fees and Expenses Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Fees and Expenses Fund.” After the transfers to the Interest Fund, the Principal Fund, the Reserve Funds, and the Subordinate Obligations Fund described above that are required to be made on a given date have been made, the Trustee shall deposit in the Fees and Expenses Fund the amounts necessary for payment of Fee and Expense Obligations owing on such date.

If no Event of Default has occurred and is continuing and all payments then due and payable by the City pursuant to the Indenture have been paid, then, except as the City shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, amounts remaining in the Revenue Fund after all transfers to the Interest Fund, the Principal Fund, the Reserve Funds, the Subordinate Obligations Fund, and the Fees and Expenses Fund currently required to be made and the proceeds thereof, shall be transferred to the City on the same Business Day or as soon as practicable thereafter. The City may use and apply such amounts when received by it for any lawful purpose of the City, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established by the Indenture.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of (A) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) or reimbursing the Credit Enhancement Provider for a drawing for such purposes made on a Credit Enhancement that is an irrevocable, direct-pay letter of credit; and (B) making periodic payments on Interest Rate Swap Agreements, as provided in the Indenture. If amounts on deposit in the Interest Fund shall not be sufficient to pay in full all amounts payable from the Interest Fund, such amounts shall be applied pro rata (based on the total amount on deposit in the Interest Fund and payments then due).

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided herein, or for reimbursing the Credit Provider for a drawing for such purposes made on a Credit Enhancement that is an irrevocable, direct-pay letter of credit. If amounts on deposit in the Principal Fund shall not be sufficient to pay in full all amounts

payable from the Principal Fund, such amounts shall be applied pro rata (based on the total amount on deposit in the Principal Fund and payments then due).

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “_____ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. Not later than the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the City, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding the Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during that period and prior to giving notice of redemption, the City has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to the Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce the Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the City by the Trustee. Any amounts remaining in a Sinking Account on September 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Revenue Fund. All Term Bonds purchased from a Sinking Account or deposited by the City with the Trustee in a 12-month period ending September 1 (or in a six-month period ending March 1 or September 1 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next March 1 or September 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City.

Reserve Funds. The Bond Reserve Fund shall secure all Participating Bonds and the City shall specify in the Supplemental Indenture relating to such Series of Bonds whether the Bonds of such Series constitute Participating Bonds. The City may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Series Reserve Fund as security for a Series of Bonds. Any Bond Series Reserve Fund so established by the City shall secure one or more Series of Bonds as the City shall determine and shall specify in the Supplemental Indenture establishing such Bond Series Reserve Fund. The Bond Reserve Fund and any

Bond Series Reserve Fund established by the City shall be held by the Trustee and shall comply with the requirements of the Indenture described below.

The Series 2019 Bonds are not Participating Bonds under the Indenture and are not secured by the Bond Reserve Fund established under the Indenture. No Bond Series Reserve Fund is being established for the Series 2019 Bonds pursuant to the Second Supplemental Indenture.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund (which, subject to the other provisions of the Indenture, shall be transferred by the Trustee to the City), or in substitution of any Reserve Facility that is part of the Bond Reserve Requirement relating to one or more Series of Bonds, the City may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, that, together with cash, Investment Securities, or other Reserve Facilities (as described in the next paragraph), then on deposit in a Reserve Fund, will equal the applicable Bond Reserve Requirement. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in the Indenture as described in this paragraph. At least one year prior to the stated expiration of such letter of credit, the City shall deliver one of the following to the Trustee; (1) a replacement letter of credit, (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of the Indenture as described in the next paragraph. Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the Order of the City. If the City shall fail to deposit a replacement letter of credit, extension or replacement Reserve Facility with the Trustee, the City shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the applicable Bond Reserve Requirement will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Bond Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in a Reserve Fund one week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Reserve Fund (which shall be transferred by the Trustee to the City) or in substitution of any Reserve Facility that is part of a Bond Reserve Requirement for any Bonds, the City may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount that, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Reserve Fund, is no less than the applicable Bond Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained and shall be non-cancellable. In the event that such surety bond or insurance policy for any reason lapses or expires, the City shall immediately implement (1) or (3) of the preceding paragraph or make the 12 equal monthly deposits to the related Reserve Fund so that such Reserve Fund is replenished to the required level after a year.

Subject to the Indenture, all amounts in the Reserve Fund (including all amounts that may be obtained from a Reserve Facility on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee, as follows: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal

Fund relating to the Bonds of the Series to which the Reserve Fund relates; or (ii) together with any other moneys available therefor, (a) for the payment or redemption of all Bonds then Outstanding of the Series to which the Reserve Fund relates, or (b) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which the Reserve Fund relates, provided, however, that if funds on deposit in the Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which the Reserve Fund relates, the amount on deposit in the Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (c) for the payment of the final principal and interest payment of the Bonds of such Series.

Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in the Reserve Fund prior to applying amounts held in the form of Reserve Facilities in the Reserve Fund. If the Trustee has applied all cash and Investment Securities and more than one Reserve Facility is being held on deposit in the Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Bonds of such Series, shall so notify the City thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

The Trustee shall notify the City of any deficiency in the Reserve Fund (1) due to a withdrawal from the Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which the Reserve Fund relates or (2) resulting from a valuation of Investment Securities held on deposit in the Reserve Fund pursuant to the Indenture and shall request that the City replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility that is part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the City shall transfer to the Trustee, for deposit in the applicable Reserve Fund, System Net Revenues in an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from the Reserve Fund or decrease resulting from a valuation pursuant to the Indenture and shall further transfer to the Trustee, for transfer by the Trustee to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which the Reserve Fund relates, System Net Revenues in an amount equal to one-twelfth of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the System Net Revenues from the City each month, commencing with the month following the City's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in the Reserve Fund is at least equal to the applicable Bond Reserve Requirement.

Unless the City shall otherwise direct in writing, any amounts in the Reserve Fund in excess of the applicable Bond Reserve Requirement shall be transferred by the Trustee to the Revenue Fund on the Business Day following September 1 of each year; provided that such amounts shall be transferred only from available sources held in the Reserve Fund other than any Reserve Facility. In addition, amounts on deposit in the Reserve Fund shall be transferred by the Trustee to the City (1) upon the defeasance,

retirement or refunding of Bonds of the Series to which such Reserve Fund relates provided that such transfer shall not be made unless (a) immediately thereafter all of the Bonds to which the Reserve Fund relates shall be deemed to have been paid pursuant to the defeasance provisions of the Indenture or (b) the amount remaining in the Reserve Fund after such transfer shall not be less than the applicable Bond Reserve Requirement; or (2) upon the replacement of cash on deposit in the Reserve Fund with one or more Reserve Facilities in accordance with the Indenture as described in the second and third paragraphs of this section, subject in the case of both clauses (1) and (2) to the requirements of the applicable Tax Certificate.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be used and withdrawn by the Trustee to pay Subordinate Obligations as such amounts become due and payable.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses, and similar charges owed by the City in connection with the Bonds or any Parity Obligations or Subordinate Obligations (including termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

Redemption Fund. All moneys deposited by the City with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the City, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the City in a Request to the Trustee, in the manner, at the times, and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the City.

Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the City. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the applicable Tax Certificate.

Payment Provisions Applicable to Interest Rate Swap Agreements

Each Interest Rate Swap Agreement shall require that all payments by the Counterparty thereunder be paid directly to the Trustee. All such payments shall be deposited by the Trustee in the Revenue Fund.

Payments on Interest Rate Swap Agreements that are payable as Parity Obligations shall be payable by the Trustee to the Counterparty from the Interest Fund.

Payments on Interest Rate Swap Agreements that are payable as Subordinate Obligations shall be payable by the Trustee to the Counterparty from the Subordinate Obligations Fund.

Payments on Interest Rate Swap Agreements that are payable as Fee and Expense Obligations shall be payable by the Trustee to the Counterparty from the Fees and Expenses Fund.

The City may apply termination payments received from any Counterparty to the defeasance or redemption of all or a portion of the Obligations then outstanding.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee or established pursuant to the Indenture (including any Project Fund held by the Trustee) shall be invested, as directed by the City, solely in Investment Securities. Moneys in any Reserve Fund shall be invested in Investment Securities maturing in not more than five years or having a put option or demand option providing funds upon request for the purpose of payment of the Bonds to which such Reserve Fund relates as provided herein. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds or a Request of the City delivered to the Trustee, all interest, profits, and other income received from the investment of moneys in (1) the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (2) the Reserve Fund shall be retained in such Reserve Fund to the extent of any deficiency therein, and otherwise shall, at the direction of the City, be transferred to the Project Fund or Project Funds established in connection with the Series of Bonds to which the Reserve Fund relates, if any, or to the Revenue Fund; (3) a Costs of Issuance Fund shall be retained in such Costs of Issuance Fund until such time as such Costs of Issuance Fund is closed, and any earnings received on a Costs of Issuance Fund subsequent to the closure of such Costs of Issuance Fund shall be transferred to the Revenue Fund; (4) a Project Fund shall be retained in such Project Fund, unless the City shall direct that such earnings be transferred to the Rebate Fund or such other fund as may be specified by the City; (5) the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; (6) any Letter of Credit Fund or Purchase Fund shall be retained in such Letter of Credit Fund or Purchase Fund, as applicable; and (7) any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

Issuance of Additional Bonds and Other Obligations

Issuance of Additional Bonds. The City may by Supplemental Indenture establish one or more additional Series of Bonds that, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, are payable from the Trust Estate and secured by the pledge made under the Indenture equally and ratably with all other Bonds issued under the Indenture, and the City may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the City, but only upon compliance by the City with the provisions of the Indenture and subject to the specific conditions set forth below, each of which is made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing (or the issuance of such additional Series of Bonds will cure any such Event of Default).

(B) The Supplemental Indenture providing for the issuance of such Series shall state whether the Bonds of such Series are Participating Bonds. If the Bonds of such Series are Participating Bonds, the Supplemental Indenture shall require a deposit of the amount, if any, necessary to increase the amount on deposit in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Participating Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Subject to the provisions of the Indenture described above under the caption “Establishment and Application of Funds and Accounts – Reserve Funds,” if a Supplemental Indenture providing for the issuance of such Series shall require either (1) the establishment of a Bond Series Reserve Fund to provide additional security for such Series of Bonds, or (2) that the balance on deposit in an existing Bond Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Series Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, then the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. The deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the City or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(D) The City shall deliver to the Trustee a Certificate of the City certifying either of the following:

(1) the System Net Revenues for either the most recent Fiscal Year for which audited financial statements are available or for any other period of 12 consecutive months (selected by the City) during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to the Coverage Requirement for the most recently completed Fiscal Year, including in the calculation of the Coverage Requirement for this purpose the Average Annual Debt Service for the additional Series of Bonds to be issued. For the purpose of providing such Certificate, the City may adjust the System Net Revenues for such Fiscal Year or 12-month period, as the case may be, to reflect—

(a) an allowance for System Net Revenues that would have been derived from each new connection to the Wastewater System made prior to the issuance of such additional Series of Bonds but which was not in existence, during all or any part of such Fiscal Year or 12-month period under consideration, in an amount equal to 90% of the estimated additional System Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or 12-month period, and

(b) an allowance for System Net Revenues that would have been derived from any increase in the rates, fees, and charges fixed and prescribed for Wastewater Service which became effective prior to the issuance of such additional Series of Bonds but which was not in effect, during all or any part of such Fiscal Year or 12-month period, in an amount equal to the estimated additional System Net Revenues that would have been derived from such increase in rates, fees, and charges if it had been in effect prior to the beginning of such Fiscal Year or 12-month period; or

(2) the estimated System Net Revenues for each of the five Fiscal Years next following the earlier of (i) the end of the period during which interest on the additional Series of Bonds is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the additional Series of Bonds is to be issued, or (ii) the date on which substantially all projects financed with the proceeds of any Bonds, including the additional Series of Bonds to be issued, are expected to commence operations will be at least equal to the Coverage Requirement for each such Fiscal Year. For the purpose of providing such Certificate, the City may adjust the System Net Revenues to reflect—

(a) an allowance for System Net Revenues that are estimated to be derived from any increase in the rates, fees, and charges for Wastewater Service which have been adopted by the City and which will be in effect during all or any portion of the period for which such estimates are provided; and

(b) an allowance for System Net Revenues that are estimated to be derived from new customers of the Wastewater System anticipated to be served by any additions or improvements to or replacements or extensions of the Wastewater System reasonably expected to become available during all or any portion of the period for which such estimates are provided in an amount equal to 90% of the additional System Net Revenues that are estimated to be derived from such customers.

For purposes of any computation pursuant to the paragraph above, with respect to Maintenance and Operation Costs, the City shall use such assumptions (which shall be set forth in the Certificate) as the City believes to be reasonable, taking into account (i) historical Maintenance and Operation Costs; (ii) Maintenance and Operation Costs associated with the additions or improvements to or replacements or extensions of the Wastewater System to be financed with the proceeds of such additional Series of Bonds and any other new additions or improvements to or extensions of the Wastewater System during any period for which estimates are provided; and (iii) such other factors, including inflation and changing operations or policies of the City, as the City believes to be appropriate.

Nothing in the Indenture contained shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the City without compliance with the provisions of the Indenture described in paragraph (D) of the previous section; provided that the Trustee shall have been provided with a Certificate of the City to the effect that the City has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) any termination payment owed by the City to a Counterparty after offset for any payments made to the City from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Bonds or Parity Obligations to be refunded;

(4) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(6) funding the Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the Indenture, the City shall deliver each of the documents identified below to the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the City.

(2) A Certificate of the City certifying: (i) that the Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the City; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the City may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel the Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of the Refunding Bonds; and provided further that no provision of the Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, will be valid and binding obligations of the City when duly executed by the City and authenticated and delivered by the Trustee.

Limitations on the Issuance of Obligations Payable from the Trust Estate; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations. So long as any of the Bonds are Outstanding, the City shall not issue or incur any obligations or securities payable in whole or in part from the Trust Estate, howsoever denominated, except as follows:

(A) Bonds authorized pursuant to the Indenture, as described above under the caption "Issuance of Additional Bonds."

(B) Refunding Bonds authorized pursuant to the Indenture, as described above under the caption “Issuance of Refunding Bonds.”

(C) Parity Obligations, provided that all of the following conditions to the issuance or incurrence of such Parity Obligations are satisfied on or as of the date on which the City issues or incurs such Parity Obligations:

(1) No Event of Default shall have occurred and then be continuing (or the issuance of such Parity Obligations will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the City to that effect;

(2) The City shall deliver to the Trustee a Certificate of the City, which shall also set forth the computations upon which such Certificate is based, certifying one of the following:

(a) Such Parity Obligations are being issued or incurred for purposes of refunding as described in the Indenture, and the City has determined that the Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance or incurrence of such Parity Obligations is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance or incurrence of such Parity Obligations.

(b) The requirements listed under paragraph (D) of “Issuance of Additional Bonds” have been satisfied with respect to such Parity Obligations; provided, however that if the Parity Obligation being issued or incurred consists of an Interest Rate Swap Agreement that relates to a Series of Bonds or Parity Obligations (excluding fees and expenses and termination payments on such Interest Rate Swap Agreement), the City shall be deemed to have complied with the requirements of the Indenture as described in this section, with respect to such Interest Rate Swap Agreement to the extent that the Series of Bonds or Parity Obligations to which the Interest Rate Swap Agreement relates (i) satisfies the requirements of the Indenture after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into concurrently with, or subsequent to, the issuance of such Bonds or Parity Obligations); or (ii) is expected to satisfy the requirements of the Indenture after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into in advance of the issuance of such Bonds or Parity Obligations).

(c) Such Parity Obligations consist of Reimbursement Obligations relating to Bonds or Parity Obligations.

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations.

(D) Subordinate Obligations, provided that both of the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied on or as of the date on which the City issues or incurs such Subordinate Obligations:

(1) No Event of Default shall have occurred and then be continuing (or the issuance of such Subordinate Obligations will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the City to that effect,

(2) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations.

(E) Fee and Expense Obligations.

Nothing in the Indenture limits the ability of the City to issue or incur obligations payable from the Trust Estate or any portion thereof on a basis that is subordinate in both payment and lien priority to the Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations.

Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations. The Maximum Annual Debt Service with respect to Bonds shall be determined no later than the date of delivery of such Bonds, and no earlier than the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. The Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service.

Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations

The City shall designate additional Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations in a Supplemental Indenture, a Certificate of the City delivered to the Trustee, or in the instrument providing for the issuance or incurrence of such Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations, in each case concurrently with the issuance or incurrence of such Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations.

Certain Covenants of the City

Punctual Payments. The City will punctually pay or cause to be paid the principal, purchase price, or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of the Trust Estate as provided in the Indenture. The City will punctually pay or cause to be paid all Parity Obligations, Subordinate Obligations and Fee and Expense Obligations.

Extension of Payment of Bonds. The City will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing described in this paragraph shall be deemed to limit the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances. The City will not create any pledge, lien, or charge upon the Trust Estate or any portion thereof (including the System Net Revenues) having priority over or having parity with the lien the Indenture.

Amount of Rates, Fees and Charges; Rate Stabilization Fund.

The City will at all times during each Fiscal Year fix, prescribe and collect rates, fees, and charges for the Wastewater Service that are reasonably estimated to yield System Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. In fixing and prescribing such rates, fees, and charges, the City may make reasonable assumptions concerning contingencies that may affect System Revenues and the timing and amount of payments on Bonds, Parity Obligations, Subordinate Obligations, and any other obligations of the City that may become due and payable from System Revenues in such Fiscal Year. The City may make adjustments from time to time in such rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the System Net Revenues from such reduced rates, fees, and charges will at all times be sufficient to meet the requirements of the Indenture described in this paragraph.

The City may establish and maintain on the City's books a fund to be known as the "Rate Stabilization Fund." On the date of issuance of the Series 2013 Bonds, the City shall allocate \$2,500,000 of amounts then accounted for in the Wastewater Fund to the Rate Stabilization Fund. As long as no Event of Default has occurred and is continuing and the City is in compliance with the provisions of the Indenture described in the immediately preceding paragraph, from time to time thereafter, the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City may reasonably determine, and the amount of available current System Revenues shall be reduced by the amount so allocated. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Wastewater Fund for inclusion in System Revenues for any Fiscal Year. Allocations to or from the Rate Stabilization Fund for each Fiscal Year shall be made before the end of the ninth month after the close of each Fiscal Year. All interest or other earnings upon amounts allocated to the Rate Stabilization Fund may be allocated to the Wastewater Fund and accounted for as System Revenues.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the City to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least 25% aggregate principal amount of the applicable Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including reasonable fees and expenses of its attorneys), or any Holder or beneficial owner 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 the Indenture.

Maintenance and Operation of the Wastewater System. The City will cause the Wastewater System to be maintained in good repair, working order, and condition at all times and will continuously operate the Wastewater System in an efficient and economical manner so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the City shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Wastewater System. The City further covenants and agrees that it will at all times maintain and comply with all necessary permits and licenses issued by governmental authorities having jurisdiction unless the lawful requirement thereof is being contested in good faith or the failure to

comply will not have a material adverse effect on the operation or financial condition of the Wastewater System.

Payment of Taxes and Charges. The City will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments, or other governmental charges lawfully imposed upon the Wastewater System or upon any part of its operations, or upon the System Revenues, when the same shall become due, as well as any lawful claim for labor, materials, or supplies which, if unpaid, might by law become a lien or charge upon the Wastewater System or the System Revenues, or which might impair the security of the Bonds or any Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations. Notwithstanding the foregoing, the City need not pay or discharge any tax, assessment, or other governmental charge, or any claim for labor, material, or supplies, if and so long as the City shall contest the validity or application thereof in good faith.

Insurance. The City shall procure or provide and maintain, at all times while any of the Bonds remain Outstanding or any Parity Obligations, Subordinate Obligations or Fee and Expense Obligations remain unpaid, insurance or self-insurance against such risks as are usually insured against by other providers of wastewater services similar to those provided by the City through the Wastewater System. Such insurance or self-insurance shall be in an adequate amount as to the risk insured against as determined by the City.

Any self-insurance shall be established in accordance with applicable law and shall include reserves or reinsurance in amounts the City determines to be adequate to protect against risks assumed under such self-insurance including any potential retained liability in the event of the termination of such self-insurance.

Sale of Wastewater System. The Wastewater System shall not be sold or otherwise disposed of as a whole or substantially as a whole.

Eminent Domain and Insurance Proceeds. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds (excluding any rental interruption insurance) resulting from a casualty loss to the Wastewater System, the net proceeds of any eminent domain award or insurance proceeds (excluding any rental interruption insurance) after paying all expenses (including attorney's fees) incurred in the collection of such award or proceeds shall, at the option of the City, be applied either to (A) in the following order of priority, the prepayment of (1) Outstanding Bonds and outstanding Parity Obligations in accordance with their respective terms (2) outstanding Subordinate Obligations, and (3) outstanding Fee and Expense Obligations or (B) to acquire and construct additions, betterments or improvements to the Wastewater System.

Separate Utility Systems. The City may create, acquire, construct, finance, own, and operate one or more additional systems not constituting any part of the then-existing Wastewater System for wastewater service or other commodity or service, and the revenues of that separate utility system shall not be included in the System Revenues and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand such separate utility system. The System Net Revenues shall not be pledged by the City to the payment of any obligations of a separate utility system except in accordance with the other provisions of the Indenture.

Interest Rate Swap Agreements. Except for the obligation of the City to make regularly scheduled net swap payments under any Interest Rate Swap Agreement relating to Bonds or Parity Obligations, the City shall not secure any obligations of the City under any Interest Rate Swap Agreement as Parity Obligations, including any obligations of the City to make termination payments or to post collateral under any Interest Rate Swap Agreement.

Encumbrance of Wastewater System Components By General Fund Lease Obligations. The City shall not encumber any components of the Wastewater System under a City General Fund lease except for the components of the Wastewater System that are, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease; provided, that nothing contained in this paragraph prohibits the City from (1) improving, making additions to, rehabilitating or replacing components of the Wastewater System that are, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease; or (2) incurring additional obligations under any City General Fund lease that, as of the date of issuance of the Series 2013 Bonds, encumbers components of the Wastewater System.

Events of Default and Remedies

Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration, or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the City shall fail to observe or perform any covenant, condition, agreement, or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) of this section, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or by any Credit Enhancement Provider; except that, if such failure can be remedied but not within such 60-day period and if the City has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the City shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations, and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the City files a voluntary bankruptcy or commences any similar proceeding under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment, or decree declaring the City insolvent, or adjudging it bankrupt, or ordering relief under any applicable bankruptcy or insolvency law, or appointing a trustee or receiver of the City, or approving a bankruptcy petition filed against the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the System Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(H) any Event of Default designated as such in a Supplemental Indenture.

Application of the System Net Revenues and Other Funds After Default; No Acceleration. If an Event of Default shall occur and be continuing, the City shall immediately transfer to the Trustee all System Net Revenues, Swap Revenues, and Subsidy Payments held by it, and the Trustee shall apply all System Net Revenues, Swap Revenues, Subsidy Payments, and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund, any Letter of Credit Fund, and any Purchase Fund, and except as otherwise provided in the Indenture) as follows and in the following order:

(1) first, to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) second, to the payment of the whole amount of Bond Obligation then due on the Bonds and amounts then due on Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and all amounts then due on Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and amounts then due on Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) or other amounts due on such date to the persons entitled thereto, without any discrimination or preference;

(3) third, to the payment of Subordinate Obligations, provided that if the amount available shall not be sufficient to pay in full all Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference;

(4) fourth, to the payment of Fee and Expense Obligations, provided that, if the amount available shall not be sufficient to pay in full all Fee and Expense Obligations due on any date, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference; and

(5) fifth, to the payment of all other obligations payable under the Indenture.

Notwithstanding anything to the contrary in the Indenture, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing except that Liquidity Facility Bonds are subject to acceleration as set forth in the Liquidity Facility.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may proceed, and upon the written

request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus, or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture or by law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Trust Estate, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, and unless otherwise provided in the applicable Supplemental Indenture, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action, or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Notwithstanding anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings as set forth in the Indenture as described below), the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided (A) that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, (B) that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (C) that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture and any applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) 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; provided, however, that, to the extent provided in the applicable Supplemental Indenture, the written consent of a Credit Enhancement Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Indenture or the rights of any other Holders of Bonds or to enforce any right under the Indenture and any applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings

at law or in equity to enforce any such right shall be instituted, had, and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Enhancement Provider Directs Remedies Upon Event of Default. To the extent provided in the applicable Supplemental Indenture, upon the occurrence and continuance of an Event of Default as defined in the Indenture, the Credit Enhancement Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds enhanced by such Credit Enhancement, provided that the Credit Enhancement Provider's consent shall not be required as otherwise provided herein if such Credit Enhancement Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider.

Modification or Amendment to the Indenture

Amendments Permitted With Consent of Holders. The Indenture and the rights and obligations of the City, the Holders of the Bonds, and the Trustee may be amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding. To the extent provided in the applicable Supplemental Indenture, the Credit Enhancement Provider for a Series of Bonds shall be deemed to be the Holder of such Series for all purposes of the Indenture except the payment of principal of and interest on such Series of the Bonds. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holders purchasing such Series of Bonds to consent for purposes of the provisions described in this subsection by virtue of its purchase of such Series of Bonds.

No such amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected; or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such amendment, or permit the creation of any lien on the Trust Estate prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on the Trust Estate (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the City and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the City, of the Trustee, and of the Holders of the Bonds may also be amended from time to time and at any time by a Supplemental Indenture, which the

City and the Trustee may enter without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture;

(5) to provide for the issuance or incurrence, as applicable, of Interest Subsidy Bonds, Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations, Fee and Expense Obligations, or Variable Rate Indebtedness with such interest rate, payment, maturity and other terms as the City may deem desirable, subject to the provisions of the Indenture relating to the Issuance of Additional Bonds or Issuance of Refunding Bonds, but only if doing so does not materially and adversely affect the interests of the Holders of the Bonds;

(6) to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to accommodate Credit Enhancements, Liquidity Facilities, and Reserve Facilities, which shall not materially and adversely affect the interests of the Holders of the Bonds;

(8) to provide for the appointment of a remarketing agent, a tender agent, or a paying agent in connection with any Series of Bonds;

(9) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(10) to provide for the issuance of Bonds in book-entry form or bearer form or to modify or eliminate the book-entry registration system for any Series of Bonds;

(11) to amend the Indenture in any other respect, including amendments that would otherwise be described above under the caption "Amendments Permitted With Consent of Holders," if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Holders of the affected Bonds at least 30 days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture; and

(12) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the Indenture as described in this section shall be deemed not to materially adversely affect the interest of the Holders, to the extent provided in the Supplemental Indenture providing for the issuance of such Bonds, so long as (1) all affected Bonds are secured by a Credit Enhancement and (2) each Credit Enhancement Provider for such Bonds shall have given its written consent to such Supplemental Indenture.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the City in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when they become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture as described below under the caption “Deposit of Money or Securities”) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the City shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable and to be payable under the Indenture and under any Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations by the City, then and in that case, at the election of the City (evidenced by a Request of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and other obligations and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of the Trust Estate made under the Indenture and all covenants, agreements, and other obligations of the City under the Indenture shall cease, terminate, become void, and be completely discharged and satisfied. In such event, upon Request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants, or other independent consulting firm.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture as described in the next section) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), all liability of the City in respect of such Bond shall cease, terminate, and be completely discharged, provided (1) that if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, and (2) that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, and such money and securities shall be pledged to such payment.

The City may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the City shall not be deemed to be satisfied or considered paid by the City by virtue of such payments, and the right, title, and interest of the City in the Indenture and the obligations of the City under the Indenture shall not be discharged and shall continue to exist and to run to the benefit of such Credit Enhancement Provider, and, to the extent of such payment, such Credit Enhancement Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be either or both of the following, provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity (based on an assumed interest rate equal to the maximum rate payable thereon for periods for which the actual interest rate on such Bonds cannot be determined), except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date (based on an assumed interest rate equal to the maximum rate payable thereon for periods for which the actual interest rate on such Bonds cannot be determined); or

(B) Investment Securities described in clause (A) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants, or independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity or to the redemption date, as the case may be, on the Bonds to be paid or redeemed (based on an assumed interest rate equal to the maximum rate payable thereon for periods for which the actual interest rate on such Bonds cannot be determined), as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture (or provision satisfactory to the Trustee shall have been made for the giving of such notice).

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or one year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall, subject to any law regarding unclaimed moneys, be repaid to the City free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost of the City) first mail

to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the City) for interest earned on, moneys so held. Any interest earned thereon shall belong to the City and shall be deposited upon receipt by the Trustee into the Revenue Fund.

Disqualified Bonds

In determining whether the Holders of the requisite aggregate Bond Obligation of Bonds have concurred in any demand, request, direction, consent, or waiver under the Indenture, Bonds that are owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish to the satisfaction of the Trustee that the pledgee has the right to vote such Bonds and that the pledgee is not a person directly or indirectly controlled by, or under direct or indirect common control with, the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the City shall specify in a Certificate to the Trustee those Bonds disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds

The money held by the Trustee for the payment of the interest, principal, Redemption Price, or purchase price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of the Indenture.

SWRCB Loan Contracts

Notwithstanding anything to the contrary in the Indenture, nothing in the Indenture amends or otherwise affects in any way (A) the terms of the SWRCB Loan Contracts, including but not limited to the covenants of the City and the rights and remedies of the SWRCB under the SWRCB Loan Contracts or (B) the terms of the Termination and Consent Agreement, dated March 22, 2013, between the City and the SWRCB.

Waiver of Personal Liability

No member of the City Council of the City or officer, agent, or employee of the City or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member of the City Council of the City or officer, agent, or employee of the City or the Trustee from the performance of any official duty provided by law or by the Indenture.

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APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the CITY OF SACRAMENTO (the “City”) in connection with the issuance of its Wastewater Revenue Bonds, Series 2019 (the “Series 2019 Bonds”). The Series 2019 Bonds are being issued pursuant to an Indenture, dated as of April 1, 2013, as supplemented by the Second Supplemental Indenture dated as of April 1, 2019 (as supplemented, the “Indenture”), between the City and U.S. Bank National Association, as trustee. In connection therewith the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The 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 in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (“SEC”).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in the 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 pursuant to, and as described in, Sections 3 and 4 of the 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 such other 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 the Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement relating to the Series 2018 Bonds, dated March 27, 2019.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” means the State of California.

“Underwriter” means Siebert Cisneros Shank & Co., L.L.C., who is required to comply with the Rule in connection with offering of the Series 2019 Bonds.

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than the end of the ninth month following the end of the City's Fiscal Year (presently June 30), commencing with the report for the 2018-19 Fiscal Year, 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 the Disclosure Certificate. 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 the 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 such change in the same manner as 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), the City shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate 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 pursuant to Section 3(a), then the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Numerical or tabular data of the type contained in the following tables in the Official Statement, to reflect actual results of the most recently completed fiscal year (projections need not be updated):

(1) Table 1 – Number of Connections by User Type

(2) Table 2 – Largest Users by Service Charge Revenues

(3) Table 4 – Selected Monthly Rates

(4) Table 5 – Uncollected Wastewater System Charges

(5) Table 7 – Summary of Historical Operating Results (to be updated to show actual results of most recently completed fiscal year).

Any or all of the items listed above 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 Securities and Exchange Commission, 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 shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or 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 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; or
- (9) Bankruptcy, insolvency, receivership or similar event of the City.
- (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 the 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 the City 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 City, 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 City.

(b) Pursuant to the provisions of this Section 5, the City shall give, or 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 pursuant to its terms;
- (7) Appointment of a successor or additional trustee or the change of name of a trustee; or
- (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.

SECTION 6. Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall 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 such termination occurs prior to the final maturity of the Series 2019 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the 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, change in law, or 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 such 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; and

(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 the Disclosure Certificate, the City shall describe such amendment in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact 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 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.

SECTION 8. Additional Information. Nothing in the Disclosure Certificate prevents the City (a) from disseminating any other information, using the means of dissemination set forth in the 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 the 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 the Disclosure Certificate, the City shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, the 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 the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the City, the Underwriter, 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.

CITY OF SACRAMENTO, CALIFORNIA

By: _____
John P. Colville, Jr., City Treasurer

Dated: April 10, 2019

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento, California

Name of Issue: \$25,960,000 Wastewater Revenue Bonds, Series 2019

Date of Issuance: April 10, 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 April 1, 2013, as supplemented by the Second Supplemental Indenture dated as of April 1, 2019 (the "Indenture"), 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 E

PROPOSED FORM OF BOND COUNSEL OPINION

[Date of Delivery]

City of Sacramento
Sacramento, California

City of Sacramento
Wastewater Revenue Bonds, Series 2019
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with the issuance of \$25,960,000 aggregate principal amount of City of Sacramento Wastewater Revenue Bonds, Series 2019 (the “Bonds”), issued pursuant to an Indenture, dated as of April 1, 2013 (the “Original Indenture”), as supplemented to the date hereof, including as supplemented by a Second Supplemental Indenture, dated as of April 1, 2019, each between the City and U.S. Bank National Association, as trustee (the “Trustee”). The Original Indenture, as so supplemented, is referred to herein as the “Indenture.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate

and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement dated March 27, 2019 or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the City.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F 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, will act as securities depository for the Series 2019 Bonds. The Series 2019 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 Series 2019 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 pursuant to 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 Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 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 Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 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 2019 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 Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 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 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of 2018 Bonds may wish to ascertain that the nominee holding the Series 2019 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 Series 2019 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2019 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 Series 2019 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 Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 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 Series 2019 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 Series 2019 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 Series 2019 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City and the City believes to be reliable, but the City and the Underwriter do not take any responsibility for the accuracy thereof.

