

*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 2017 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 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds. See "TAX MATTERS" herein.*



**\$52,610,000**  
**CITY OF SACRAMENTO**  
**WATER REVENUE BONDS, SERIES 2017**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

The City of Sacramento Water Revenue Bonds, Series 2017 (the "**Series 2017 Bonds**") are being issued by the City of Sacramento (the "**City**") to (i) finance the costs of certain improvements (the "**Series 2017 Project**") to its municipal water system (the "**Water System**") and (ii) pay a portion of the costs of issuance of the Series 2017 Bonds.

The Series 2017 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 2017 Bonds will not receive physical certificates representing the Series 2017 Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. The Series 2017 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2017 Bonds will be payable semiannually on March 1 and September 1, commencing September 1, 2017. Payments of interest on and principal of the Series 2017 Bonds will be made to DTC. DTC is obligated in turn to remit such interest and principal to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2017 Bonds. See APPENDIX F - "BOOK-ENTRY ONLY SYSTEM."

The Series 2017 Bonds are subject to optional and mandatory redemption prior to their respective stated maturities, as described herein. See "THE SERIES 2017 BONDS – Redemption Provisions" herein.

The Series 2017 Bonds are being issued pursuant to an Indenture, dated as of March 1, 2013, as supplemented by the Second Supplemental Indenture, dated as of June 1, 2017 (as supplemented, the "**Indenture**"), between the City and U.S. Bank National Association, as trustee (the "**Trustee**"). The Series 2017 Bonds are limited obligations of the City, secured by a pledge of and payable solely from the Trust Estate, which primarily consists of (i) all System Net Revenues; (ii) 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 (iii) 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 Water System excluding certain moneys as described herein.

The Series 2017 Bonds are payable from System Net Revenues on a parity with (i) the City of Sacramento Water Revenue Bonds, Series 2013 (the "**Series 2013 Bonds**"), currently outstanding in the amount of \$204,230,000 and (ii) a Funding Agreement with the State of California Department of Public Health ("**State Funding Agreement**"), currently outstanding in the amount of approximately \$8.2 million. 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 2017 Bonds, the "**Bonds**") and incur other obligations (together with the State Funding Agreement, the "**Parity Obligations**") secured by the pledge of and payable from the Trust Estate on a parity basis with the Series 2013 Bonds and Series 2017 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 2017 Bonds, other Bonds and Parity Obligations, subject to the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The City currently expects to enter into an additional Parity Obligation in Fiscal Year 2017-18 in the approximate principal amount of \$173.2 million. See "THE WATER SYSTEM - Projected Operating Results."

**The Series 2017 Bonds are limited obligations of the City and are secured by a pledge of and payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2017 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 2017 Bonds or the interest or premium thereon. The Series 2017 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" herein for a description of certain risks associated with an investment in the Series 2017 Bonds.**

The Series 2017 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody 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 2017 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about June 22, 2017.

**BofA Merrill Lynch**

**Siebert Cisneros Shank & Co., L.L.C.**

**\$52,610,000**  
**CITY OF SACRAMENTO**  
**WATER REVENUE BONDS, SERIES 2017**

**MATURITY SCHEDULE\***

**BASE CUSIP NO. †: 786089**

**\$26,270,000\* Serial Bonds**

<b>Maturity* (September 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP†</b>
2018	\$785,000	5.00%	0.81%	786089HB1
2019	825,000	5.00	0.88	786089HC9
2020	870,000	5.00	0.96	786089HD7
2021	915,000	5.00	1.07	786089HE5
2022	960,000	5.00	1.16	786089HF2
2023	1,010,000	5.00	1.31	786089HG0
2024	1,060,000	5.00	1.45	786089HH8
2025	1,115,000	5.00	1.63	786089HJ4
2026	1,175,000	5.00	1.82	786089HK1
2027	1,235,000	5.00	1.95	786089HL9
2028	1,295,000	5.00	2.05*	786089HM7
2029	1,365,000	5.00	2.20*	786089HN5
2030	1,435,000	5.00	2.30*	786089HP0
2031	1,505,000	5.00	2.39*	786089HQ8
2032	1,585,000	5.00	2.48*	786089HR6
2033	1,665,000	5.00	2.58*	786089HS4
2034	1,750,000	5.00	2.64*	786089HT2
2035	1,830,000	4.00	2.99*	786089HU9
2036	1,905,000	4.00	3.03*	786089HV7
2037	1,985,000	4.00	3.07*	786089HW5

**\$11,495,000 5.00% Term Bonds due September 1, 2042 @ 2.85%\* CUSIP† 786089HX3**

**\$14,845,000 5.25% Term Bonds due September 1, 2047 @ 2.89%\* CUSIP† 786089HY1**

**\*Yield to par call on September 1, 2027**

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriters and are included solely for the convenience of the registered owners of the Series 2017 Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2017 Bonds or as included herein. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2017 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*

James Sanchez  
*City Attorney*

Leyne Milstein  
*Finance Director*

Shirley Concolino  
*City Clerk*

Brian Wong  
*Debt Manager*

Bill Busath  
*Director of Utilities*

Dan Sherry  
*Engineering Manager*

Susan Goodison  
*Business Services 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**

FirstSouthwest, a Division of 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 shall there be any sale of the Series 2017 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2017 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 and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace (EMMA) website.

**In connection with this offering, the Underwriters may overallocate or effect transactions which may stabilize or maintain the market price of the Series 2017 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 its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

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

The Series 2017 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**  
**\$52,610,000**  
**CITY OF SACRAMENTO**  
**WATER REVENUE BONDS, SERIES 2017**

**INTRODUCTION**

This introduction contains only a brief summary of certain of the terms of the Series 2017 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 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.”

**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 Water Revenue Bonds, Series 2017 in the aggregate principal amount of \$52,610,000 (the “**Series 2017 Bonds**”) pursuant to an Indenture, dated as of March 1, 2013, as supplemented by the Second Supplemental Indenture, dated as of June 1, 2017 (as so supplemented, the “**Indenture**”), between the City of Sacramento (the “**City**”) and U.S. Bank National Association, as trustee (the “**Trustee**”). The Series 2017 Bonds are being issued by the City to (i) finance the costs of certain improvements (the “**Series 2017 Project**”) to its municipal water system (the “**Water System**”); and (ii) pay a portion of the costs of issuance of the Series 2017 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE SERIES 2017 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, approximately 75 air miles northeast of San Francisco. As of January 1, 2017, the City had an estimated population of 493,025. See APPENDIX B — “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO.”

**The Water System**

The Water System is owned and operated by the City under the administration of the City Department of Utilities (the “**Department**”). The operations of the Water System are accounted for in an enterprise fund established and maintained by the City on its books (the “**Water Fund**”). The Water System provides water to a service area consisting of the City, four outside wholesale customers and one customer to which it provides water conveyance services, and it includes water treatment facilities, pumps and pipes to deliver treated water to customers. All System Revenues (as defined herein) are accounted for in the Water Fund. See “THE WATER SYSTEM.”

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

The Series 2017 Bonds are limited obligations of the City, secured by a pledge of and payable solely from the Trust Estate, which primarily consists of (i) all System Net Revenues; and (ii) 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 (iii) 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 Water System excluding certain moneys as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Series 2017 Bonds are payable from System Net Revenues on a parity with (i) the City of Sacramento Water Revenue Bonds, Series 2013 (the “**Series 2013 Bonds**”), currently outstanding in the amount of \$204,230,000 and (ii) a Funding Agreement with the State of California Department of Public Health (“**State Funding Agreement**”), currently outstanding in the amount of approximately \$8.2 million. Pursuant to the Indenture, the City may issue additional bonds (together with the Series 2013 Bonds and the Series 2017 Bonds, the “**Bonds**”) and incur other obligations (together with the State Funding Agreement, 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 2017 Bonds and may also issue or incur other obligations secured by and payable from the Trust Estate on a basis junior and subordinate to the Series 2013 Bonds, the Series 2017 Bonds, other Bonds and Parity Obligations, subject to the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The City currently expects to enter into an additional Parity Obligation in Fiscal Year 2017-18 in the approximate principal amount of \$173.2 million. See “THE WATER SYSTEM - Projected Operating Results.”

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 2017 Bonds are limited obligations of the City and are secured by a pledge of and payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2017 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 2017 Bonds or the interest or premium thereon. The Series 2017 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 Water 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. 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.”

## **Outstanding Obligations**

In order to fund certain improvements to the Water System, the City has previously (i) issued the Series 2013 Bonds and (ii) entered into the State Funding Agreement. The Series 2013 Bonds and the City’s obligations with respect to the State Funding Agreement constitute Parity Obligations pursuant to the Indenture. The outstanding principal amount of the Series 2013 Bonds is \$204,230,000, and the outstanding principal amount owed by the City pursuant to the State Funding Agreement is approximately \$8.2 million as of June 1, 2017. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Obligations.”

In addition, the City has previously funded certain improvements to the Water System by the issuance of bonds by the Sacramento City Financing Authority (“SCFA”) through the City’s Master Lease Program (as defined herein). Approximately \$123 million principal amount of Master Lease Bonds (as defined herein) relating to Water System improvements are currently outstanding and payable from any legally available funds of the City. In connection with the Master Lease Program, the City has leased certain components of the Water System to the SCFA and the SCFA has subleased those components of the Water System back to the City. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City’s General Fund for the payment of, any existing or future General Fund lease obligation of the City unless 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 or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture. See “THE WATER SYSTEM - Leasing of Certain Components of the Water System.”

Pursuant to the Indenture, the City also has covenanted that it will not encumber any components of the Water System under a City General Fund lease except for the components of the

Water 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 Water 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, encumbered components of the Water System.

### **No Bond Reserve Fund With Respect to Series 2017 Bonds**

No bond reserve fund is being established with respect to the Series 2017 Bonds. The Series 2017 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 Bond Reserve Fund With Respect to Series 2017 Bonds.”

### **Rate Stabilization Fund**

Pursuant to the Indenture, the City has established and maintains a Rate Stabilization Fund. Approximately \$6.8 million is currently 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 shall 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 Water 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 Water Fund and accounted for as System Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Stabilization Fund.”

### **The Series 2017 Project**

The Series 2017 Project consists of acquisition and installation of water meters, replacement of aging pipelines, rehabilitation of certain components of the City’s water treatment plants, and miscellaneous capital projects. See “THE SERIES 2017 PROJECT.”

### **Continuing Disclosure**

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2017 Bonds to provide certain financial information and operating data relating to the Water 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 2016-17, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“EMMA”). The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX D—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. This covenant has been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” for additional information, including information regarding the City’s history of compliance with previous continuing disclosure undertakings.

## Certain Risk Factors

See “CERTAIN RISK FACTORS” for a description of certain risks associated with an investment in the Series 2017 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 2017 Bonds are as follows:

<b>Sources:</b>	
Principal Amount	\$52,610,000.00
Original Issue Premium	<u>10,192,081.20</u>
Total Sources	\$62,802,081.20
<b>Uses:</b>	
Project Fund	\$62,600,000.00
Costs of Issuance <sup>(1)</sup>	<u>202,081.20</u>
Total Uses	\$62,802,081.20

(1) Constitutes a portion of the costs of issuance of the Series 2017 Bonds, consisting primarily of the underwriters’ discount.

## PLAN OF FINANCE

As described herein, the proceeds of the Series 2017 Bonds will be used primarily for the purpose of providing funds to finance or reimburse the City for costs relating to the Series 2017 Project. See “THE SERIES 2017 PROJECT” herein.

## THE SERIES 2017 BONDS

### General

The Series 2017 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, 2017 (each, an “**Interest Payment Date**”). Interest on the Series 2017 Bonds will be computed on the basis of a 360-day year, composed of twelve 30-day months.

The Series 2017 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 2017 Bonds. Individual purchases will be made in book-entry form. Purchasers will not receive a bond certificate representing their beneficial ownership interest in Series 2017 Bonds. So long as Cede & Co. as nominee of DTC, is the registered owner of the Series 2017 Bonds, references herein to

Bondholders, Holders or Owners of the Series 2017 Bonds shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of Series 2017 Bonds.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, principal of and interest on the Series 2017 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 2017 Bonds. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein.

In the event the use of the book-entry system is discontinued, principal of the Series 2017 Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the Series 2017 Bonds will be paid by check mailed by first-class mail on each Interest Payment Date to the person in whose name each Series 2017 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 2017 Bonds may request payment by wire transfer, 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 2017 Bonds maturing on and after September 1, 2028, 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, 2027, 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.

**Mandatory Redemption.** The Series 2017 Bonds maturing on September 1, 2042, are also subject to mandatory redemption from Mandatory Sinking Account Payments for those Series 2017 Bonds on each September 1 on and after September 1, 2038, at a redemption price equal to the principal amount of the Series 2017 Bonds to be redeemed plus accrued interest, if any, to the redemption date, without premium. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2017 Bonds on the dates set forth below (except that if any such Series 2017 Bonds are optionally redeemed, the amounts of the remaining Mandatory Sinking Fund Account Payments for those Series 2017 Bonds will be revised as directed by the City):

<b>Mandatory Sinking Account Payment Date (September 1)</b>	<b>Mandatory Sinking Account Payment</b>
2038	\$2,075,000
2039	2,180,000
2040	2,295,000
2041	2,410,000
2042*	2,535,000

\* Final Maturity

The Series 2017 Bonds maturing on September 1, 2047, are also subject to mandatory redemption from Mandatory Sinking Account Payments for those Series 2017 Bonds on each September 1 on and after September 1, 2043, at a redemption price equal to the principal amount of the Series 2017 Bonds to be redeemed plus accrued interest, if any, to the redemption date, without premium. The Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of those Series 2017 Bonds on the dates set forth below (except that if any such Series 2017 Bonds are optionally redeemed, the amounts of the remaining Mandatory Sinking Fund Account Payments for the Series 2017 Bonds will be revised as directed by the City):

<b>Mandatory Sinking Account Payment Date (September 1)</b>	<b>Mandatory Sinking Account Payment</b>
2043	\$2,665,000
2044	2,810,000
2045	2,960,000
2046	3,120,000
2047*	3,290,000

\* Final Maturity

***Selection of Series 2017 Bonds for Redemption.*** While the Series 2017 Bonds are in book-entry form and so long as DTC acts as Depository for the Series 2017 Bonds, whenever provision is made for redemption of less than all of the Series 2017 Bonds of any maturity, applicable provisions for selection of Series 2017 Bonds to be redeemed under DTC’s book-entry system shall apply. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein. In the event that the use of the book-entry system is discontinued, whenever provision is made for redemption of less than all of the Series 2017 Bonds of any maturity, the Trustee shall select the Series 2017 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 2017 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 shall affect the sufficiency or validity of the proceedings for the redemption of any of the Series 2017 Bonds.

With respect to any notice of optional redemption of Series 2017 Bonds, unless, upon the giving of such notice, such Series 2017 Bonds shall be deemed to have been paid within the meaning of the provisions of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, premium, if any, and interest on, such Series 2017 Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the City shall not be required to redeem such Series 2017 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 said notice shall be of no force and effect and the City shall not be required to redeem such Series 2017 Bonds. In the event that such notice of optional redemption contains such a condition and such amounts are

not so received or such event does not occur, 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.

Any notice of optional redemption given pursuant to the provisions of the Indenture described herein may be rescinded by notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

For so long as the Series 2017 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” herein.

***Cessation of Interest.*** Interest on all Series 2017 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 2017 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 2017 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 2017 Bonds, are limited obligations of the City secured by a pledge of and payable solely from the Trust Estate, which consists of (i) all System Net Revenues; (ii) 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; (iii) 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; (iv) all Swap Revenues; (v) all Subsidy Payments; and (vi) 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 Water System, determined in accordance with generally accepted accounting principles, consistently applied, including, without limiting the generality of the



foregoing, (i) all income, rents, rates, fees, connection fees, water system development fees, charges, standby charges, capacity charges or other moneys derived by the City from the water 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 Water System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water System by or pursuant to law; (ii) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Water System; (iii) allocations from the Rate Stabilization Fund to the Water Fund; and (iv) 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 not include in all cases, (1) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City and (2) any proceeds of the voter-approved general tax imposed on the gross revenues of the Water 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 Water 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 Water 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 Water System, 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 (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Water System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation and (iv) 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 2017 Bonds are limited obligations of the City and are secured by a pledge of and payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely from the Trust Estate as provided in the Indenture, and the City is not obligated**

**to pay the Series 2017 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 2017 Bonds or the interest or premium thereon. The Series 2017 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.**

### **Water 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 Water Fund, which the City covenants and agrees to maintain on the City's books, and all money accounted for within the Water Fund shall be applied and used only as provided in the Indenture, and the Water 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 Water Fund to the Rate Stabilization Fund or allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund. From amounts accounted for within the Water 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 Water 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 said 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 said 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 there are Liquidity Facility Bonds 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 there are any Liquidity Facility Bonds 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.

The City plans to continue to pay debt service on approximately \$123 million principal amount of currently outstanding Master Lease Bonds from System Net Revenues. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City's General Fund for the payment of, any existing or future General Fund lease obligation of the City unless 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 or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense

Obligation after compliance with the conditions of the Indenture. See “- Other Outstanding Obligations.”

### **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 Water 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. See APPENDIX C—“SUMMARY OF THE INDENTURE.”

### **No Bond Reserve Fund With Respect to Series 2017 Bonds**

The Indenture provides that, in connection with the issuance of particular Series of Bonds, the City may designate such Series as Participating Bonds, which are to be secured by amounts in the Bond Reserve Fund, or provide for the establishment of a separate Bond Series Reserve Fund with respect thereto. The City is not establishing a Bond Series Reserve Fund with respect to the Series 2017 Bonds. The Series 2017 Bonds are also not secured by the Bond Reserve Fund established in connection with the issuance of the Series 2013 Bonds.

### **Outstanding Parity Obligations**

In order to fund certain improvements to the Water System, the City has previously issued the Series 2013 Bonds, which are currently outstanding in the principal amount of \$204,230,000.

In addition, in order to fund certain improvements to the Water System, the City has previously entered into the State Funding Agreement with the California Department of Public Health (“**CDPH**”). The City’s obligations with respect to the State Funding Agreement constitute a Parity Obligation pursuant to the Indenture. The current outstanding principal amount owed by the City pursuant to the State Funding Agreement is approximately \$8.2 million. The State Funding Agreement provides that all payments thereunder may be immediately due and payable in the event of material breach by the City (and failure to cure). See “**CERTAIN RISK FACTORS – Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds.**”

The payment schedule with respect to the Series 2013 Bonds and the State Funding Agreement is set forth below in “**PAYMENT SCHEDULE.**”

The State Funding Agreement requires the City to fund a reserve fund for the benefit of CDPH. Amounts in the reserve fund established pursuant to the State Funding Agreement are not available for the payment of any Bonds (including the Series 2017 Bonds) or other Parity Obligations.

The Projected Operating Results for the Water System include the execution of an additional Parity Obligation in Fiscal Year 2017-18 in the approximate principal amount of \$173.2 million to finance additional improvements to the Water System. The City currently expects that these additional Parity Obligations will be in the form of a financing agreement from the State Water Resources Control Board (the “SRF Loan”). See “THE WATER SYSTEM - Projected Operating Results.”

### **Other Outstanding Obligations**

In addition to the State Funding Agreement, the City has previously funded certain improvements to the Water System by the issuance of bonds by the SCFA through the City’s Master Lease Program. Approximately \$123 million principal amount of Master Lease Bonds relating to Water System improvements are currently outstanding. In connection with the Master Lease Program, the City has leased certain components of the Water System to the SCFA and the SCFA has subleased those components of the Water System back to the City. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City’s General Fund for the payment of, any existing or future General Fund lease obligation of the City unless 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 or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

Pursuant to the Indenture, the City also has covenanted that it will not encumber any components of the Water System under a City General Fund lease except for the components of the Water 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 Water 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, encumbered components of the Water System.

See “THE WATER SYSTEM - Leasing of Certain Components of the Water System.”

### **Additional Bonds, Parity Obligations and Subordinate Obligations**

**Additional Bonds.** Subsequent to the issuance of the Series 2017 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 and on 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 Series 2017 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. (The Series 2017 Bonds are not 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, 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 Water 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 Water 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 Water 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 Water System anticipated to be served by any additions or improvements to or replacements or extensions of the Water 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 Water 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 Water 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 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 2017 Bonds) and other existing Parity Obligations (i.e. the State Funding Agreement), 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; or

(B) The requirements set forth in paragraph (d) above under “- 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 2013 Bonds, the Series 2017 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 maintained on the City’s books a fund known as the “**Rate Stabilization Fund.**” Approximately \$6.8 million is currently 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 shall reasonably determine, and the amount of available current System Revenues shall be reduced by the amount so allocated for purposes of the Indenture, including the Rate Covenant. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Water 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 Water 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 Water System for water 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.

## PAYMENT SCHEDULE

Debt Service with respect to the State Funding Agreement, the Series 2013 Bonds and the Series 2017 Bonds is set forth below. The following table does not include amounts which respect to the Master Lease Bonds which the City expects to pay from System Net Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations” and “THE WATER SYSTEM - Leasing of Certain Components of the Water System.”

Fiscal Year Ending June 30	State Funding Agreement		Series 2013 Bonds		Series 2017 Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 437,048.42	\$ 201,480.90	\$ 3,960,000.00	\$ 10,057,500.00	\$ -	\$ 1,805,535.31	\$ 16,461,564.63
2019	448,050.45	190,478.87	4,150,000.00	9,864,750.00	785,000.00	2,590,787.50	18,029,066.82
2020	459,329.43	179,199.89	4,360,000.00	9,657,000.00	825,000.00	2,550,537.50	18,031,066.82
2021	470,892.34	167,636.98	4,580,000.00	9,433,500.00	870,000.00	2,508,162.50	18,030,191.82
2022	482,746.33	155,782.99	4,815,000.00	9,198,625.00	915,000.00	2,463,537.50	18,030,691.82
2023	494,898.73	143,630.59	5,065,000.00	8,951,625.00	960,000.00	2,416,662.50	18,031,816.82
2024	507,357.04	131,172.28	5,315,000.00	8,700,125.00	1,010,000.00	2,367,412.50	18,031,066.82
2025	520,128.98	118,400.34	5,580,000.00	8,435,750.00	1,060,000.00	2,315,662.50	18,029,941.82
2026	533,222.42	105,306.90	5,865,000.00	8,149,625.00	1,115,000.00	2,261,287.50	18,029,441.82
2027	546,645.48	91,883.84	6,155,000.00	7,861,125.00	1,175,000.00	2,204,037.50	18,033,691.82
2028	560,406.44	78,122.88	6,460,000.00	7,557,750.00	1,235,000.00	2,143,787.50	18,035,066.82
2029	574,513.80	64,015.52	6,790,000.00	7,226,500.00	1,295,000.00	2,080,537.50	18,030,566.82
2030	588,976.31	49,553.01	7,135,000.00	6,878,375.00	1,365,000.00	2,014,037.50	18,030,941.82
2031	603,802.88	34,726.44	7,505,000.00	6,512,375.00	1,435,000.00	1,944,037.50	18,034,941.82
2032	619,002.69	19,526.63	7,890,000.00	6,127,500.00	1,505,000.00	1,870,537.50	18,031,566.82
2033	315,320.49	3,944.19	8,290,000.00	5,723,000.00	1,585,000.00	1,793,287.50	17,710,552.18
2034			8,720,000.00	5,297,750.00	1,665,000.00	1,712,037.50	17,394,787.50
2035			9,165,000.00	4,850,625.00	1,750,000.00	1,626,662.50	17,392,287.50
2036			9,635,000.00	4,380,625.00	1,830,000.00	1,546,312.50	17,391,937.50
2037			10,130,000.00	3,886,500.00	1,905,000.00	1,471,612.50	17,393,112.50
2038			10,650,000.00	3,367,000.00	1,985,000.00	1,393,812.50	17,395,812.50
2039			11,195,000.00	2,820,875.00	2,075,000.00	1,302,237.50	17,393,112.50
2040			11,770,000.00	2,246,750.00	2,180,000.00	1,195,862.50	17,392,612.50
2041			12,370,000.00	1,643,250.00	2,295,000.00	1,083,987.50	17,392,237.50
2042			13,005,000.00	1,008,875.00	2,410,000.00	966,362.50	17,390,237.50
2043			13,675,000.00	341,875.00	2,535,000.00	842,737.50	17,394,612.50
2044					2,665,000.00	709,406.25	3,374,406.25
2045					2,810,000.00	565,687.50	3,375,687.50
2046					2,960,000.00	414,225.00	3,374,225.00
2047					3,120,000.00	254,625.00	3,374,625.00
2048					3,290,000.00	86,362.50	3,376,362.50
<b>Totals</b>	<b>\$ 8,162,342.23</b>	<b>\$ 1,734,862.25</b>	<b>\$ 204,230,000.00</b>	<b>\$ 160,179,250.00</b>	<b>\$ 52,610,000.00</b>	<b>\$ 50,501,779.06</b>	<b>\$ 477,418,233.54</b>

## THE WATER SYSTEM

### General

The City is located at the confluence of the Sacramento and American Rivers in the northern part of California's 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 City Charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Clerk, and the City Treasurer to carry out its adopted policies. The 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, 2017, the City had an estimated population of 493,025.

### Service Area

The Water System began providing service in the City in approximately 1854. Today, the City's retail water service area covers approximately 63,182 acres within a boundary that is largely contiguous with the City limits. The Sacramento Suburban Water District ("SSWD") serves a small portion of City residents and businesses on the eastern side of the City, and the Water System serves a number of customers in the unincorporated portion of the County of Sacramento (the "County") adjacent to the service area of the Fruitridge Vista Water Company. The population within both of these areas is roughly equivalent.

The City wholesales water to the California American Water Company ("Cal Am"), Fruitridge Vista Water Company, and the SSWD, wholesales/wheels water to the Sacramento County Water Agency (for service to Sacramento International Airport and Metro Air Park), and wheels water to the Sacramento County Water Agency (for South Sacramento Zone 40 service area).

### Management

The Water System is administered by the Department, which also administers the City's wastewater treatment and conveyance system (the "**Wastewater System**") and the storm drainage system. The Water System and the Wastewater System are financially independent from each other. The following are biographies of key Department personnel with responsibility for management of the Water System:

*Bill Busath, Director* – Mr. Busath has over 19 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. Mr. Busath also served as the Engineering Services Manager from 2011 to 2014 until his appointment as Director of Utilities in 2014. He holds a Bachelor's of Science in Civil Engineering and a Master's of Science in

Engineering Management from California State University, Sacramento, and has been a licensed Professional Engineer for 21 years.

*Dan Sherry, Engineering Services Division Manager* – Mr. Sherry has over 20 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 Water Capital Improvement Program. Mr. Sherry has been the Manager of the Engineering Services Division for two years. He holds a Bachelor’s 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 22 years.

*Susan Goodison, Business Services Manager* – Ms. Goodison has over 23 years of experience in municipal finance, accounting and administration, working in the housing, pension and utilities sectors at the State and local government level. Ms. Goodison joined the Department in 2012 and has been the Business Services Manager since February 2015. Ms. Goodison oversees the finance, billing, customer service, and employee and administrative services operations for the Department. She holds a Bachelor’s of Science in Agricultural Economics from Cornell University. Ms. Goodison is a member of the California Society of Municipal Finance Officers Association, and serves on the Finance Committee for the Association of California Water Agencies.

In addition, the Department has initiated a recruitment process to fill the currently vacant position of Operations and Maintenance Manager.

**Employees**

During Fiscal Year 2016-17, the City has assigned 526 employees to the Department, many of whom perform work for more than one of the City’s utilities. Employee costs of the Department are allocated by the City among the various utilities. For Fiscal Year 2016-17, the Water System was allocated approximately 44% of Department employee costs. Employees assigned to the Water System are represented by the Bargaining Units with the Memorandum of Understanding expiration set forth in the following table. The City has commenced negotiations with respect to the Memoranda expiring in June 2017.

<b>Bargaining Unit</b>	<b>Number of Employees</b>	<b>Expiration</b>
Western Council of Engineers (WCE)	20	June 23, 2017
UA Local 447 Plumbers & Pipefitters Local Union	176	June 23, 2017
Stationary Engineers Local 39	192	June 23, 2017
Sac Sierra Building and Construction Trades, rep unit 6	54	June 25, 2017
Sacramento City Exempt Employees Association (SCXEA)	83	June 22, 2018
Non-Represented	1	

**Water System Facilities**

The Water System includes two water treatment facilities, groundwater wells, storage facilities, pumping facilities, and distribution/transmission pipelines. The City maintains six wholesale connections to other adjacent agencies and 21 additional emergency interties.

Water Treatment Plants. The City treats surface water diverted from the Sacramento and American Rivers through the Sacramento River Water Treatment Plant (“SRWTP”) and the E.A. Fairbairn Water Treatment Plant (“FWTP”), respectively.

*Sacramento River Water Treatment Plant.* The SRWTP began operation in 1924 with an initial capacity of 32 million gallons per day (“MGD”), and treats water diverted approximately one-half mile downstream of the American River confluence with the Sacramento River. A new intake structure was completed in 2004. Other expansions and modifications completed by the City since the 1920’s include a rehabilitation project at the SRWTP in 2016 to bring its design capacity back to 160 MGD.

As of the date of this Official Statement, the SRWTP’s design treatment of 160 MGD capacity is limited to approximately 140 MGD pending an approval by the State for filter ratings of 160 MGD for the new improvements, which the City expects will occur in 2017 if all the required testing can be completed. The City has previously tested and achieved the design ratings on identical filters at the SRWTP, and does not anticipate any difficulty with the procedural rating process. The current period where the existing filter can be used to peak capacity is limited from May 15<sup>th</sup> to September 30<sup>th</sup>, which includes the warmer summer months when peak treatment capacity is needed. The SRWTP currently has four treatment trains; all four treatment trains are recombined after filtration before post-chlorination, and eventual discharge from a high service pump station to the distribution system. Rehabilitation and replacement work on the sedimentation basins, high service pump station, filters, solids dewatering facilities, and electrical switchgear at the SRWTP was completed in the end of 2016, restoring the capacity of the SRWTP from 135 MGD to 160 MGD (assuming the State approval described above).

As described herein in “- Drought,” the capacity of SRWTP actually available may be adversely affected by drought conditions.

*Fairbairn Water Treatment Plant.* The FWTP is located on the American River approximately seven miles upstream of the confluence of the American and Sacramento Rivers. The FWTP began operation in 1964 and has a current design capacity of 200 MGD following an expansion completed in 2005. As of the date of this Official Statement, the State Water Resources Control Board Division of Drinking Water (“DDW”) has permitted the FWTP with a capacity of 160 MGD. The amount of water allowed to be diverted for treatment at FWTP is further limited by the Hodge Flow Criteria described below. Generally, during the time of peak demand, most often in June, July, or August, the Hodge Flow Criteria could limit the diversion rate at the FWTP to 100 MGD. (See “--Water Rights and Resources – Hodge Flow Criteria.”)

*Groundwater Wells.* The City currently has 33 permitted municipal groundwater supply wells, 31 of which are located in the northern portion of the City, north of the American River and two of which are located south of the American River, with a total groundwater production capacity of approximately 20 MGD. One additional well is currently under construction, and is expected to be completed in 2018. A second well is in design and is also expected to be completed and online in 2018. Of the 33 wells, six are currently offline because of water quality concerns. The wells offline are undergoing a condition assessment to determine whether they will be reopened in the future. See “--Environmental Compliance” and “—Water Rights and Resources”).

*Storage Facilities.* The City currently has 16 water storage facilities: 11 distributed storage tanks are located throughout the City, and five clearwells are located at the water treatment plants

(three at the SRWTP and two at the FWTP). Ten of the storage tanks located throughout the City's distribution system have a capacity of 3 million gallons each, while one storage tank (Florin Reservoir) has a capacity of 15 million gallons, for a cumulative distribution system storage capacity of 45 million gallons. The combined plant clearwells have a nominal capacity of approximately 45 million gallons and a usable capacity of 38 million gallons.

*Pumping Facilities.* The City currently operates high lift pump stations at both the SRWTP and the FWTP. The City also has an additional 10 pump stations, located at storage tanks within the distribution system.

*Transmission and Distribution Mains.* The City maintains approximately 1,445 miles of distribution system mains (12 inches in diameter or less) and approximately 159 miles of transmission mains (greater than 12 inches in diameter). The City's oldest transmission and distribution mains date back to the early 1900's. Approximately one-third of the City's transmission and distribution mains' age is unknown. The remaining two-thirds range from less than 10 years to over 100 years old (about 46 percent of the two-thirds are less than 40 years old, 10 percent are between 40 and 50 years old, and about 44 percent are more than 50 years old). As a result of this aging infrastructure, the Water System experiences significant pipe breaks from time to time. The majority of pipeline failures occur on the older pipelines and the frequency of failures is increasing. The City monitors the condition of the transmission and distribution system and rehabilitates or repairs pipes regularly.

*System Production Capacity.* The table below shows the Water System's existing and future sustainable capacity to be considered for meeting existing and future water demand. Sustainable capacity is the treatment capacity that can be provided 24 hours per day 365 days per year while meeting all water quality goals.

**Table 1  
Water System Sustainable Capacity**

Facility	Sustainable Capacity (MGD)	
	Existing	Future <sup>(1)</sup>
SRWTP	140	160
FWTP <sup>(2)</sup>	100	100
Groundwater Wells	20	20
<b>TOTAL</b>	<b>260</b>	<b>280</b>

Notes:

- (1) The increase from 140 MGD to 160 MGD is pending an approval by the State for filter ratings of 160 MGD for the SRWTP, which the Department anticipates will occur in 2017. It is expected that May 15<sup>th</sup> to September 30<sup>th</sup> will continue to be the permitted period for peak treatment capacity.
- (2) While the permitted capacity is 160 MGD, the City's Water Forum diversion restrictions limit FWTP diversions to 100 MGD during the peak demand period of June through August, if lower American River flows fall below the Hodge Flow Criteria.

Source: The City

*Recent System Production.* The City experienced a steady increase in water demands from the early 1990's to its peak in 2007. Between 2007 and 2011, the City's average water demand dropped from 134 MGD to approximately 103 MGD. The City believes that this decline can be attributed to the economic recession which began in 2008, resulting in vacant properties and a reduction in wholesale water deliveries. Coinciding with a regional economic recovery, water

demands increased between 2011 and 2013. Since 2014 water demand decreased again, as the City responded to a significant statewide drought, which has required reduced water usage by customers to meet State mandated emergency water conservation goals. On April 7, 2017, the Governor rescinded the emergency drought proclamation and the mandated emergency water conservation goals. City staff will be returning to Sacramento City Council for direction on local demand management measures put in place to respond the drought measures. See “—Drought.” The Projected Operating Results assume modest increases in demand. See “—Projected Operating Results.”

The following two tables show the annual and average total water production from the Water System’s three supply sources. Table 2 also identifies the allocation of the total water production (in millions of gallons or “MG”) between retail and wholesale customers. Based on year-to-date results, the City currently projects that total volume for retail and wholesale demand for Fiscal Year 2016-17 will be consistent with Fiscal Year 2015-16. The City currently projects that Fiscal Year 2016-17 cumulative retail production will be between 28,000 and 30,000 MG.

**Table 2  
Water Production by Source**

<b>Fiscal Year</b>	<b>Fairbairn Water Treatment Plant (MG)</b>	<b>Sacramento River Water Treatment Plant (MG)</b>	<b>Groundwater Wells (MG)<sup>(1)</sup></b>	<b>Total Production (MG)</b>	<b>Water Production to Retail (MG)<sup>(2)</sup></b>	<b>Water Production to Wholesale (MG)<sup>(3)</sup></b>
2011-12	14,523	19,028	5,675	39,225	37,266	1,959
2012-13	15,319	20,810	4,051	40,179	37,760	2,419
2013-14	14,045	17,017	4,638	35,700	35,549	151
2014-15	10,916	13,514	5,242	29,671	29,421	250
2015-16	9,226	14,502	3,957	27,684	27,378	306
Average	12,805	16,974	4,712	34,491	33,475	1,017

<sup>(1)</sup> Total groundwater production includes 80 MG purchased from an adjacent water agency in Fiscal Year 2013-14 and 250 MG purchased in Fiscal Year 2014-15. The water was purchased to blend with City supply in order to remediate a localized water quality condition in compliance with State authorization for a period of 90 days.

<sup>(2)</sup> Based on the previous 12 month period (April 2016-March 2017), projected cumulative retail production volume is between 28,000 and 30,000 MG in Fiscal Year 2016-17.

<sup>(3)</sup> Fiscal Year 2016-17 projected wholesale delivery is 250-350 MG.

Source: The City



**Table 3**  
**Average Water Production<sup>(1)</sup>**

<b>Water Source</b>	<b>Average Annual Production (MG)</b>	<b>Average %</b>	<b>Average Daily Production Rate Over Calendar Year (MG)</b>	<b>Average Daily Maximum Month Production Rate (MGD)</b>
SRWTP	16,974	49	47	75
FWTP	12,805	37	35	54
Groundwater Wells <sup>(2)</sup>	4,712	14	13	14
<b>TOTAL</b>	<b>34,491</b>	<b>100</b>	<b>95</b>	<b>143</b>

<sup>(1)</sup> For the period of Fiscal Year 2011-12 to Fiscal Year 2015-16.

<sup>(2)</sup> Total groundwater production includes 80 MG purchased from an adjacent water agency in Fiscal Year 2013-14 and 250 MG purchased in Fiscal Year 2014-15. The water was purchased to blend with City supply in order to remediate a localized water quality condition in compliance with State authorization for a period of 90 days.

Source: The City

### **Water Rights and Resources**

In addition to the groundwater wells described above, the City possesses significant surface water rights, including five appropriative water rights permits issued by the State Water Resources Control Board (“**SWRCB**”) and pre-1914 rights (as described below and in Table 4). Diversions under the City’s water right permits are subject to the provisions of a water rights settlement contract with the U.S. Bureau of Reclamation (“**BuRec**”). In addition, there also are some conditions whereby the City’s diversion rights are limited by the “Hodge Flow Criteria” as described below. With the recent improvements to the SRWTP and FTWP, and planned water conservation to meet California Senate Bill X7-7 (Water Conservation Act of 2009) that called for a 20% savings from a previous baseline, the City projects that it will have sufficient water entitlements and water production infrastructure to accommodate new demands through the year 2030. The City’s water rights permits (described in the table below) require the City to perfect full use by the year 2030, which is the time by which the City must demonstrate its maximum water usage of surface water diverted. If the City anticipates additional future demands as 2030 draws near, there are procedures for requesting an extension, which would require consideration and approval by the SWRCB in accordance with applicable statutory and regulatory requirements.

The State began its permitting system for water rights in 1914. Accordingly, all of the City’s water right permits (one on the Sacramento River and four on the American River) were issued by the State after 1914, and Table 4 provides data on these five permits. The City also possesses so called “pre-1914 rights” by virtue of the fact that the City was diverting water off the Sacramento River for service to City inhabitants prior to the State’s adoption of its water right permitting system in 1914. Based on the amount of Sacramento River water that was being diverted before the City’s Sacramento River Water Treatment Plant was expanded in the early 1920s, the City’s pre-1914 right entitles the City to divert Sacramento River water at a rate of up to 75 cubic feet per second. When the City reports its annual surface water diversions to the State, the City allocates these diversions between its five water right permits and its pre-1914 rights.

Surface water is currently diverted at two locations: from the American River downstream from the Howe Avenue Bridge, and from the Sacramento River downstream of the confluence of the American and Sacramento Rivers. The City’s current authorized Place of Use (“**POU**”) for water

diverted under the Sacramento River permit includes all the land within the City limits, while the POU for water diverted under the American River permits includes land within the City limits and adjacent portions of the service areas of several other water purveyors.

The State of California is currently considering new, and potentially more stringent long term conservation programs, and the City is tracking and providing input to this endeavor. The likely impact of more stringent long term conservation programs on the City's water infrastructure would be to extend any future date where demands would exceed capacity. Depending on growth in demand and any new statewide mandates for water usage, new water production infrastructure may be needed, which could require the issuance of additional Bonds or other Parity Obligations.

The following table summarizes the City's water rights permits (note that the City's rights as described below are limited in certain circumstances by the BuRec Settlement (defined below) and the Hodge Flow Criteria).

**Table 4  
City State Water Right Permits Summary  
City of Sacramento**

Permit No.	Priority Date <sup>(1)</sup>	River Source	Maximum Rate and Amount Specified		Place of Use
992	March 30, 1920	Sacramento	225 CFS*	26,655 MG	City of Sacramento
11358	October 29, 1947	American	675 <sup>(2)</sup> CFS	79,833 <sup>(2)</sup> MG	79,500 acres within and adjacent to the City
11359	February 13, 1948	Tributaries of American			96,000 acres within and adjacent to the City
11360	July 29, 1948	Tributaries of American			96,000 acres within and adjacent to the City
11361	September 22, 1954	American			79,500 acres within and adjacent to the City

<sup>(1)</sup> The “**Priority Dates**” shown above are the dates that each water right application was filed. Since 1914, a party seeking surface water rights in the State has been required to apply to the State for a permit. Under permits issued by the State since 1914, when there is not adequate water available to satisfy all permittees’ uses, water use is governed by a priority doctrine where permits with earlier application dates (i.e., “**senior rights**”) take precedence over permits with later application dates (i.e., “**junior rights**”). Water rights obtained by water use before the permit system was instituted in 1914 are referred to as “pre-1914” rights, and during times of water shortage pre-1914 water rights take precedence over water right permits issued after 1914.

<sup>(2)</sup> Aggregate maximum applicable to the City’s diversions under all four American River permits pursuant to the 1957 settlement contract between the City and BuRec.

\* CFS = Cubic feet per second.

Source: The City

*Bureau of Reclamation Settlement Contract.* The City’s ability to use its entitlements for the Sacramento and American Rivers is subject to the provisions of an “Operating Contract Relating to Folsom and Nimbus Dams and Their Related Works and to Diversions of Water by the City of Sacramento,” Contract No. 14-06-200-6497 entered into in 1957 by the City and the BuRec (the “**BuRec Settlement**”). Under the BuRec Settlement, the City agreed to limit its combined diversion under its American River water right permits to a maximum rate of 675 cubic feet per second (“CFS”), and a maximum amount that may scale up to 79,833 MG a year by the year 2030. The City also agreed to limit diversion under its Sacramento River water right permit to a maximum rate of 225 CFS and a maximum amount of 26,655 MG. This limits the City’s total diversions of Sacramento and American River water under its water right permits to 106,488 MG in the year 2030

and in succeeding years. In return, the BuRec Settlement requires the BuRec to operate BuRec facilities so as to make available enough water in the rivers to enable the agreed-upon diversions by the City.

*Water Forum Agreement.* The Water Forum was started in 1993 by a group of water managers, local governments, business leaders, agricultural leaders, environmentalists, and citizen groups with two “co-equal” goals: to provide a reliable and safe water supply through the year 2030, and to preserve the wildlife, fishery, recreational, and aesthetic values of the Lower American River. In 1999, after six years of negotiation, the Water Forum participants approved the 2000 Water Forum Agreement (“**Water Forum Agreement**”).

As part of the Water Forum Agreement, each purveyor signed a purveyor specific agreement (“**PSA**”) that specified that purveyor’s Water Forum commitments. The City’s PSA limits the quantity of water diverted from the American River to the FWTP during two conditions: extremely dry years (i.e., “**Conference Years**”) and periods when river flows are below the “Hodge Flow Criteria” issued by Judge Richard Hodge in the Environmental Defense Fund v. East Bay Municipal Utility District litigation (“**Hodge Flow Criteria**”). These two conditions, collectively referred to as the “**PSA Limitations**,” are described in more detail below.

*Extremely Dry Years (Conference Years).* The PSA defines Conference Years as years in which the State Department of Water Resources (“**DWR**”) projects an annual unimpaired flow into Folsom Reservoir of 550,000 acre feet per year (179,200 million gallons) or less, or the projected March through November unimpaired flow into Folsom Reservoir is less than 400,000 acre feet per year (130,300 million gallons). During extremely dry years, the City has agreed to limit its diversions for water treated at the FWTP to 155 cubic feet per second (100 million gallons per day) and 50,000 acre feet per year (16,300 million gallons). This has happened three times since 1922 (i.e., a frequency of about three years out of every 100 years). Any additional water needs must be met by diversions at other locations and/or other sources.

The City would reduce water consumption in an extremely dry year, if supplies were not available. The City’s 2015 Urban Water Management Plan provides for specific actions to reduce water consumption depending on the severity. For example, the City may forbid washing cars or outdoor irrigation. The Urban Water Management Plan also provides for longer term water conservation efforts.

*Hodge Flow Criteria.* The Water Forum parties agreed to use the Hodge Flow Criteria as a minimum flow that would preserve and protect the in-stream resources of the Lower American River. The City’s PSA restricts the City from using a portion of the maximum allowable FWTP diversion capacity during periods when these flows are not met.

Under the City’s PSA, the FWTP may divert up to 200 MGD as long as the flow in the American River is greater than the Hodge Flow Criteria. When the flow in the American River is less than the Hodge Flow Criteria, diversion limits apply. Diversion limits have applied from time to time. However, application of the limits has not materially adversely affected the City’s ability to meet demand in the Water System.

*Groundwater.* The City has historically relied on groundwater to satisfy a portion of its demand. The City overlays two subbasins of the Sacramento Valley Groundwater Basin (the North American and South American Subbasins). The City is one of many water purveyors that utilizes

groundwater from the subbasins. The City has 31 municipal supply wells (6 of which are currently offline) north of the American River, and 2 municipal supply wells south of the American River. The City pumps groundwater from both subbasins, although approximately 80-90% of the amount pumped by the City is pumped from the North American Subbasin. The City pumped 12,862 acre feet of groundwater from the North American Subbasin and 844 acre feet from the South American Subbasin for potable water consumption in 2015.

In 2014 the State enacted the Sustainable Groundwater Management Act (“**SGMA**”). The legislation provides a framework for sustainable management of groundwater supplies by local authorities. The act requires the formation of local groundwater sustainability agencies (“**GSAs**”) that must assess conditions in their local water basins and adopt locally-based groundwater sustainability plans.

The City is an active member of two local groundwater management agencies: 1) the Sacramento Groundwater Authority whose boundaries include the portion of the City north of the American River, and 2) the Sacramento Central Groundwater Authority, whose boundary includes all portions of the City limits south of the American River. Both agencies are in the process of becoming GSAs in compliance with SGMA regulations. Given the relatively recent passage of SGMA, and the ongoing release of regulations surrounding the implementation of SGMA, the long term impacts are not fully understood. The initial assessment is that curtailment of the City's current groundwater production capacity is unlikely. Current groundwater extractions and any future goals to expand the City's groundwater resources will need to be considered in conjunction with locally developed groundwater sustainability plans.

### **California WaterFix**

California WaterFix is the water-supply portion of the joint project of DWR and BuRec formerly known as the Bay Delta Conservation Plan (“**BDCP**”). The project proposes three new water-diversion intakes on the Sacramento River north of Courtland and two tunnels to convey water to the State and federal pumping facilities in the southern Delta. Those export pumps send water to contractors of the Central Valley Project (“**CVP**”) and the State Water Project (“**SWP**”) who are in the San Joaquin Valley, southern California, the Central Coast, and the southern Bay Area. On August 25, 2015, the DWR and BuRec Settlement jointly submitted a change petition to the SWRCB to add points of surface-water diversion and re-diversion to their water-right permits to implement the WaterFix project.

In January 2016, the City filed a protest in the change-petition process. Many other parties throughout the State filed also protests against the change petition. Protests may be filed on several specified grounds, including (1) the proposed change would interfere with prior water rights, and (2) the proposed change would have an adverse environmental impact. The City's protest was developed in coordination with other water agencies in the Sacramento region (the American River Water Agencies) and in Northern California (the North State Water Alliance), and includes the following claims:

- Reasonably foreseeable operational changes resulting from the tunnels project may adversely impact available water supply in this region, thereby causing injury to the City's prior water rights.
- The WaterFix project will have adverse effects on fish and wildlife not addressed by the project proponents.

The SWRCB has indicated that the hearing on the petitions will be held in two parts: Part 1 will consider water rights and water supply issues, and Part 2 will consider environmental issues. The SWRCB has further divided Part 1 into Part 1A (presentation of the petitioners' hearing testimony and associated cross-examination) and Part 1B (presentation of the protestants' testimony and associated cross-examination). Part 1A has been concluded, and Part 1B began on October 20, 2016. Part 2 has not yet been scheduled but will take place after the California WaterFix project has complied with CEQA, NEPA, and the state and federal endangered-species acts.

## **Drought**

California hydrology can be highly variable from year to year. 2014 was a historically dry year in the State. 2015 was the fourth consecutive drought year and the eighth of nine years with below average rainfall and snowpack. On January 17, 2014, Governor Jerry Brown declared a statewide drought state of emergency for California, and directed State officials to take all necessary actions to prepare for water shortfalls. On March 17, 2015, the SWRCB adopted expanded emergency water conservation regulations prohibiting certain outdoor irrigation and urban water uses and ordering all urban water suppliers to implement conservation measures and provide monthly data on water production, per capita use, outdoor watering restrictions, enforcement efforts and water conservation programs and services. On April 1, 2015, Governor Jerry Brown issued Executive Order B-29-15 to address the ongoing drought conditions in California. Executive Order B-29-15, among other things, directed the SWRCB to impose restrictions to achieve a statewide 25% reduction in potable urban water usage from 2013 levels through February 28, 2016. Executive Order B-29-15 further directed the SWRCB to impose restrictions to require that commercial, industrial and institutional properties, such as campuses, golf courses and cemeteries, immediately implement water efficiency measures to reduce potable water usage, and called upon the SWRCB to direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees and penalties, to maximize water conservation consistent with statewide water restrictions. Executive Order B-29-15 included several provisions to increase enforcement activity against water waste and to streamline the State and local response to drought-related initiatives.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation requiring a 25% reduction in overall potable urban water production statewide in accordance with Executive Order B-29-15. The regulation became effective on May 18, 2015, and initially was to remain in effect for 270 days from such date. In November 2015, the Governor issued Executive Order B-36-15, which extended the SWRCB's emergency regulation into October 2016 if drought conditions persisted into January 2016. Executive Order B-36-15 further directed the SWRCB to revise the emergency regulations in light of conditions present in January 2016. On February 2, 2016, the SWRCB adopted an extended and revised emergency regulation to ensure that urban water conservation continued in 2016 due to the severity of the water deficits over the past several years. The regulation extended restrictions on urban water use through October 2016, while providing urban water suppliers more flexibility in meeting their conservation requirements through certain credits and adjustments to urban water suppliers' conservation standards. The regulation further directed SWRCB staff to report back on additional flexibility once more complete water supply information was known in April 2016.

On May 9, 2016, Governor Brown issued Executive Order B-37-16, which extended the emergency water conservation regulation through the end of January 2017. The order also addresses the development and establishment of longer-term water use efficiency standards, including permanent monthly water use reporting and new permanent water use standards. The Executive

Order also permanently bans wasteful practices such as hosing off sidewalks, driveways and other hardscapes, calls for long-term improvements in local drought preparation and directed the SWRCB to develop emergency water restrictions for 2017 if the drought persisted. The Executive Order also directed the SWRCB to make adjustments to the emergency water conservation regulation in recognition of the differing water supply conditions across the state. On May 18, 2016, the SWRCB approved modification to the drought-related emergency regulation for urban water conservation per the Governor's May 9 Executive Order. With the action, the SWRCB replaced state-mandated conservation targets with a supply-based approach that considers locally developed conservation standards based on each agency's specific circumstances and water supplies. Under the modified regulation (the "**May 2016 SWRCB Drought Regulation**"), each water agency in the State is required to self-certify the level of water supplies it will have available assuming three additional dry years, and the level of conservation necessary to assure adequate supply over that time. Urban water suppliers are required to reduce potable water use in a percentage equal to their projected shortfall in the event of three more dry years (*e.g.*, if a water agency projects it will have a 10% supply shortfall at the current rate of water use, assuming the next three years are dry years, the mandatory conservation standard for that water agency would be 10%).

On April 7, 2017, following a winter that brought significant rainfall to the State, Governor Brown issued Executive Order B-40-17 terminating the January 17, 2014 Drought State of Emergency for all counties in California except the Counties of Fresno, Kings, Tulare, and Tuolumne. B-40-17 rescinds the orders and provisions contained in the April 25, 2014 Emergency Proclamation, as well as Executive Orders B-26-14, B-28-14, B-29-15, and B-36-15. However, Executive Order B-37-16 "Makings Water Conservation a California Way of Life," remains in full force.

B-40-17 directs the State Water Resources Control Board to continue developing permanent prohibitions (B-37-16) on wasteful water use and requirements for reporting water use, and to provide a bridge to those eventual permanent regulations, maintains prohibitions of wasteful practices such as irrigating turf during rainfall.

The previous requirement that agencies, such as the City of Sacramento, produce an annual water supply stress test or follow mandatory conservation standards is now rescinded.

*City Response to Drought.* The City responded to the state-wide water shortage conditions by enacting a Stage 2 Water Shortage Contingency Plan on January 14, 2014, just a few days prior to the Governor's drought declaration on January 17, 2014. The Stage 2 plan identified a series of water use restrictions designed to achieve a 20-30% reduction in water demand. Example measures in the plan included increased public outreach, a reduction in allowable watering days, increased water waste patrols, and an increase in the penalties for violations in water use activities. In response to Governor's requirement that state-wide savings of 20% be realized, the State Water Resources Control Board created a tiered system of mandatory savings rates throughout the state. Between June 2015 and February 2016, the City was required to reduce retail usage of potable supply by 28% vs the same period in 2013. The City actual savings rate was 28.2%. In compliance with the May 2016 SWRCB Drought Regulations, allowing for local agencies to reduce savings rates if adequate supply of water could be demonstrated through a self-certification process, the City completed the self-certification process, which identified a conservation requirement of 0%.

The enactment of the Water Shortage Contingency Plan and overall citizen awareness of the drought conditions helped the City meet its required conservation targets. In 2014, the City reduced

its water demands by 19% as compared to 2013. In 2015 the annual savings rate was 28% as compared to 2014, and under the rules set by the SWRCB in compliance with Executive Order B-29-15, the City met all requirements. Despite a self-certification identifying zero shortage the City maintained its 2016 potable demand at 26% below the water demand in 2013, and maintained its Stage 2 Water Shortage Contingency Plan.

The Fiscal Year 2016-17 revenue and expenditure budgets are based on modeling that the Department developed for Fiscal Years 2017 – 2020 programs which assumed that the City achieve a 20% conservation throughout Fiscal Year 2016-17. The Fiscal Year 2016-17 revenue budget was further adjusted downward to reflect the increased conservation that the City has achieved above the 20% assumption. The planned expenditures relating to the Water System were developed in accordance with the forecast revenues.

In addition, drought conditions in 2014 and 2015 resulted in reduced water elevation in the Sacramento River which in turn threatened the ability of the City to efficiently draw water from the Sacramento River. Although recently completed improvements to the SRWTP will, upon receipt of certain regulatory approvals, allow SRWTP to divert 160 MGD during peak demand periods, SRWTP requires a minimum water surface elevation in the Sacramento River to achieve the full pumping capacity. The ongoing California drought has led to lower river flows, which has resulted in the potential for reduced pump efficiency in the City's river intake structure. Two recent evaluations undertaken by the City have identified a minimum water elevation of 4 to 6 feet in order to divert the full 160 MGD with all pumps operating at full capacity. When the Sacramento River drops below this level, pumping capacity into the SRWTP is gradually reduced. A review of water service elevations over the last 16 years identified a minimum observed elevation of 0.4 feet, which exceeds a minimum elevation of -0.5 feet that was considered in the most recent evaluation by an independent engineering firm. This study identified a probable remaining capacity of 135 MGD at -0.5 feet. The City will continue to evaluate the frequency and elevation at which pump efficiency is reduced.

In response to the Governor's April 7, 2017 termination of the Drought State of Emergency (B-40-17), in late summer City staff expects to request the City Council to terminate the status Stage 2 Water shortage declaration, as the original resolution relied upon EO B-40-17. At that time, City staff will also propose a plan, including possible changes to City ordinances, to comply with expected long term conservation regulations and to transition the City from emergency drought response to a culture of long term, sustainable, efficient water use.

## **Environmental Compliance**

The City's water treatment plants are required to produce water that meets State and federal regulations for drinking water quality. In general, the State is primarily concerned with the administration of federal drinking water requirements, but can add additional or more restrictive requirements. The three primary regulations that govern drinking water treatment for the protection of public health in the State are the federal Surface Water Treatment Rule ("SWTR") and its amendments, the federal Total Coliform Rule ("TCR") and its revisions, and the State Surface Water Treatment Rule ("CA SWTR").

If the federal government, acting through the United States Environmental Protection Agency ("USEPA"), or the State, acting through the DDW, or additional federal or State legislation, should impose stricter water quality standards or other additional regulatory requirements upon the Water System, then the City's treatment expenses could increase accordingly and rates and charges would

have to be increased to offset those expenses. The City cannot predict the future direction that federal or State regulation will take with respect to drinking water quality standards and requirements, although it is likely that in the future the federal government and the State will impose more stringent standards with attendant higher costs.

Current federal and State drinking water quality regulations applicable to the Water System include primary and secondary drinking water standards, regulations relating to conventional surface water treatment processes including disinfection, and requirements for maintenance of disinfection residual in the distribution system. Significant federal regulations include the Long-term 2 Enhanced Surface Water Treatment Rule to ensure treatment is adequate for cryptosporidium, and the Unregulated Contaminant Monitoring Rule that requires special monitoring for unregulated contaminants (the “UCMR”). The UCMR provides the USEPA with data for identifying new constituents to be regulated in drinking water. The UCMR results in additional monitoring costs approximately every five years, and the associated cost is built into the City’s regulatory compliance budget for the Water System. State regulations include the California Waterworks Standards that include provisions to make certain that there is adequate supply for new development and that certified materials that meet safety standards are used. The State and the County institute regulations for construction and destruction of potable water wells to protect public health and the groundwater aquifer.

The City's drinking water is in compliance with all current federal and State drinking water standards, and the City’s drinking water program has no violations in its long history.

The Stage 2 Disinfectants and Disinfection Byproducts (“DBP”) Rule requires two types of disinfection byproducts (trihalomethanes and haloacetic acids) to be lower than their respective regulatory standards at representative monitoring locations throughout the distribution system. Based on past monitoring results and current regulations, the City has been in compliance. However, the drought has resulted in higher DBPs in the distribution system and there is a potential to exceed the regulation in the extreme south of the distribution system. The City is in the process of constructing a well in that area that will help maintain the City’s compliance with DBP regulation.

As of April 1, 2016, water systems must comply with the USEPA Revised Total Coliform Rule. This regulation requires public drinking water systems to notify the public if a test exceeds the standard for E. Coli in drinking water. This regulation requires the prioritization of portions of the distribution system for rehabilitation and implementation of a flushing and cleaning program. The City believes it is in compliance with the Total Coliform Rule.

DDW published a Final Hexavalent Chromium Regulation on May 2014. Monitoring data indicates that 13 of the City’s permitted 33 wells are within 50% of the maximum contaminant level (“MCL”) and therefore monitored more frequently. One well has been suspended from service due to levels approaching the MCL. Another well showed a level above the MCL when it was not flushed sufficiently as it was brought online; prior and subsequent tests confirmed that the well is below the MCL. If monitoring indicates an increase in hexavalent chromium concentrations, this standard may necessitate treatment at some of the potable water wells or their removal from use; either approach would significantly increase the costs of the Water System, including disposal of treatment residuals.

The USEPA’s Lead and Copper Rule (“LCR”) was promulgated in 1997 and is projected to be updated in June 2017. The objective of the LCR is to minimize the corrosion of lead- and copper-containing plumbing materials in public water systems by requiring utilities to optimize treatment



control. The LCR establishes action levels instead of MCLs for regulating the levels of both lead and copper in drinking water. Historically, lead pipe was used in service connections in the City and the City does not have an inventory of all such components due to the absence of specific historical records. The City practices corrosion control in surface water treatment processes. The City's current monitoring data of representative customer homes indicates compliance with the LCR. The City is working on a plan to identify and replace lead pipe in our distribution system. Identifying and replacing these pipes and modifications to the LCR would increase the Water System costs.

Recent events across the nation have highlighted the health risk to children that exposure to lead poses. Lead rarely occurs naturally in California's drinking water sources, but may become present when water passes through older plumbing fixtures or pipes with solder containing lead that connects plumbing. In January 2017, the DDW issued a permit amendment to test drinking water in K-12 schools upon a school's request. To assist schools in this evaluation per the permit amendment, the City will help develop a sampling plan, perform sampling, analysis and reporting at up to five locations within the school campus at no cost to the school. To date, water sampling results are all below the action level of 15 ppb for lead.

Pending regulations that could impact costs include the USEPA published draft Contaminant Candidate List 4 ("CCL") from January 2015. The CCL is a list of contaminants that are currently not subject to any proposed or promulgated national primary drinking water regulations, but are known or anticipated to occur in public water systems. Contaminants listed on the CCL may require future regulation under the Safe Drinking Water Act ("SDWA"). The CCL list includes 3 cyanotoxins with EPA health advisories. These have recently been detected in the City's surface water below health advisory levels, at certain times of the year. Potential cyanotoxin regulation could result in an increase in treatment costs.

In addition, the Carcinogenic Volatile Organic Compound Rule, projected to be proposed in February 2018, has a potential to impact costs of the Water System. The final rule would likely be published two years after the proposal. The federal standards for trichloroethylene ("TCE") and tetrachloroethylene ("PCE") may be lowered through this regulation. The State could also lower its TCE standard following the Office of Environmental Health Hazard Assessment reevaluation of the California Public Health Goal. TCE has been detected in one well and PCE has been detected in three wells. The wells have been taken out of service and are under assessment for modifications, treatment, replacement or decommissioning. Additional wells are also under assessment for modifications, treatment, replacement or decommissioning given their location near existing contaminant plumes. The City is in the process of completing a Groundwater Master Plan to assess the City's groundwater system and assets, and provide recommendations on addressing existing issues, replacement and maintenance of existing wells; installing new wells, use of previously disconnected wells for potential beneficial use, and conjunctive use options.

The City participates in regional groundwater-planning activities that include stakeholder participation in groundwater protection from historic contamination plumes; these group efforts include the Sacramento Groundwater Authority and the Sacramento Central Groundwater Authority. City staff has met with staff from the Central Valley Regional Water Quality Board and California Department of Toxic Substances Control to obtain the latest information on groundwater-contamination plumes north of the American River in the vicinity of these wells. Currently, there is progress towards commencing aquifer clean-up of one of the plume sources that affects a number of the existing City wells. Discussions are still occurring regarding the movement of this plume and whether additional treatment along the edges of the plume will be implemented.

For surface water, the City participates in several efforts, along with other water systems that draw water from the Sacramento and American Rivers, to preserve and protect our source water quality. Activities include participation in watershed management programs, tracking the latest information, and conducting technical evaluations and public outreach. These efforts also anticipate and help the City prepare for impacts to surface water quality.

Fluoridation equipment upgrades at the water treatment plants and wells that are operational have been completed, but modifications may be necessary to address potential future changes to the federal and State fluoride standard, while continuing to provide fluoride addition to meet the April 2015 United States Department of Health and Human Services' optimal level.

The City currently is permitted to operate 33 municipal groundwater supply wells, a majority of which have been in service for over 50 years. (As described herein, of the 33 wells, 6 are currently offline for water quality concerns.) The City is developing a conjunctive use strategy for the City's surface water and groundwater supply that will allow flexibility in meeting City water demands based on water availability and supporting regional water resources management and sustainability. As a result, the City has completed the rehabilitation of 20 of the existing groundwater wells, continuing the evaluation of the remaining wells for rehabilitation and is evaluating future needs for system reliability and efficient groundwater production. In addition to the initial costs of investigation and rehabilitation, installation of onsite treatment systems in some City wells may be required. Future changes to drinking water standards may also result in additional treatment and associated increased costs. Existing wells that have been out of service while awaiting rehabilitation would also need fluoridation equipment installed if rehabilitation restores the wells to an acceptable level of performance. Any out of service wells are thoroughly tested before returning to service to ensure that all regulatory requirements are met.

While the City has included the estimated cost of compliance with regulatory requirements in the Projected Operating Results, there can be no assurances that compliance with existing or future requirements will not significantly exceed such estimates. See "CERTAIN RISK FACTORS - Statutory and Regulatory Impact."

## **Customers**

The following table below shows the number of connections of the Water System by user type. Non-residential (i.e., commercial/industrial) represent about 22 percent of the total Water System revenues on average.

**Table 5**  
**City of Sacramento**  
**Water System**  
**Number of Connections by User Type**  
**as of June 30**

User Type	2012	2013	2014	2015	2016
Residential	126,282	126,376	126,557	126,624	126,973
Commercial/Industrial	8,927	8,977	9,033	9,118	9,157
Total All Users <sup>(1)(2)</sup>	135,209	135,353	135,590	135,742	136,130

<sup>(1)</sup> Total does not include the three outside wholesale accounts, one wholesale/wheeling account and one wheeling account.

<sup>(2)</sup> As of April 2017, number of total all users is 136,743.  
Source: The City

In December 2008, a building moratorium was put in place in the Natomas Basin (a portion of which is within the City) after the Federal Emergency Management Agency (“FEMA”) determined the levees in Natomas were not high enough to guard against flooding. In 2012, the Sacramento Area Flood Control Agency completed 18 miles of levee upgrades funded by local tax payers and state bonds. While the remaining 24 mile levee upgrade project is scheduled to start in 2017 by the U.S. Army Corps of Engineers, FEMA designated the Natomas Basin as Zone A99. Such designation although still considered a high risk flood zone allowed for construction to resume in Natomas. The lifting of the building moratorium in Natomas in June 2015 is expected to increase the number of connections. The Projected Operating Results assume that the additional connection will result in development fees of approximately \$3 million annually through Fiscal Year 2021-22. See “- Projected Operating Results.”

The table below shows the ten largest Water System customers based on service charge revenues (as well as percentage of total revenues) during the Fiscal Year 2015-16.

**Table 6**  
**City of Sacramento**  
**Water System**  
**Largest Customers by Service Charge Revenue<sup>(1)</sup>**  
**Fiscal Year 2016**

User	Service Charge Revenue	Percentage of Total Revenue
City of Sacramento	\$ 2,544,550	2.69%
State of California	853,017	0.90
Sacramento Unified School District	625,470	0.66
Procter and Gamble	533,429	0.56
Sacramento Housing and Redevelopment Agency	481,525	0.51
SMUD (Sacramento Power Authority)	457,039	0.48
HP Hood LLC	311,324	0.33
County of Sacramento	311,288	0.33
AG Virtu Natomas Ridge Owners	303,706	0.32
Riverpoint 714 LLC	271,015	0.29

<sup>(1)</sup> Includes all metered and flat rate revenue

Source: The City

The City wholesales water to the Cal Am, Fruitridge Vista Water Company, the SSWD, and the Sacramento County Water Agency. The City also provides wheeling services to the Sacramento County Water Agency. Each of these customers has an agreement stating specific maximum rates of treated City surface water it receives utilizing “firm capacity.” Firm capacity is defined as the capacity in the City’s treatment and transmission facilities to divert, treat, and deliver surface water on an equal priority to the use of such capacity to meet demands of the City’s retail customers, with two exceptions: (1) The maximum rate specified in the Cal Am agreement is reduced when flows in the lower American River at the City’s FWTP fall below the Hodge Flow Criteria; and (2) No water is delivered to SSWD when flows in the lower American River at the City’s FWTP fall below the Hodge Flow Criteria.

### **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 Water System. See “CERTAIN RISK FACTORS - Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges.” 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 7**  
**City of Sacramento**  
**Water System**  
**Adopted/Projected Rate Increases<sup>(1)</sup>**

<b>Fiscal Year (ending June 30)</b>	<b>Rate Increase %</b>
2011	15%
2012	0
2013	10
2014	10
2015	10
2016	0
2017	10
2018	10
2019	10
2020	10

<sup>(1)</sup> Rate increases through Fiscal Year 2019-20 have been approved but the City Council and the requirements of Proposition 218 have been met.

Source: The City

To analyze the revenue requirements needed to fund infrastructure projects to ensure Water 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 Department contracted with the FCS Group, a consulting firm specializing in the process of setting utility rates. The Department used the revenue requirements developed by the FCS Group as the basis for the rate adjustments which the Department recommended and the City Council approved for Fiscal Years 2012-13, 2013-14, and 2014-15. Utilizing the same methodology, the Department recommended rate adjustments that the City Council approved for Fiscal Years 2016-17, 2017-18, 2018-19, and 2019-20.

The following table shows selected monthly rates for the Water System for Fiscal Years 2016-17 through 2019-20.

**Table 8  
City of Sacramento  
Water System  
Selected Monthly Rates**

	<u>Rates Effective:</u>			
	(Current) July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
<b>Flat Water Use Rates (per month)</b>				
<b>Single Family Residential:</b>				
1-3 rooms	\$ 35.55	\$ 39.11	\$ 43.02	\$ 47.32
4-5 rooms	46.26	50.89	55.98	61.58
6-9 rooms	50.30	55.33	60.86	66.95
10-15 rooms	58.12	63.93	70.32	77.35
Over 15, each additional room	4.08	4.49	4.94	5.43
<b>Metered Water Use Rates</b>				
<b>Water Usage Rate (\$/CCF)</b>	\$ 1.0959	\$ 1.2055	\$ 1.3261	\$ 1.4587
<b>Service Charge (per month)</b>				
<b>Metered Size:</b>				
5/8" x 3/4"	\$ 26.84	\$ 29.52	\$ 32.47	\$ 35.72
3/4"	26.84	29.52	32.47	35.72
1"	26.84	29.52	32.47	35.72
1½"	50.55	55.61	61.17	67.29
2"	79.00	86.90	95.59	105.15

CCF = One hundred cubic feet  
Source: The City

*Transition to Usage-Based Water Rates for Single Family Customers.* The State adopted legislation requiring that all existing residential metered water services begin receiving metered water bills effective January 2011. The same legislation requires that all water utility customers (including the Water System's customers) have meters installed no later than January 1, 2025. On May 24, 2005, the City Council adopted Resolution No. 2005-347, directing that water meters be installed throughout the City. The City began transitioning single family residential customers who had received more than one year of comparative metered billing from the flat water rates to water-usage in January 2011.

The City currently charges both a flat-rate structure and a uniform metered charge for its customers. Where meters are installed and charged, metered consumption fees consist of two components – a monthly fixed charge based upon the meter size; and a volumetric uniform commodity rate charged per hundred cubic feet of water usage.

Once a meter is installed, the customer continues to be billed on a flat rate for one year before the metered rate is charged. During this year of “comparative billing”, the customer’s water usage and respective metered rates are displayed on the bill allowing the customer to become familiar with his or her water usage and make water conservation choices. This “comparative billing” is a communication and public outreach strategy employed by the City to encourage conservation.

According to City data, about 50% of the City’s water customers are billed based on metered service as of July 1, 2016. On February 24, 2015, the City Council adopted Resolution No. 2015-0056, approving revised guidelines to complete the installation of water meters for all City customers by December 31, 2020, four years ahead of the deadline mandated by State legislation. It is expected that the City’s Accelerated Water Meter Program will be completed, and the City will be completely metered, by the end of Calendar Year 2020. It is anticipated that majority of the proceeds of the Series 2017 Bonds will be used for this purpose.

The City’s current metered rate was restructured in 2009. At that time, approximately 5% of the total accounts in the City were billed on a metered water rate. An outside consulting firm completed a water conservation pricing study for the Department in August 2008. The study included a current customer data review to evaluate current consumption pattern shifts. The results of the evaluation suggest that the then-current rate schedule was not fully recovering the costs of providing service from its customers as they are transitioned to the metered rate schedule. The finding that revenues are trending downward during the meter transition process was accounted for in the current financial and rate planning process based on the projected flat-to-metered rate conversion schedule. The City will actively monitor metered water rate revenues for deviations in forecasted metered revenues.

The City Council authorized the Department to enter into an agreement with Carollo Engineering in August 2016. Under the terms of the agreement, Carollo will develop and provide recommendations regarding tiered rate structure alternatives for water, drought surcharge and master meter rates. The rate alternatives are intended to be revenue neutral and sufficient to generate revenue that meets the Department’s financial and service obligations for ongoing operations and maintenance, debt service obligations, system rehabilitation and replacement needs, regulatory commitments, and maintenance of revenue. Currently, the Department anticipates implementing a tiered rate structure during Fiscal Year 2018-19 or 2019-20, in conjunction with the implementation of the new billing system. The timing of this implementation is subject to many variables, including: completion of the public outreach, notice and hearing process required by Proposition 218; coordination with implementation of a billing system upgrade or replacement for the Department. Implementation of a new tiered rate structure is contingent upon City Council adoption.

In addition to imposing fees for water service, the City also imposes development impact fees as a condition for connecting new properties to the Water System. For purposes of the Projected Operating Results, the City has not included any projected development impact fees.

## **Collection Procedures**

The City bills the legal owner(s) of City parcels for water service connections to the City’s Water System. Water service connections include domestic potable, irrigation, and fire service. Billing for water service is included on a monthly bill that may include other utility services provided by the City. Bills are generated within 16 billing cycles per month. Typically, one cycle is billed per 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; which is 35 days from 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 owner(s) once an account becomes 60 days past due (80 days from billing date). If the account is not paid current, a lien is then assessed against the parcel at 75 days past due (95 days from bill date).

In March 2014, the City implemented a water discontinuance process for customers who are more than 75 days past due. A customer is mailed a notice that its account is delinquent and it has 30 days to pay the past due balance or set up a payment arrangement. A second notice is mailed to the property 10 days before shut-off to allow a tenant living at the property the ability to establish an account with the City to prevent shut-off. A final notice is mailed and posted on the property five days before the scheduled shut-off. Once an account is shut-off for non-payment, billing for water services is stopped until the customer pays the entire outstanding account balance plus additional fees for shut-off and restoral before water service will be restored. As a result of the water discontinuation process, the amount of unpaid fees required to be collected through the assessment process described below declined by approximately \$1.75 million (or 48%) from Fiscal Year 2013-14 to Fiscal Year 2015-16.

Annually, customers with delinquent accounts that have a balance greater than 75 days past due, are noticed with a special assessment levy. Customers are given the opportunity to protest the charges and have a hearing before an independent hearing officer. After the imposition of special assessments is approved by City Council in July of each year, special assessments for unpaid delinquent amounts are placed on the annual County property tax bill.

In the past two fiscal years, an average of 12,783 liens have been recorded against properties having delinquent service charges each year, and an average of 5,818 properties have had special assessment levies placed on their property tax bill. The number of liens and levies represent the properties that had at least one delinquent utility service charge. Since Fiscal Year 2013-14, an annual average of \$1.26 million in late fees have been assessed on utility bills for past due water service charges, and an annual average of \$2.47 million in delinquent water 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, late fees, and shutting off water for non-payment are effective tools 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 liened property is subject to a prior trust deed that is foreclosed, the delinquent utility lien is removed (without payment of the delinquent amounts, unless excess proceeds are available after the foreclosure sale). 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 water charges which the City was unable to collect through the lien and special assessment processes described above. When establishing rates each year, the City takes into account projected amounts of charges that it will be unable to collect.

**Table 9**  
**Uncollected Water System Charges**  
**(Fiscal Year ended June 30)**

	2012	2013	2014	2015	2016
Amount	\$1,023,697	\$601,682	\$391,558	\$260,355	\$240,064

Source: The City

A portion of the proceeds of the Series 2017 Bonds are expected to be used to modernize and upgrade the billing system. The current version of the utility billing system software has been operational by the Department since 2005 and has been in an unsupported state by the software vendor since 2009. A new billing system is expected to increase levels of service, provide added operational functionality, support new billing structures, integrate with existing Department and Citywide systems and fully support the new automated meter telemetry. The upgrade of the existing system is expected to start in the summer 2017 and anticipated to be completed within 16 months from the implementation date.

### **General Fund Tax on Water System Revenues**

In 1998, voters in the City approved Measure I, which provides for a general tax on the City’s water, sewer, storm drainage and solid waste enterprises in the rate of 11% of the total gross revenues received from user fees and charges of all of the enterprises combined. Measure I (codified as Section 41.10.150 and superseded by Section 3.20.010 of the Sacramento City Code) 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 user fees of each of the enterprises, including the Water System. In preparing the budget for the Water System each year, the City takes into account the requirement that 11% of collected utility user fees be paid as the tax, and set rates and charges accordingly. 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 Water 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 user fees of the Water System, and a reconciliation is made between the Water Fund and the General Fund.

Pursuant to the Indenture, System Revenues do not include the portion of gross revenues of the Water System from user fees and charges that are recorded to the City’s General Fund as part of the voter approved general tax pursuant to the City Code. Such amounts have not been included for purposes of the calculation of debt service coverage in the Projected Operating Results. See “Projected Operating Results.”

## **Budgetary and Financial Procedures**

The Water Fund is used to account for the activities associated with the production, distribution, and transmission of potable water by the City to its users. The Water Fund supports both the capital and operating costs of providing potable water throughout the city including production, treatment, and distribution systems. Revenues are generated by user fees, interest earnings, development impact fees, tap sales, and reimbursements from other entities for service performed by or paid by the Water Fund. The Water Fund is an Enterprise Fund. 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 user fees and development impact fees are collected through various methods and deposited to a commercial bank. Generally within one business day of receipt, such amounts are deposited into the City's general bank account, which account 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). This cash receipts bank account is swept nightly 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 Water 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 Water System is the Water Fund.

The City maintains a number of funds in connection with the Water System, consisting of the following:

*Water Fund.* Revenue generated by the City for the purpose of providing water service to its customers is deposited in the Water Fund. Revenues are derived from customer fees, interest earnings, development impact fees, tap sales, and reimbursements from other entities for services provided. Water Fund revenues are structured to cover the costs of providing water service to its customers which include water treatment, plant maintenance, water distribution system repair and maintenance, water conservation and education programs, water quality monitoring, related engineering services, customer service and billing, the City-County Office of Metropolitan Water Planning, and capital improvements.

*Development Impact Fee Fund.* Revenue generated by the City in relation to Water System development impact fees are deposited in the Development Impact Fee Fund. Water System development impact fees are one-time fees paid at the time of connection to the water system and represent the estimated reasonable cost of providing system capacity to new development. Proposed water system development impact fees are based on the system buy-in methodology.

*ARRA Grant/Loan Fund.* The ARRA Grant/Loan Fund is used to account for activities related to the portion of the Water Meter Retrofit Program that is ARRA-funded. The American Recovery and Reinvestment Act of 2009 ("ARRA") was signed into law on February 17, 2009. Within California, ARRA provided funding to the Safe Drinking Water State Revolving Fund administered by the CDPH, for infrastructure development for California's drinking water systems. The state entered into the State Funding Agreement pursuant to this program. For a description of the State Funding Agreement, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Outstanding Parity Obligations."

*Grant Projects Fund.* The Grant Projects Fund was established in Fiscal Year 2011-12 to account separately for Water Fund restricted grants and other third-party reimbursements for multi-year programs.

*Financial Planning.* The Department utilizes a general set of business principles in making day-to-day or long-term decisions. These business principles include regulatory compliance, financial self-sufficiency, maintenance of creditworthiness, and an intention that capacity charges should pay for the costs of increased capacity.

The Department has developed long-range financial plans to evaluate alternatives for funding its capital and operational needs related to the Water System. The current version of the Financial Plan for the Water System was presented to the City Council on March 29, 2016. The plan included a 30-year Water Infrastructure Investment Program (Program) and a four-year rate plan, which allows the City to begin to implement the Program. To develop the financial plan, proposed CIP and operational revenue requirements were consolidated and reviewed against available funding over the four years covered in the plan.

Following completion of the rate adoption process for Fiscal Year 2016-17, the City refined the CIP based on current construction estimates and submitted bids, updated the Fiscal Year 2016-17 budget adoption and related projections, and incorporated anticipated bond sizing and debt service requirements. See “—Capital Improvement Program.”

The Department submits the annual budget for review and eventual inclusion within the City Manager’s budget proposal submitted to the Mayor and City Council by May 1<sup>st</sup> of each year preceding the start of each fiscal year (July 1).

The City Council formed the Utility Rate Advisory Commission (the “URAC”) in 2008 to provide input to the Mayor and City Council on the City’s utility service rates. The URAC reviewed and commented on the Department’s proposed Plan, and ultimately made a recommendation that the City Council approve a four-year utility rate increase plan for the Water enterprise funds. These rate increases were presented to and approved by the City Council on March 29, 2016.

The City Council has not adopted formal fiscal policies for the Department but the Department currently has non-binding financial policies for the Water Fund, including maintenance of 120 days of working capital reserves and establishment and maintenance of a Rate Stabilization Fund.

## **Investment of Funds**

Funds of the Water 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 sections 53600, et seq., with the primary objectives, in order of priority, of safety, liquidity, and yield. Quarterly, the City’s investment committee (the “**Investment Committee**”) consisting of representatives of the various entities which are investors in Pool A (including various 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 representatives)

convenes to review the investments and performance of the investments. The Investment Committee also reviews the implemented investment strategy in relation to the changing financial markets. The City Treasurer submits an investment activity report monthly for review by the City Council, which report includes minutes of each quarterly Investment Committee meeting.

Water 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 prior to June 30 in the fiscal year in which they are borrowed. While the City utilized Water System 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 includes a comprehensive five-year plan for capital project expenditures for the entire City, including the Water System. The capital improvement program is a guide for identifying current and future fiscal 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.

*Water CIP.* The focus of the Water System Capital Improvement Program (“CIP”) over the next five years will be on rehabilitating and/or replacing critical infrastructure and continuing the City’s water meter retrofit program.

The following table sets forth capital improvement costs identified in the CIP through Fiscal Years 2017-21, as well as sources of funding.

**Table 10**  
**City of Sacramento**  
**Projected Water System CIP and Sources of Funding**  
**(in Millions)**

<b>Fiscal Year Ending June 30</b>	<b>Bond Proceeds</b>	<b>Additional Parity Obligations</b>	<b>Current Revenues</b>	<b>Total Capital Improvement Cost</b>
2017	\$ 62.5	\$ 0	\$ 8.2	\$ 70.7
2018	0	59.5	6.7	66.2
2019	0	75.3	12.0	87.3
2020	0	32.6	8.0	40.6
2021	0	5.8	6.0	11.8
<b>Total</b>	<b>\$ 62.5</b>	<b>\$ 173.2</b>	<b>\$ 40.9</b>	<b>\$ 276.6</b>

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

*Future Capital Improvements.* As mentioned above, the CIP 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/programs to ensure that it is 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, to accelerate Water System infrastructure replacement to the "Best Practices" level and, where necessary, to improve systems where they do not meet current levels of service.

The City will continue to face future fiscal challenges in sustaining the level of service customers expect with an aged Water System infrastructure that has some components nearing or has exceeded their remaining service life. As a result, after Fiscal Year 2020-21, the City will need to continue its ongoing effort to implement the long-term plan to address the above-mentioned goals beyond the current five-year plan.

In addition to the currently planned capital improvement planning efforts described above, the City issued a long-term Master Plan for the Water System in 2013. The Master Plan considered the projected impact of potential future growth in the City through 2043. If there is significant growth, improvements and expansions to the Water 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, and therefore the costs of these expansions or improvements are not included in the Projected Operating Results or the planned capital improvement costs described above. The City also adopted its 2015 Urban Water Management Plan, in June 2016, which demonstrates that the City holds water rights in excess of all projected water demands through at least 2040 (subject to perfection of the City's water rights, as described in "- Water Rights and Resources"). The Urban Water Management plan also demonstrates that the City is meeting statewide mandates in water conservation.

## **Retirement Programs**

Salary and benefit costs of the Water System include funding of retirement benefits for employees assigned to the Water System who, as City employees, participate in the California Public Employees Retirement System ("PERS"). City employees assigned to the Water System constitute approximately 7 percent of all City employees. Retirement payments paid from System Revenues, with respect to employees assigned to the Water System, were approximately \$2.2 million in Fiscal Year 2013-14, approximately \$2.2 million in Fiscal Year 2014-15, and approximately \$2.5 million in Fiscal Year 2015-16. The City estimates that the required contribution for Fiscal Year 2016-17 will be approximately \$3.5 million, and projects the required contribution for Fiscal Year 2017-18 will be approximately \$3.8 million. Payments to PERS constitute Maintenance and Operation Costs of the Water System.

For a variety of reasons, including investment losses, the City has experienced significant unfunded accrued liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Water System, have increased in recent years. According to the June 30, 2015 CalPERS Actuarial Valuation, the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Water System participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Water Fund and other enterprise funds) of approximately \$256 million and a funded ratio 76.1%.

PERS has taken a number of actions the last several years which are expected to increase the amount the City is required to contribute. Most recently, on December 21, 2016, PERS Board

lowered the discount rate from 7.5% to 7%. Based on preliminary estimates provided by PERS, the City's total annual pension contribution will increase from the \$78.6 million budgeted in Fiscal Year 2017-18 to almost \$173 million in Fiscal Year 2024-25.

For additional information relating to retirement liabilities payable by the City See APPENDIX A — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2016" — Note 8 to the Basic Financial Statements."

### **OPEB Cost and Net OPEB Obligation**

In addition to required contributions for retirement benefits for employees, the City provides health-care and dental-care insurance benefits for all retirees and their survivors and dependents ("OPEB"). The City's OPEB related payments (for all employees of the City, including employees assigned to the Water System) were approximately \$19 million in Fiscal Year 2015-16, are estimated to be approximately \$18 million in Fiscal Year 2016-17, and are expected to increase in the future. See "See APPENDIX A — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2016" — Note 9 to the Basic Financial Statements" for additional information about the post-retirement health care benefits (including funded status and funding progress) provided to the employees of the City.

### **Insurance**

The City insures its assets (including assets of the Water System) through the Public Entity Property Insurance Program ("PEPIP"). PEPIP was formed in 1993 to meet the property insurance needs faced by public entities. PEPIP is a joint purchase program. The total insurable property values for the City are \$1,922,653,706 for Fiscal Year 2016-17. The property policy contains a \$100,000 deductible with coverage limits of \$1,000,000,000. Coverage limits are shared with other PEPIP 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 liability insurance coverage for the following risks: general liability, automobile liability, public officials' errors and omissions liability, unfair employment practices liability, and employee benefits liability. All coverage is on an occurrence basis. Excess liability limits remain at \$30,000,000 with a self-insured retention of \$3,000,000. The City is currently participating in the California State Association of Counties Excess Insurance ("CSAC") GL2 Program for the purchase of excess liability insurance.

The City's excess workers' compensation limits are set at statutory coverage for Fiscal Year 2016-17 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. The CSAC 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 Water System

Since 1999, the City has from time to time financed capital improvements (including capital improvements to the Water System) through the issuance of bonds (“**Master Lease Bonds**”) by the Sacramento City Financing Authority (the “**SCFA**”) under a “**Master Lease Program**.” There are currently approximately \$386 million of Master Lease Bonds outstanding. Pursuant to the Master Lease Program and pursuant to a lease agreement, the City has leased a pool of various City-owned properties (the “**Leased Property**”) to SCFA. Examples of Leased Property include City Hall, the Granite Regional Park, various City fire stations, and the Memorial Auditorium and, as described below, certain components of the Water System. SCFA concurrently subleased the Leased Property back to the City pursuant to 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 financing and refinancing of Water System improvements in 2005 and 2006, and a subsequent issuance in 2015 that fully refunded the 2005 issuance, SCFA issued Master Lease Bonds. Approximately \$123 million in principal of the Master Lease Bonds remains outstanding. In order to effectuate the issuance of these Master Lease Bonds for Water System purposes, the City added portions of the SRWTP (including a settlement basin and other facilities) and the Florin Reservoir as part of the Leased Property. The final maturity of the Master Lease Bonds is December 1, 2033. However, the components of the Water System that constitute Leased Property will not be released from the Master Lease until (i) 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 (ii) the City elects to effectuate the release. There can be no assurances that the Water System components that constitute Leased Property will be released from the Master Lease prior to the maturity of the Series 2017 Bonds.

Pursuant to the Master Lease, the City is obligated 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 Leased Property is unavailable for beneficial use due to damage, destruction or condemnation.) However, in circumstances where Master Lease Bonds were issued to finance improvements for one of the City’s enterprise funds (water, solid waste or storm drainage), the City has generally paid the portion of Master Lease payments allocable to such bonds from the enterprise that benefitted. Accordingly, the City has paid from System Revenues the portion of the overall Master Lease payments allocable to the Master Lease Bonds issued for Water System purposes, and intends to continue to do so. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City’s General Fund for the payment of, any existing or future General Fund lease obligation of the City unless 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 or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

Pursuant to the Master Lease, the Master Lease Trustee (as assignee of SCFA) has certain remedies in the event 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, even if the portion of the overall Master Lease payments allocable to the Master Lease Bonds issued for Water System purposes is paid from System Revenues in a timely manner, in the event that the City fails to make payments allocable to the Master Lease Bonds issued for purposes other than the Water System, then the Master Lease Trustee could elect to exercise remedies against the portion of the Leased Property consisting of the components of the Water System.

Pursuant to the Indenture, the City has covenanted that it will not encumber any components of the Water System under a City General Fund lease except for the components of the Water System that are 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 Water System that are 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, encumbered components of the Water System.

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

## **Floods**

A portion of the City is within the Natomas Basin. In 2005, in response to revised criteria and standards relating to levees and flood protection, the United States Army Corp of Engineers and the Sacramento Area Flood Control Agency ("SAFCA") commissioned the Natomas Levee Evaluation Study ("NLES") which concluded that considerable improvements were necessary in certain levees within the Basin. As a result of ensuing revisions to federal flood maps and flood plain designation, the Natomas Basin was subject to a de facto building moratorium from December 2008 through June 15, 2015.

FEMA has issued a revised map and designated the area within the Natomas Basin as Zone A99 effective June 16, 2015, which allows for the resumption of new building construction, subject to certain limitations. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for such designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized.

Even though the Natomas Basin has been designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until certain levee improvements are completed. On June 10, 2014, President Barack Obama signed the Water Resources Reform & Redevelopment Act ("WRRDA") into law. With respect to the Natomas Basin, the WRRDA directs the Corps to strengthen 24 miles of levees surrounding the Natomas Basin (the "**Levee Project**"). Although the WRRDA authorizes funding, the Congress must pass annual appropriations to complete the Levee



Project. Currently, the completion of the Levee Project is expected to take at least five to ten years. If the Levee Project is completed, the City expects that under current FEMA criteria, the Natomas Basin will be zoned “X (shaded),” meaning an area that is subject to a 0.2% annual chance of a flood event (i.e., a 500-year flood zone).

According to the revised FEMA maps, the SRWTP and the FWTP are currently outside the 100-year floodplain. There are however, nine wells and four reservoirs that are within FEMA-designated floodplains. There are currently projects in planning or construction to protect all of these wells and reservoirs from significant flooding events. However, there can be no assurances that a significant flooding event would not materially adversely affect the operations of the Water System. See “CERTAIN RISK FACTORS - Earthquake, Flood or Other Natural Disasters.”

## Historical Operating Results

The following table contains a summary of certain historical operating results of the Water System, as excerpted from the City's audited financial statements.

**Table 11**  
**Historical Water Fund Revenues and Expenses**  
**(Dollars in Thousands)**

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
<b><u>Operating Revenues</u></b>				
Utility Rate Fees <sup>(1)</sup>	\$ 86,358	\$ 93,740	\$ 99,940	\$ 97,830
Wholesale Water Sales	2,379	330	536	558
Impact Fees	1,220	644	1,437	3,965
Interest Earnings <sup>(2)</sup>	519	1,677	492	1,920
Miscellaneous Revenues <sup>(3)</sup>	3,267	2,228	3,467	17,753
<b>Subtotal Operating Revenues</b>	<b>\$ 93,743</b>	<b>\$98,619</b>	<b>\$ 105,872</b>	<b>\$ 122,026</b>
<b><u>General Fund Tax Transfer Out</u></b>				
General Fund Tax <sup>(4)</sup>	\$ (9,413)	\$ (10,216)	\$ (10,893)	\$ (10,540)
<b>System Revenues:</b>	<b>\$ 84,330</b>	<b>\$ 88,403</b>	<b>\$ 94,979</b>	<b>\$ 111,486</b>
<b><u>Maintenance and Operation Costs</u></b>				
Employee Services	\$ (24,348)	(25,008)	(25,504)	(26,508)
Services and Supplies	(18,543)	(18,062)	(19,712)	(21,112)
<b>Total Maintenance and Operation Costs</b>	<b>(42,891)</b>	<b>(43,070)</b>	<b>(45,216)</b>	<b>(47,620)</b>
(Deposit to)/Withdrawal From Rate Stabilization Fund <sup>(5)</sup>	(3,215)	(2,503)	(1,068)	-
<b>System Net Revenues</b>	<b>\$ 38,224</b>	<b>\$ 42,830</b>	<b>\$ 48,695</b>	<b>\$ 63,866</b>
<b><u>Obligations and Debt Service</u></b>				
<b><u>Parity Obligations</u></b>				
California Department of Public Health Loan (ARRA Loan)	\$ (438)	\$ (704)	\$ (704)	\$ (704)
Water Revenue Bonds, Series 2013		(9,730)	(13,970)	(13,938)
<b>Subtotal Parity Obligations Debt Service</b>	<b>(438)</b>	<b>(10,434)</b>	<b>(14,674)</b>	<b>(14,642)</b>
<b><u>Subordinate Obligations Debt Service</u></b>				
Subordinate Debt Service	-	-	-	-
<b>Subtotal Subordinate Obligations Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Unsecured Obligations</u></b>				
2005 Master Lease Refunding Revenue Bonds <sup>(6)</sup>	\$ (7,512)	\$ (7,600)	\$ (7,592)	\$ (0)
2006 Master Lease Capital Improvement Bonds (Refunding)	(4,847)	(4,845)	(4,844)	(4,845)
2015 Refunding Revenue Bonds <sup>(6)</sup>	-	-	-	(7,168)
<b>Subtotal Unsecured Obligations Debt Service</b>	<b>(12,359)</b>	<b>(12,445)</b>	<b>(12,436)</b>	<b>(12,013)</b>
<b>Total Water Fund Obligations (Parity and Subordinate+ Unsecured)</b>	<b>\$ (12,797)</b>	<b>\$ (22,879)</b>	<b>\$ (27,110)</b>	<b>\$ (26,655)</b>
<b><u>Coverage Requirement Compliance</u></b>				
Parity Obligations and Bonds (1.2x is required)	87.27 x	4.10 x	3.32 x	4.36 x
Parity/Bonds and Subordinate Obligations and Unsecured Obligations (1.00x is required)	2.99 x	1.87 x	1.80 x	2.40 x

### NOTES

- (1) Utility Rate increases of 10% were approved for Fiscal Year 2012-13, 2013-14, and 2014-15 by the City Council.
- (2) Includes interest earnings/revenue associated with Water Development Impact Fees Fund and the Water User Fee Fund.
- (3) Miscellaneous revenues include Miscellaneous, Transfer in, Grants and Other Capital, and Revenues from Other Agencies. The Transfers In are generally income derived from fleet vehicles sales. The Fiscal Year 2015-16 miscellaneous revenues increased due to contributed capital for the private development dedications.

- (4) Pursuant to Measure I of the City Code (Section 41.10.150 which was superseded by Section 3.20.010), 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.
- (5) Pursuant to the Indenture, the City has established and maintains a Rate Stabilization Fund. In the Projected Operating Results, the Rate Stabilization Fund is projected to be funded in an amount equal to 25% of all debt service (parity, subordinate and unsecured).
- (6) The 2005 Refunding Revenue Bonds were refunded with the 2015 Refunding Revenue Bonds in October 2015.

Source: The City

## **Projected Operating Results**

The Projected Operating Results are based upon a variety of assumptions, calculations and qualifications and reflect the planning efforts of the Department. Certain of these significant assumptions are set forth in the footnotes to the table.

While the City believes the assumptions used in the Projected Operating Results to be reasonable, the actual future conditions may vary significantly from the assumptions. 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. There can be no assurances that such variations will not be material and adverse.

The Projected Operating Results assume that the City will enter into an additional Parity Obligation of approximately \$173.2 million in Fiscal Year 2017-18 in order to provide funds for the CIP. See "- Capital Improvement Program." The City currently expects (and the Projected Operating Results reflect) that this additional Parity Obligation will be in the form of a loan (the "SRF Loan"). The City has been negotiating the terms of the SRF Loan with the SWRCB over the last several months and it has not been executed. SWRCB loans of the type the City is contemplating contain covenants relating to such matters as establishment of rates at specified levels, requirements for the issuance of additional obligations, events of default and other matters. The covenants contained in the SRF Loan (if ultimately executed) are expected to differ from analogous provisions of the Indenture.

In the event that the SRF Loan is not executed to provide the funding for the remaining portion of the CIP not funded from the proceeds of the Series 2017 Bonds, the City expects that it would issue Additional Bonds to provide funding not provided through the SRF Loan. The Projected Operating Results assume that payments with respect to the SRF Loan will be interest-only through Fiscal Year 2020-21 and amortization of principal will commence in Fiscal Year 2021-22. In the event that the City issues Additional Bonds for all or a portion of the CIP expected to be funded through the SRF Loan, the interest rates and amortization of such Additional Bonds are expected to be different from the assumptions used for the Projected Operating Results. In particular, the interest rate would likely be higher, and amortization of principal may commence earlier than Fiscal Year 2021-22. Such differences would likely result in higher debt service, and lower debt service coverage, during the projection period. The requirements of the Indenture that apply to the issuance of Additional Bonds or Parity Obligations would have to be satisfied in order for a SRF Loan to be incurred or Additional Bonds to be issued. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds, Parity Obligations and Subordinate Obligations."

**Table 12**  
**Summary of Projected Operating Results**

	<b>FY2016-17<sup>(2)</sup></b>	<b>FY2017-18<sup>(3)</sup></b>	<b>FY2018-19</b>	<b>FY2019-20</b>	<b>FY2020-21</b>	<b>FY2021-22</b>
<b><u>Operating Revenues</u></b>						
Utility Rate Fees <sup>(1)</sup>	\$ 104,350,875	\$ 114,118,875	\$ 124,588,727	\$ 135,964,970	\$ 135,964,970	\$ 135,964,970
Wholesale Water Sales	334,000	299,156	299,156	299,156	299,156	299,156
Water Impact Fees <sup>(4)</sup>	3,575,000	2,992,000	3,051,840	3,112,877	3,175,134	3,238,637
Interest Earnings <sup>(5)</sup>	400,000	400,000	498,355	543,860	543,860	546,037
Miscellaneous Revenues	1,950,000	992,751	994,737	996,726	998,719	1,000,717
<b>Subtotal Operating Revenues</b>	<b>\$ 110,609,875</b>	<b>\$ 118,802,782</b>	<b>\$ 129,432,814</b>	<b>\$ 140,917,589</b>	<b>\$ 140,981,840</b>	<b>\$ 141,049,517</b>
<b><u>General Fund Tax Transfer Out</u></b>						
General Fund Tax <sup>(6)</sup>	\$ (11,454,278)	\$ (12,528,800)	\$ (13,675,664)	\$ (14,956,147)	\$ (14,956,147)	\$ (14,956,147)
<b>System Revenues:</b>	<b>\$ 99,155,597</b>	<b>\$ 106,273,982</b>	<b>\$ 115,757,150</b>	<b>\$ 125,961,442</b>	<b>\$ 126,025,693</b>	<b>\$ 126,093,370</b>
<b><u>Maintenance and Operation Costs</u></b>						
Employee Services <sup>(7)</sup>	\$ (35,762,697)	\$ (38,992,565)	\$ (40,942,193)	\$ (42,579,881)	\$ (43,857,278)	\$ (45,611,569)
Services and Supplies <sup>(8)</sup>	(14,594,765)	(15,158,212)	(15,631,033)	(15,746,201)	(16,070,510)	(16,355,022)
<b>Total Maintenance and Operation Costs</b>	<b>\$ (50,357,462)</b>	<b>\$ (54,150,777)</b>	<b>\$ (56,573,226)</b>	<b>\$ (58,326,082)</b>	<b>\$ (59,927,788)</b>	<b>\$ (61,966,591)</b>
<b>(Deposit to)/Withdrawal From Rate Stabilization Fund <sup>(9)</sup></b>		\$ (526,711)	\$ (908,196)	\$ (\$1,181)		\$ (1,837,813)
<b>System Net Revenues</b>	<b>\$ 48,798,135</b>	<b>\$ 51,596,494</b>	<b>\$ 58,275,728</b>	<b>\$ 67,634,179</b>	<b>\$ 66,097,905</b>	<b>\$ 62,288,966</b>
<b><u>Obligations and Debt Service</u></b>						
<b><u>Parity Obligations</u></b>						
California Department of Public Health Loan (ARRA Loan) <sup>(10)</sup>	\$ (702,382)	\$ (702,382)	\$ (702,382)	\$ (702,382)	\$ (702,382)	\$ (702,382)
Water Revenue Bonds, Series 2013	(14,016,000)	(14,017,500)	(14,014,750)	(14,017,000)	(14,013,500)	(14,013,625)
Revenue Bonds, Series 2017		(1,805,535)	(3,375,788)	(3,375,538)	(3,378,163)	(3,378,538)
Drinking Water State Revolving Fund Loan <sup>(11)</sup>	-	(911,291)	(2,943,550)	(2,943,550)	(2,943,550)	(10,285,200)
<b>Subtotal Parity Obligations Debt Service</b>	<b>\$ (14,718,382)</b>	<b>\$ (17,436,708)</b>	<b>\$ (21,036,470)</b>	<b>\$ (21,038,470)</b>	<b>\$ (21,037,595)</b>	<b>\$ (28,379,745)</b>
<b><u>Unsecured Obligations</u></b>						
2006 Master Lease Capital Improvement Bonds (Refunding) <sup>(12)</sup>	\$ (4,844,584)	\$ (4,844,584)	\$ (4,844,584)	\$ (4,844,584)	\$ (4,844,584)	\$ (4,884,584)
2015 Master Lease Refunding Revenue Bonds	(6,902,900)	(6,895,975)	(6,884,300)	(6,877,775)	(6,863,825)	(6,854,375)
<b>Subtotal Unsecured Obligations Debt Service</b>	<b>\$ (11,747,484)</b>	<b>\$ (11,740,559)</b>	<b>\$ (11,728,884)</b>	<b>\$ (11,722,359)</b>	<b>\$ (11,708,409)</b>	<b>\$ (11,738,959)</b>
<b>Total Water Fund Obligations (Parity+Subordinate+ Unsecured)</b>	<b>\$ (26,465,866)</b>	<b>\$ (29,177,267)</b>	<b>\$ (32,765,354)</b>	<b>\$ (32,760,829)</b>	<b>\$ (32,746,004)</b>	<b>\$ (40,118,704)</b>
<b><u>Coverage Requirement Compliance</u></b>						
Parity Obligations and Bonds (Requirement is 1.2 times)	3.32x	2.96x	2.77x	3.21x	3.14x	2.19x
Parity/Bonds+Subordinate Obligations+Unsecured Obligations (Requirement is 1.00 times)	1.84x	1.77x	1.78x	2.06x	2.02x	1.55x
<b><u>Capital Outlay</u></b>						
Capital Outlay (Pay Go & Use of Water Fund Capital Reserve)	\$ (8,204,625)	\$ (6,789,604)	\$ (12,000,000)	\$ (8,000,000)	\$ (6,000,000)	\$ (5,000,000)
<b><u>Changes to Unrestricted Fund Balance</u></b>						
(Decrease)/Increase from Unrestricted Fund Balance	\$ 14,127,644	\$ 15,575,370	\$ 13,539,159	\$ 26,874,531	\$ 27,351,901	\$ 17,168,738
(Deposit to)/Withdrawal from DWSRF Loan Reserve <sup>(13)</sup>	\$ -	\$ -	\$ -	\$ -	\$ (10,285,200)	\$ -
<b>Net Change to Unrestricted Fund Balance</b>	<b>\$ 14,127,644</b>	<b>\$ 15,575,370</b>	<b>\$ 13,539,159</b>	<b>\$ 26,874,531</b>	<b>\$ 17,066,701</b>	<b>\$ 17,168,738</b>
Beginning Unrestricted Water Fund Balance <sup>(14)</sup>	\$ 45,511,000	\$ 59,638,644	\$ 75,214,014	\$ 88,753,173	\$ 115,627,704	\$ 132,694,406
Ending Unrestricted Water Fund Balance	\$ 59,638,644	\$ 75,214,014	\$ 88,753,173	\$ 115,627,704	\$ 132,694,406	\$ 149,863,144

## NOTES

1. Utility Rate increases of 10% are approved for Fiscal Years 2016-17, 2017-18, 2018-19, and 2019-20. Although water consumption is expected to increase beginning in Fiscal Year 2017-18, the assumed utility rate fee revenues include zero growth in the number of customer accounts and in the production of water.
2. Fiscal Year 2016-17 is a year end projection, based on actual revenues and expenditures through March 2017.
3. Fiscal Year 2017-18 figures are based on the proposed Department of Utilities' FY 2017-18 Budget.
4. Beginning Fiscal Year 2018-19, Water Impact Fees are estimated to grow at 2% annually.
5. Interest earnings are estimated at 0.8% on half the Water Fund Utility Rate Fees collected beginning in Fiscal Year 2018-19.
6. Pursuant to Measure I of the City Code (Section 41.10.150 that was superseded by Section 3.20.010), 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. The general fund tax cannot exceed 11% of the total gross revenues received by City-operated enterprises from user fees. The general tax is calculated on an annual basis and transferred to the City's General Fund each year to support city wide services.
7. Includes annual increases of 5%, 4%, 3% and 4% for Fiscal Years 2018-19, 2019-20, 2020-21 and 2021-22 respectively.
8. Services and Supplies costs include annual increases of 4% for utilities, 5% for fuel, and 3% for chemicals.
9. Deposits to the Rate Stabilization Fund are estimated to result in the Rate Stabilization Fund being funded in an amount equal to 25% of all debt service (parity, subordinate and unsecured) inclusive of the Series 2017 Bonds and the SRF Loan.
10. Pursuant to the terms of the State Funding Agreement, deposits to the reserve fund established pursuant to the State Funding Agreement must be made over the first 10 years of the loan repayment term (through September 2022). The amounts shown here include \$31,926 per semiannual payment for this purpose.
11. The estimated SRF Loan debt service figures in Fiscal Years 2017-18, 2018-19, and 2019-20 are based on a \$173 million loan amount, an estimated financing rate of 1.7%, and a 20-year term. This obligation assumes the first principal payment will be payable in December 2021, one year after an estimated project completion date. The estimated annual debt service payment beginning in Fiscal Year 2021-22 is \$10.3 million.
12. Existing payments by the Water Fund to the City's General Fund to cover existing General Fund debt for water-related facilities associated with the City's Master Lease Revenue Bond Program. The Water Fund revenue is utilized, but not directly pledged, to make debt service payments.
13. The SRF Loan is expected to require the establishment of a reserve fund equal to one year's debt service upon completion of the Project.
14. The Beginning Unrestricted Fund Balance is based on the City's budgetary basis of accounting which treats purchase order encumbrances and multi-year project appropriations as expended in the year appropriated. As a result, the Beginning Unrestricted Fund Balance is significantly lower than the unrestricted cash and investments reported in the City's Comprehensive Annual Financial Report.

Source: The City.

## THE SERIES 2017 PROJECT

The Series 2017 Project consists of that portion of the CIP to be funded from the proceeds of the Series 2017 Bonds. The following table identifies costs associated with major elements of the Series 2017 Project.

**Table 13**  
**Series 2017 Project Elements**  
**(Dollars in Millions)**

Category	Amount
Water Meter Retrofit/Pipeline Replacement	\$60.5
Water Treatment Plant Rehabilitation	1.0
Other	1.0
Total	<u>\$62.5</u>

Source: The City

As shown above, proceeds of the Series 2017 Bonds will be primarily used for the acquisition and installation of approximately 25,000 water meters. Approximately one-third of the meters to be installed in the program are in areas with backyard mains, which may be replaced in connection with the meter installation. The remaining proceeds are expected to be used for the replacement of aging infrastructure, including distribution and transmission mains and equipment that has reached the end of its useful life at both treatment plants and the City water quality laboratory, and modernization of the City billing system.

## CERTAIN RISK FACTORS

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the Series 2017 Bonds. There can be no assurance that other risk factors do not currently exist or will not arise at any future time due to changed circumstances or otherwise.

### Rate Covenant Not a Guarantee

The ability of the City to pay the principal of and interest on the Series 2017 Bonds depends on the ability of the City 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 and charges and other System Revenues described herein, there is no assurance that such imposition of such fees, connection fees or 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 2017 Bonds.

### Increased Costs

The actual cost of operating and maintaining the Water System and implementing necessary capital improvements (including the Series 2017 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, earthquake, flood or other natural disasters, severe weather conditions, environmental conditions, regulatory requirements, or other events outside of the control of the City. There can be no assurances that such costs will not significantly exceed the amounts projected by the City.

In the event that actual costs of operating and maintaining the Water System and/or implementing necessary capital improvements (including the Series 2017 Project) significantly exceed the amounts projected by the City, such circumstances could have a material adverse impact on the ability of the City to generate System Net Revenues in the amounts required by the Indenture.

### **Statutory and Regulatory Impact**

Laws and regulations governing the treatment and delivery of drinking water 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.

The City has identified a number of existing environmental conditions, as well as anticipated regulatory requirements, which could materially impact the City's operations, and could require significant increases in capital and/or operating costs of the City. See "THE WATER SYSTEM—Environmental 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 with respect to the Series 2017 Bonds, no assurance can be given that the cost of remediation of identified environmental conditions or compliance with such laws and regulations will not materially adversely affect the ability of the City to generate System Net Revenues in the amounts required by the Indenture and to pay debt service with respect to the Series 2017 Bonds.

### **Availability of Water Supply; Drought**

There are a variety of factors that can adversely affect the supply of water available to the City, including but not limited to potential limitations that might result from the potential implementation of California WaterFix). If the water supply decreases significantly, whether by operation of mandatory supply restrictions or otherwise, sales of water could diminish and Net System Revenues available to pay debt service with respect to the Bonds may be adversely affected. In addition, lower water usage by customers in response to drought measures has resulted in reduced water consumption and consequently lower Net System Revenues. While the Department plans for and manages its operations to account for normal occurrences of drought conditions, the State has been experiencing one of the worst droughts in recorded State history. Additional declines in water consumption could result in further declines in Net System Revenues and materially adversely affect the financial condition of the Water System. See "THE WATER SYSTEM – Water Rights and Resources," "California WaterFix" and "-- Drought."

### **Accuracy of Projections**

The Department has made a variety of assumptions in the Projected Operating Results. The Department believes these assumptions to be reasonable, but actual conditions may be different than those assumed. To the extent that any of these assumptions fail to materialize, the Net Revenues

available to pay debt service could be materially less than those projected herein. See “THE WATER SYSTEM—Projected Operating Results.”

### **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,” in 2009 the City entered into the State Funding Agreement, which has an outstanding principal amount of approximately \$8.2 million. The City’s obligations with respect to the State Funding Agreement constitute a Parity Obligation under the Indenture. The State Funding Agreement provides 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 2017 Bonds) are not subject to acceleration; provided, however that if in the future any Bonds are issued as Variable Rate Obligations, such Bonds might be subject to acceleration if such Bonds become Liquidity Facility Bonds. In addition to the City’s obligations with respect to the State Funding Agreement, 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, in the event that the payments with respect to the State Funding Agreement any Liquidity Facility Bonds, or any future Parity Obligations are accelerated, such circumstances would not materially adversely affect the ability of the City to pay debt service with respect to the Series 2017 Bonds.

### **Aging Components of Water System**

Significant portions of the pipeline within the Water System are significantly older than their originally expected useful life. 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 WATER SYSTEM – Water System Facilities.”

### **Earthquake, Flood or Other Natural Disasters**

The potential for natural disasters to cause catastrophic damage to any urban area, including its above-ground and below-ground water infrastructure, in California 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 Water System. Certain areas in the Water System service area and certain facilities of the Water System have been identified as being within a 100-year flood plain. See “THE WATER SYSTEM —Floods” herein.

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

### **Billing System Upgrade**

A portion of the proceeds of the Series 2017 Bonds are being used to pay the cost of modernization of the City’s billing system. The current version of Water System’s utility billing software has been operational at the Department since 2005 and is no longer supported by the original software or hardware suppliers. There are no plans for any new releases, any added functionality or security updates and the product is at risk for becoming non-compliant in the current operating environment. A failure of the system could result in an extended period of reduced



revenue for the Department and decreased levels of customer service. In addition, transition to a new billing system could result in interruptions or other problems in billing of customers, which could materially adversely affect Revenues of the Water System.

### **Commingling of System Revenues**

As described herein in “THE WATER SYSTEM - Budgetary and Financial Procedures,” the City commingles the System Revenues with its other funds, and can use such Water System Funds for cash flow purposes. The Trustee and the holders of the Series 2017 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 2017 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 of the Series 2017 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. While 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. 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 of the Series 2017 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 of the Series 2017 Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the 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 Water System that are greater or different than 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 of the Series 2017 Bonds. It is not clear precisely which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, the parties (including the holders of the Series 2017 Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2017 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 of the Series 2017 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 of the Series 2017 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 2017 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 of the Series 2017 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 of the Series 2017 Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the holders of the Series 2017 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 2017 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As described herein in “THE WATER SYSTEM - Leasing of Certain Components of the Water System,” the City has leased certain assets of the Water 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 of the Series 2017 Bonds may no longer be entitled to receive any System Net Revenues generated by such leased assets and the Water System may experience an increase in operating costs, thereby further reducing the System Net Revenues available to pay debt service on the Series 2017 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 of the Series 2017 Bonds may no longer be entitled to receive any System Net Revenues generated by such leased assets and the Water System may experience an increase in operating costs, thereby further reducing the System Net Revenues available to pay debt service on the Series 2017 Bonds.

There may be delays in payments on the Series 2017 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 2017 Bonds, or result in losses to the holders of the

Series 2017 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 2017 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, 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 2017 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 2017 Bonds.

### **Limitation on Remedies**

If an Event of Default should occur, the Trustee and the holders of the Series 2017 Bonds have no ability to accelerate the maturity of the Series 2017 Bonds. This means that even after an Event of Default occurs, the Series 2017 Bonds may be paid according to the regularly-scheduled due dates. This may result in delays or reductions in payments on the Series 2017 Bonds compared to what would happen if the Trustee could accelerate the maturity of the Series 2017 Bonds, and could cause the market value of the Series 2017 Bonds to decline after the occurrence of an Event of Default. Also see "--Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds.

### **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 XIII C and XIII D to the California Constitution and contains 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 SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID ("**SB 919**"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (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 contract clause of the United States Constitution. Additionally, SB 919 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 which 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 Water System. The initiative was not approved by the voters.)

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 authority’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any 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 (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) 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 (iv) 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. Proposition 26 amends Article XIII C of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (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 Water 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 water service, the City also imposes development impact fees as a condition for connecting new properties to the Water System. The City does not believe that these development impact fees are subject to Proposition 218.

Pursuant to the Indenture, the City has covenanted that it will set rates for Water System services at specified levels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Rate Covenant” herein. In the event that proposed increased service charges cannot be imposed as a result of a majority protest or an initiative, 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 2017 Bonds.

#### **ABSENCE OF LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance of the Series 2017 Bonds or in any way contesting or affecting the validity of the Series 2017 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 which, in the opinion of the City Attorney, would materially adversely affect the Water System or the sources of payment for the Series 2017 Bonds.

## CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Series 2017 Bonds to provide certain financial information and operating data relating to the City by not later than the end of the ninth month after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2016-17 Fiscal Year (the “**Annual Report**”), and 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 Electronic Municipal Market Access system (“**EMMA**”). 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 2017 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5).

The City has previously entered into a number of continuing-disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. In certain continuing-disclosure filings during the past five years, the City provided links to the City’s website where documents could be downloaded rather than submit the documents as part of the filing itself; with respect to certain bonds of the Sacramento City Financing Authority (the “**Authority**”) involving the Sacramento Housing and Redevelopment Agency (“**SHRA**”), and also with respect to bonds of SHRA itself, the posting of the SHRA’s audited financial statements occurred after the due date; and certain filings related to the Authority’s bonds and SHRA’s bonds did not expressly include all the required information (including, in one instance, unaudited financial statements). In addition, certain filings were made after the required filing date, such as the City’s audited financial statements for fiscal year 2013 with respect to some prior issues, the City’s annual reports for each of the past five fiscal years with respect to some prior issues, and certain required information supplementing the City’s annual reports for certain prior issues (including the City’s budget in at least two instances). The City did not file notices of late filings in the past five years. On one occasion in the last five years, the City inadvertently failed to file a notice of an insurer-related rating change.

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

## TAX MATTERS

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 2017 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 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2017 Bonds is less than the amount to be paid at maturity of such Series 2017 Bonds (excluding amounts stated to be interest and payable

at least annually over the term of such Series 2017 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2017 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017 Bonds is the first price at which a substantial amount of such maturity of the Series 2017 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017 Bonds accrues daily over the term to maturity of such Series 2017 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017 Bonds. Beneficial Owners of the Series 2017 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2017 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017 Bonds is sold to the public.

Series 2017 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 2017 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 2017 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 2017 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017 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 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds. Prospective purchasers of the Series 2017 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 2017 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 2017 Bonds ends with the issuance of the Series 2017 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 2017 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 2017 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 2017 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

### **APPROVAL OF LEGALITY**

The validity of the Series 2017 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 Underwriters by Nixon Peabody LLP, and for the City by the City Attorney and its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

### **RATINGS**

S&P Global Ratings and Fitch Ratings have assigned the Series 2017 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 2017 Bonds.

## **UNDERWRITING**

The underwriters listed on the cover of this Official Statement (the “**Underwriters**”) have agreed, subject to certain conditions, to purchase the Series 2017 Bonds at a price of \$62,604,513.90 (consisting of the principal amount of the Series 2017 Bonds plus original-issue premium of \$10,192,081.20, less an underwriters’ discount of \$197,567.30). The Purchase Contract relating to the Series 2017 Bonds provides that the Underwriters will purchase all of the Series 2017 Bonds if any are purchased. The Series 2017 Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The underwriters and their respective 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 FirstSouthwest, a Division of Hilltop Securities, Inc. (“FirstSouthwest”), as municipal advisor in connection with the issuance and sale of the Series 2017 Bonds. Although FirstSouthwest has assisted in the preparation of the Official Statement, FirstSouthwest is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further FirstSouthwest does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Series 2017 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 Water Fund) for the Fiscal Year ended June 30, 2016, are attached hereto as Appendix A. The City's financial statements were audited by the independent accounting firm of Vavrinek, Trine, Day & Co., LLP of Sacramento, California (the "**Auditors**"). The Auditors have not reviewed or audited this Official Statement and the City has not sought the consent of the Auditors to the inclusion of the Auditor's report in this Official Statement. The audited financial statements include information concerning the City's General Fund and other funds, including the Water Fund and the other enterprise funds relating to, the City's wastewater system, solid waste system and storm water drainage system. The Series 2017 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 2017 Bonds.



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## **APPENDIX A**

### **AUDITED FINANCIAL STATEMENTS OF THE CITY**

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 Water Fund and the funds relating to the City's wastewater system, solid waste system and stormwater drainage system. The Series 2017 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 2017 Bonds.

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# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

City of Sacramento, California



LIVE. WORK. PLAY.



**City of Sacramento**

**California**

**Comprehensive Annual  
Financial Report**

**Fiscal Year Ended June 30, 2016**

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

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



# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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# Introductory Section

*Howard Chan*  
*Interim City Manager*

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

December 23, 2016

Honorable Mayor and City Council  
City of Sacramento, California:

Dear Mayor and Members of the City Council:

We are pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) for the City of Sacramento (City) for the fiscal year ended June 30, 2016. 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, 2016. Their unmodified (“clean”) opinion has been included as the first component of the financial section of the CAFR.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

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

#### **PROFILE OF THE CITY**

The City of Sacramento, capital of the State of California, was established in 1849. The sixth largest city in California based on population, Sacramento also serves as the seat of Sacramento County government. The State of California Department of Finance estimated the population on January 1, 2016, at 485,683 for the City and 1,495,297 for the County. Encompassing 99 square miles, the City is located in the northern section of California’s Central Valley at the confluence of the Sacramento and American rivers.

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

### **REPORTING ENTITY**

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

Sacramento City Financing Authority (SCFA)  
Sacramento Public Financing Authority (SPFA)  
Sacramento City Employees' Retirement System (SCERS)  
Successor Agency to the Redevelopment Agency of the City of Sacramento (RASA)

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

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

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

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

### **BUDGET INFORMATION**

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

### **LOCAL ECONOMY**

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

Like most cities in the country, Sacramento continued its economic recovery in 2016. As of June 2016, unemployment for the Sacramento metropolitan area and Sacramento County was 5.3% and 5.8%, respectively, compared to 5.6% and 5.8%, respectively, one year earlier. According to the latest University of California, Los Angeles Anderson Forecast, slow and steady growth in employment in California is expected to continue in 2017. While there is an expectation of continued economic growth, economic data indicates that growth in the Sacramento region will continue to generally lag behind national trends and other areas of California.

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

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

The City continues to benefit from the economic recovery with revenues growing at a substantial rate. Measure U, a voter-approved 1/2 cent sales and use tax that expires in March of 2019, continues to provide resources to protect and restore vital City programs and services. Given the temporary nature of the Measure U resources, it remains critical that the City continues to reevaluate not only how services are delivered to meet citizen needs, but also which programs and services the City can afford to deliver. The City's management team continues to look for ways to build a stronger, more sustainable fiscal framework and to provide the leadership and discipline needed to ensure that we are implementing long-term solutions to address the City's financial challenges.

#### **RELEVANT FINANCIAL POLICIES**

The City maintains a General Fund Economic Uncertainty Reserve (EUR) for the purpose of bridging a gap between projected revenue and expenditures during periods of significant revenue declines and/or expenditure growth and to ensure the City has adequate resources in case of an emergency or unforeseen events. Pursuant to a new policy, the City will maintain an EUR at a minimum of 10% of budgeted General Fund revenues and will seek to achieve and maintain a General Fund EUR equal to two months of regular on-going General Fund expenditures, including transfers (i.e. 17% of General Fund expenditures).

The Council policy directs unbudgeted one-time general revenue received in a fiscal year, not required to balance the budget as part of the midyear review or year-end close, be added to the EUR. Unbudgeted one-time general revenue of \$8.0 million was added to the EUR during year-end close bringing the balance to \$46.95 million, approximately 10.8% of estimated FY2016/17 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.



During the year, the City adopted several new policies to promote prudent financial management including Other Post-Employment Benefits (OPEB) Funding, Development Stabilization Contingency Reserve (DSCR) and Development Services Fund Management, and Budget Control.

**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, 2015. This marks the 27th consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

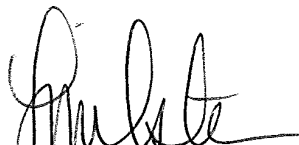
In order to receive this award, the City published an easily readable and efficiently organized CAFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. We believe this CAFR also meets the requirements of the program and we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

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

Respectfully submitted,



Howard Chan  
Interim City Manager

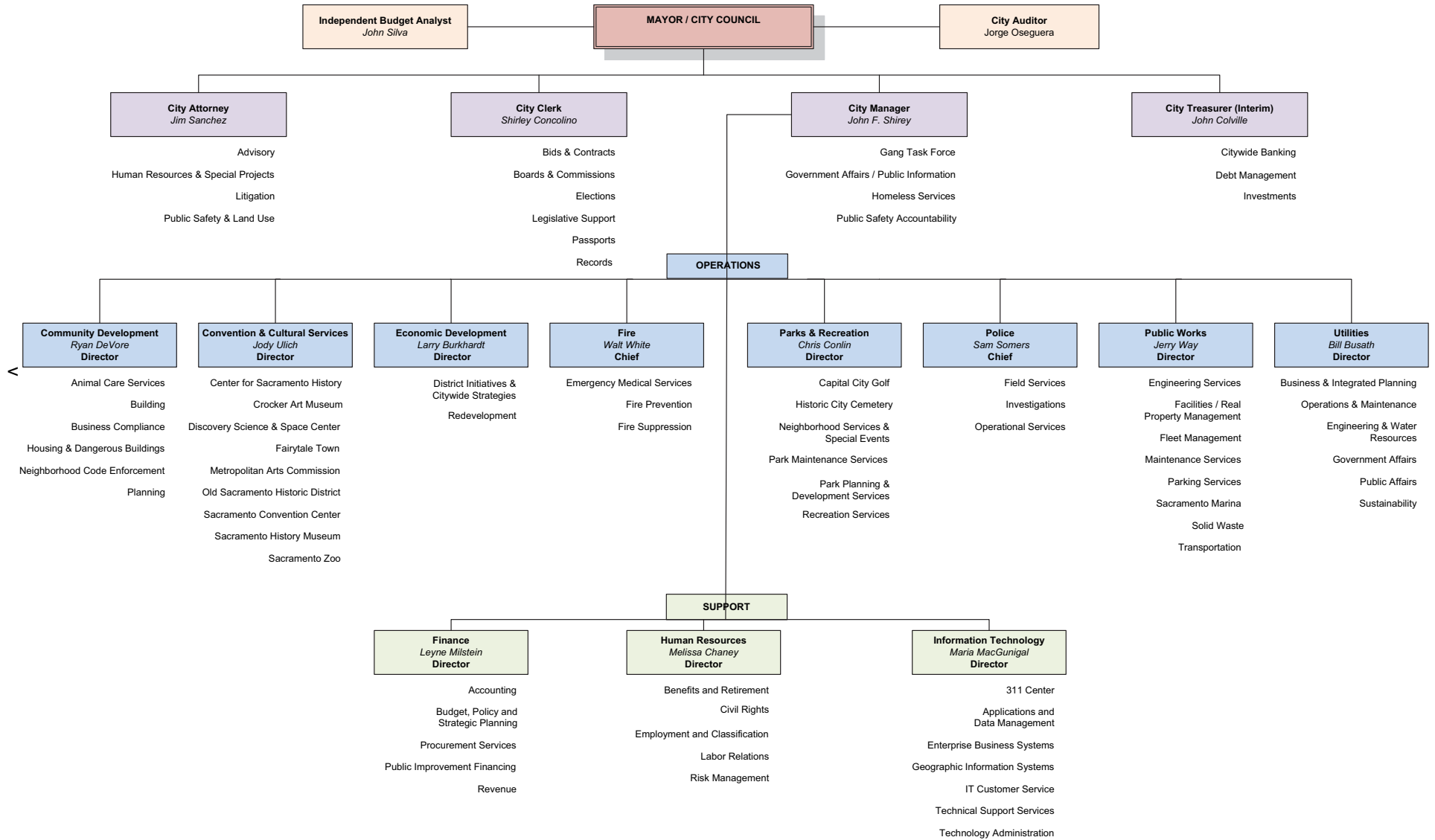


Leyne Milstein  
Director of Finance



Russell Robertson  
Accounting Manager

# City of Sacramento Organization Chart As of June 30, 2016



# **City of Sacramento**

## **Directory of City Officials**

**June 30, 2016**

---

**Kevin Johnson**  
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**  
Vice Mayor, District 7

**Steve Hansen**  
Councilmember, District 4

**Larry Carr**  
Mayor Pro Tem, District 8

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**John F. Shirey**  
City Manager

**James Sanchez**  
City Attorney

**Shirley Concolino**  
City Clerk

**John Colville**  
Interim City Treasurer

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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, 2015**

Executive Director/CEO

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# Financial Section



## INDEPENDENT AUDITORS' REPORT

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

### **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, 2016, 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, 2016, 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***

### *Change in Reporting Entity*

As described in Note 1 to the financial statements, the City is no longer reporting the Sacramento Regional Arts Facilities Financing Corporation due to the refunding of the debt issued and reported within that fund. Our opinion is not modified with respect to this matter.

### *Implementation of GASB Pronouncements*

As described in Note 1, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2015. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and 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 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 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 23, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California  
December 23, 2016

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**City of Sacramento**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

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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, 2016. 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**

- In fiscal year 2016, the City invested \$223 million in the construction of the Golden 1 Center, an indoor multi-use facility, expected to host about 200 entertainment and sporting events per year, including 42 Sacramento Kings games. The City issued lease revenue bonds totaling \$272 million to finance its portion of this public-private entertainment venue.
- The City issued 2015 Refunding Revenue Bonds in fiscal year 2016 to refund the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, and the 2006 Capital Improvement Revenue Bonds Series A and Series C. The refunding resulted in an economic gain to the City of \$21.6 million.
- The City spent \$29.6 million in fiscal year 2016 on the \$170 million rehabilitation project at the City's original water treatment plant on the Sacramento River, built in 1923 and the E.A. Fairbairn water treatment plant on the American River. This three-year construction project, funded with water revenue bonds issued in 2013, will secure water supply for Sacramento residents and businesses.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$26.6 million in fiscal year 2016. This is primarily attributable to revenues collected in excess of amounts budgeted for property, sales and use, utility users, and business operations taxes.
- The City's total government-wide net position increased by \$90.4 million in the current year, a 4.7 percent increase.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

# City of Sacramento

## Management's Discussion and Analysis (Continued)

### (Required Supplementary Information - Unaudited)

For the Fiscal Year Ended June 30, 2016

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#### Government-wide Financial Statements

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

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

- *Governmental activities* - Most of the City's basic services are included here, such as police, fire, public works, community development, parks and recreation, and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Certain services provided by the City are funded by customer fees. Among these are the City's utility services, convention center, and off-street parking facilities.

#### Fund Financial Statements

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

The City has three types of fund financial statements:

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

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

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

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

**City of Sacramento**  
**Summary of Net Position**  
As of June 30, 2016 and 2015  
(in millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percent Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
Current and other assets	\$ 774	\$ 697	\$ 405	\$ 466	\$ 1,179	\$ 1,163	1.4%
Capital assets	1,997	1,783	1,252	1,148	3,249	2,931	10.8%
Total assets	<u>2,771</u>	<u>2,480</u>	<u>1,657</u>	<u>1,614</u>	<u>4,428</u>	<u>4,094</u>	8.2%
Deferred outflows of resources	75	68	17	21	92	89	3.4%
Long-term liabilities	1,615	1,309	667	681	2,282	1,990	14.7%
Other liabilities	102	73	45	45	147	118	24.6%
Total Liabilities	<u>1,717</u>	<u>1,382</u>	<u>712</u>	<u>726</u>	<u>2,429</u>	<u>2,108</u>	15.2%
Deferred inflows of resources	<u>56</u>	<u>122</u>	<u>10</u>	<u>18</u>	<u>66</u>	<u>140</u>	-52.9%
Net position							
Net investment in capital assets	1,498	1,445	785	748	2,283	2,193	4.1%
Restricted	157	191	43	36	200	227	-11.9%
Unrestricted	<u>(582)</u>	<u>(592)</u>	<u>124</u>	<u>107</u>	<u>(458)</u>	<u>(485)</u>	-5.6%
Total net position	<u>\$ 1,073</u>	<u>\$ 1,044</u>	<u>\$ 952</u>	<u>\$ 891</u>	<u>\$ 2,025</u>	<u>\$ 1,935</u>	4.7%

**Analysis of net position**

As noted earlier, total net position of the primary government increased \$90 million this year. Total assets increased \$334 million and total liabilities increased \$321 million. Deferred outflows of resources increased \$3 million, and deferred inflows of resources decreased \$74 million.

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

**Governmental activities**

Current and other assets increased \$77 million primarily due to unspent 2015 Lease Revenue Bond proceeds of \$31.6 million and the associated debt service reserve of \$41 million.

Capital assets increased \$214 million primarily due to construction costs of the Golden 1 Center, offset by depreciation and retirements. More detailed capital asset information is in Note 4 to the financial statements.

The increase in deferred outflows of resources of \$7 million is primarily due to the recognition of pension contributions subsequent to the measurement date as well as new deferred outflows related to the net difference between projected and actual earnings on pension plan investments.

Governmental long-term liabilities increased \$306 million primarily due to the issuance of bonds to finance the construction of the Golden 1 Center. More information is available in Note 7 to the financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

---

Deferred inflows of resources decreased \$66 million primarily due to netting \$83 million of deferred outflows related to differences between projected and actual earnings on pension plan investments. This decrease was offset by an increase of deferred inflows of resources of \$18 million due to a change in actuarial assumptions for the current fiscal year.

Restricted net position, representing amounts that must be used in accordance with external restrictions, decreased \$34 million mostly due to the use of debt service cash reserves in the 2015 debt refunding.

**Business-type activities**

Current and other assets of business-type activities decreased \$61 million compared to the prior year primarily due to continued water and wastewater capital project spending of 2013 bond proceeds.

Capital assets increased \$104 million due to capital asset additions including rehabilitation of water treatment plants, water mains and meters, partially offset by current year depreciation and asset retirements. More detailed capital asset information is in Note 4 to the financial statements.

Deferred outflows of resources decreased \$3.2 million primarily due to the elimination of approximately \$6.3 million related to a previous loss on refunding. This decrease was offset by a \$3 million increase related to recognition of pension related contributions and net differences between projected and actual earnings on pension plan investments.

Long-term liabilities, excluding the net pension liability, decreased \$14 million primarily due to retirement of existing debt of \$18 million offset by \$6.7 million in new capital leases. More detailed information about long-term liabilities is available in Note 7 to the financial statements.

Net investments in capital assets increased \$37 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, 2016

<b>City of Sacramento</b>							
<b>Changes in Net Position</b>							
For the Fiscal Years Ended June 30, 2016 and 2015							
(in thousands)							
	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>		
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>Percent</b>
							<b>Change</b>
Revenues							
Program revenues:							
Charges for services	\$ 145,299	\$ 141,438	\$ 262,985	\$ 260,383	\$ 408,284	\$ 401,821	1.6%
Operating grants & contributions	35,442	52,306	3,435	2,142	38,877	54,448	-28.6%
Capital grants & contributions	122,528	115,354	7,433	7,292	129,961	122,646	6.0%
General revenues:							
Property taxes	138,354	129,714	-	-	138,354	129,714	6.7%
Local sales taxes	42,529	42,397	-	-	42,529	42,397	0.3%
Utility users tax	61,404	59,947	-	-	61,404	59,947	2.4%
Other taxes	28,232	23,808	21,800	20,108	50,032	43,916	13.9%
Unrestricted:							
Sales taxes shared state revenue	67,983	58,476	-	-	67,983	58,476	16.3%
State of California in-lieu sales tax	14,387	16,632	-	-	14,387	16,632	-13.5%
Investment earnings	11,328	8,769	4,428	1,567	15,756	10,336	52.4%
Miscellaneous	12,954	11,060	20	5	12,974	11,065	17.3%
Gain on disposition of capital assets	-	5,340	-	-	-	5,340	0.0%
<b>Total revenues</b>	<b>680,440</b>	<b>665,241</b>	<b>300,101</b>	<b>291,497</b>	<b>980,541</b>	<b>956,738</b>	<b>2.5%</b>
Expenses							
General government	59,037	52,474	-	-	59,037	52,474	12.5%
Police	164,750	166,797	-	-	164,750	166,797	-1.2%
Fire	137,859	127,561	-	-	137,859	127,561	8.1%
Public works	121,184	118,707	-	-	121,184	118,707	2.1%
Economic development	13,049	11,075	-	-	13,049	11,075	17.8%
Convention and cultural services	24,139	19,441	-	-	24,139	19,441	24.2%
Parks & recreation	53,911	56,573	-	-	53,911	56,573	-4.7%
Community development	36,251	30,221	-	-	36,251	30,221	20.0%
Library	16,294	15,629	-	-	16,294	15,629	4.3%
Interest on long-term debt	30,404	29,046	-	-	30,404	29,046	4.7%
Water	-	-	73,150	69,428	73,150	69,428	5.4%
Wastewater	-	-	25,348	25,432	25,348	25,432	-0.3%
Storm drainage	-	-	40,971	41,830	40,971	41,830	-2.1%
Solid waste	-	-	47,703	47,149	47,703	47,149	1.2%
Community center	-	-	17,277	17,690	17,277	17,690	-2.3%
Parking	-	-	14,451	13,704	14,451	13,704	5.5%
Child development	-	-	5,519	6,151	5,519	6,151	-10.3%
<b>Total expenses</b>	<b>656,878</b>	<b>627,524</b>	<b>224,419</b>	<b>221,384</b>	<b>881,297</b>	<b>848,908</b>	<b>3.8%</b>
Revenue over (under) expenses	23,562	37,717	75,682	70,113	99,244	107,830	-8.0%
Contributions to permanent funds	-	1	-	-	-	1	0.0%
Special items	(8,830)	-	-	4,554	(8,830)	4,554	-
Transfers	14,773	32,148	(14,773)	(32,148)	-	-	-
<b>Change in net position</b>	<b>29,505</b>	<b>69,866</b>	<b>60,909</b>	<b>42,519</b>	<b>90,414</b>	<b>112,385</b>	<b>-19.5%</b>
Net position, beginning of year	1,043,612	973,746	891,261	848,742	1,934,873	1,822,488	6.2%
<b>Net position, end of year</b>	<b>\$ 1,073,117</b>	<b>\$ 1,043,612</b>	<b>\$ 952,170</b>	<b>\$ 891,261</b>	<b>\$ 2,025,287</b>	<b>\$ 1,934,873</b>	<b>4.7%</b>

Fiscal year 2015 amounts for General Services have been reclassified to Public Works due to the combining of the departments in fiscal year 2016.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

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**Analysis of the changes in net position**

Total government-wide revenues of the primary government increased \$23.8 million, a 2.5 percent increase from the prior year, and total expenses increased \$32.4 million, a 3.8 percent increase. These changes are discussed in more detail below.

**Governmental activities**

Total revenues for governmental activities increased \$15.2 million from the prior year, a 2.3 percent increase. Total expenses increased \$29.4 million, a 4.7 percent increase, and net transfers from business-type activities decreased \$17.4 million, a 54.0 percent decrease from the prior year. Transfers in primarily consist of in lieu taxes paid by the business-type activities to the General Fund. Transfers out primarily consist of capital assets transferred from governmental activities to business-type activities. Net transfers were lower in 2016 primarily because fewer capital assets were transferred out of governmental activities.

**Revenue**

Capital grants and contributions revenue increased \$7.2 million from the prior year primarily due to Redevelopment Agency Successor Agency contributions of unspent redevelopment bond proceeds. Operating grants and contributions decreased \$16.9 million compared to the prior year primarily due to non-recurring economic development operating contributions and reimbursements in the prior year.

Property tax revenue increased \$8.6 million in 2016 due to recovering Sacramento area commercial and residential real estate assessed valuations. Other tax revenues, including business operations tax and real property transfer tax, increased \$0.6 million in 2016 mostly due to the continued economic recovery. Sales tax revenue was \$8.5 million higher due to a one-time true-up payment in fiscal year 2016, marking the end of the State's "triple flip" fiscal recovery program.

**Expenses**

As stated above, total governmental expenses increased by \$29.4 million. This increase is primarily attributable to the increase in fire (\$10.3 million), general government (\$6.6 million), community development (\$6.0 million), convention and cultural services (\$4.7 million), plus other department increases (\$6.5 million), offset by decreases in police (\$2.0 million) and parks and recreation (\$2.7 million).

Expenses in fire and most other departments increased due to rising labor costs. General government increased primarily due to \$5.5 million paid for costs of issuance on new bonds issued during the year. Community development increased during the year because of new development projects throughout the City. The increase in convention and cultural services is primarily a result of the \$4.2 million contribution for improvements to the Fremont Building to become the new E. Claire Raley Studios for the Performing Arts.

**Business-type activities**

Total revenues for business-type activities increased \$8.6 million from the prior year, a 3.0 percent increase. Total expenses for business-type activities increased \$3.0 million from the prior year, a 1.4 percent increase. Net transfers from business-type activities to governmental activities decreased \$17.4 million primarily because business-type capital asset transfers in from governmental funds increased in the current fiscal year by about \$17.8 million.

**Revenue**

Charges for services increased \$2.6 million mostly due to fees charged to other agencies for storm drainage services of approximately \$1.7 million.

Other taxes revenue increased \$1.7 million due to higher transient occupancy tax revenue generated from higher hotel occupancy and higher hotel average room rates resulting from trending improvements in the Sacramento area economy.

Investment earnings increased by \$2.9 million due to increasing returns on investments in the current fiscal year.



**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

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**Expenses**

Water expenses increased \$3.7 million due primarily to labor cost increases of \$1 million, service and supply increases of \$1.4 million related to utility costs and emergency water purchases from the County of Sacramento, and higher depreciation expense for new capital assets of \$0.7 million.

Storm Drainage fund expenses decreased \$0.9 million mainly due a reduction of labor costs of \$0.4 million compared to the prior year due to non-recurring additional work necessary during the 2015 Winter Storm event.

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

**Governmental Funds**

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Total fund balance for governmental funds increased by \$91.4 million in 2016. Compared to the prior year, total revenues for governmental funds increased by \$58.6 million, total expenditures increased \$268.3 million, net other financing sources increased \$266.1 million, and in fiscal year 2016 there was a special item expenditure of \$8.8 million. These changes are discussed in more detail below.

**General Fund**

Total General Fund revenue increased by \$27.3 million compared to the prior year mostly due to increases in tax revenues of \$19.8 million, intergovernmental revenue of \$2.9 million, charges for services revenue of \$2.2 million, fines, forfeits and penalties revenue of \$1.3 million and interest of \$1.3 million. Tax revenue increases were mainly due to increases in sales and use tax of \$9.1 million, property tax of \$5.1 million, real property transfer tax of \$2.2 million, business operations tax of \$1.6 million, and utility users tax of \$1.5 million. The increase in charges for services was primarily attributable to development activity and medical marijuana permit fees.

Total General Fund expenditures increased by \$25.4 million during fiscal year 2016. Fire department expenditures increased \$8.0 million primarily due to rising labor costs. General government expenditures increased \$4.1 million mainly labor cost increases and additional staffing in various departments. Citywide and community support expenditures increased \$10.7 million primarily because of a \$6.7 million OPEB Trust contribution paid during the year. Community development expenditures increased by \$5.3 million and Public Works expenditures decreased by \$4.6 million primarily because of the reclassification of the Animal Care Division from the Public Works department to the Community Development department.

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

After taking into account these budget adjustments, General Fund revenues were \$32.9 million higher than final budgeted amounts. Sales and use and real property transfer tax collections exceeded the budgeted amounts by \$10.3 million and \$5.8 million, respectively. Charges for services and intergovernmental revenue exceeded budgeted amounts by \$5.4 million and \$4.4 million, respectively. Interest revenue exceeded budget by nearly \$1 million.

General Fund budgetary expenditures were \$40.6 million lower than final budget amounts. All General Fund departments reported favorable operating expenditure budget variances primarily due to salary savings from vacant positions, except for the Police Department due to a mandatory one percent labor savings associated with a prior labor agreement (\$1.4 million) and increasing overtime costs. Capital outlay expenditures were less than budgeted amounts by \$29.0 million because of the multi-year nature of most capital projects. Unspent multi-year project budgets, as well as other unspent Council-approved program budgets, are carried over to the subsequent fiscal year.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

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**Measure U Fund**

Measure U Fund revenue was lower and expenditures were higher in fiscal year 2016 compared to fiscal year 2015 by \$1.1 million and \$11.7 million respectively. Expenditures were higher in fiscal year 2016 primary for funding additional police officer positions and parks and recreation programs. Measure U resources are used to restore police, fire, gang prevention and intervention, library, animal care and parks and recreation services.

**Capital Grants Fund**

Capital Grant Fund revenue and expenditures decreased \$22.6 million and \$27.7 million, respectively.

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

- Intermodal Phase II Construction Project - \$6.0 million increase,
- Township 9 Project - \$3.3 million increase,
- Riverfront Reconnection Phase 1 Project - \$7.4 million increase,
- Railyards Transit-Oriented Development (Proposition 1C) - \$6.5 million decrease,
- Downtown ESC Project - \$7.6 million decrease,
- Cosumnes River Boulevard Extension and Interstate 5 Interchange - \$10.8 million decrease,
- McClatchy Park Redevelopment Project – \$1.3 million decrease,
- Artivio Guerrero Park Project - \$1.9 million decrease,
- 5th Street & Railyard Boulevard Project – \$4.6 million decrease, and
- Net change in other capital grant projects – \$6.6 million decrease.

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

- Intermodal Phase II Construction Project - \$2.0 million increase,
- Township 9 Project - \$3.3 million increase,
- Riverfront Reconnection Phase 1 Project - \$8.9 million increase,
- Roseville Road Bridge Project - \$1.8 million increase,
- Artivio Guerrero Park Project - \$1.9 million decrease
- Cosumnes River Boulevard Extension and Interstate 5 Interchange - \$16.7 million decrease,
- Railyard TOD PROP 1C project – \$6.5 million decrease,
- Downtown ESC project – \$7.6 million decrease,
- McClatchy Park Redevelopment Project – \$1.4 million decrease,
- 5th Street & Railyard Boulevard Project – \$4.6 million decrease, and
- Net change in other capital grant projects – \$5.0 million decrease.

**1997 Lease Revenue Bond Fund**

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

**Golden 1 Center Capital Projects Fund**

This fund, new in fiscal year 2016, was established to account for the Golden 1 Center project costs. In fiscal year 2016, \$223 million was transferred to this fund, from bond proceeds in the debt service fund and expended for the Golden 1 Center capital project.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

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**Other Governmental Funds**

Other governmental fund revenues increased \$54.7 million due largely to the following fluctuations:

- \$25.0 million from RASA for amounts owed for refunded master lease debt,
- \$11.9 million from RASA of unspent bond proceeds to be used for redevelopment projects, and
- \$9.2 million increase in North Natomas development fee revenue due partly to the lifting of the building moratorium in April 2015.

Other governmental fund expenditures increased \$105.6 million due largely to the following:

- An increase in bond escrow payments of \$113.8 million and issuance costs for the 2015 Refunding Revenue Bonds partially offset by approximately \$12.9 million in decreases in the parks and recreation and operating grant funds, and
- Other governmental funds net other financing sources increased \$115.3 million primarily due to the issuance of the 2015 Refunding Revenue Bonds, the 2015 Lease Revenue Bonds (Golden 1 Center) and the 2016 Lease Financing (H Street Theater Complex). In fiscal year 2016, there was a special item expenditure to the former discretely-presented component unit for \$8.8 million to refund the component unit's debt.

**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 \$2.6 million, and operating expenses increased \$1.2 million. Net non-operating revenues increased \$4.0 million and capital contributions increased \$17.9 million. These changes are discussed in more detail below.

**Water Fund**

Water Fund operating revenue decreased \$2.0 million compared to the prior year because of drought and the water restrictions that the City established for customers during fiscal year 2016. Operating expenses increased \$3.2 million compared to the prior year mainly due to the increase in salaries and benefits of \$1 million as the result of salary step increases and a cost of living adjustment (COLA), and increases in service and supply expenses of \$1.4 million that were mainly related to utilities and emergency water purchases from the County of Sacramento. Additionally, depreciation expense of new capital assets accounted for another \$0.7 million of the increase. Net non-operating revenue increased by \$1.9 million mainly due to investment portfolio performance which generated an increase of \$1.4 million in investment revenue. Capital contributions increased by \$15.4 million mainly due to the capital contribution received related to the Cosumnes Boulevard extension in the amount of \$13.5 million.

**Wastewater Fund**

Wastewater Fund operating revenue, operating expenses and net non-operating revenue in the current year remained relatively flat compared to the previous year. Capital contributions decreased by \$2.1 million due to less capital grant revenue and developer impact fees received this year compared to the previous year.

**Storm Drainage Fund**

Storm Drainage Fund operating revenue increased by \$2.5 million compared to the prior year primarily due to additional fees received from contract services in the amount of \$1.7 million. Operating expenses and net non-operating revenue remained flat compared to the previous year. Capital contributions increased by \$4.6 million compared to the prior year mainly due to the contribution of capital assets related to the McKinley Village in the amount of \$2.5 million and the Cosumnes Boulevard extension for another \$2.6 million during the fiscal year.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

**Solid Waste Fund**

Solid Waste Fund operating revenue increased by \$1.2 million compared to the prior year mainly due to additional utility fee charges in the amount \$1.1 million that were received under service agreements entered during fiscal year 2016. Total operating expenses and net non-operating revenue in the current year did not change significantly compared to the previous year.

**Parking Fund**

Parking fund operating revenue increased \$1 million compared to the prior year mainly due to an increase in managed lots. Total operating expenses and net non-operating revenue in the current year did not change significantly compared to the previous year.

**Community Center Fund**

Community Center Fund transient occupancy tax non-operating revenue increased again in fiscal year 2016 by \$1.7 million due to the increase in Sacramento area hotel room occupancy and room rates.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2016, the City had invested \$3.2 billion in a broad range of capital assets, including land, buildings, vehicles, parks and park improvements, roads, bridges, and water, wastewater and storm drainage transmission and distribution systems. The current year capital asset additions of \$654 million were offset by current year depreciation expense of \$124 million and retirements of \$212 million for a net increase in capital assets of \$318 million.

<b>City of Sacramento</b>						
<b>Capital Assets</b>						
As of June 30, 2016 and 2015						
(net of depreciation, in millions)						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Capital assets not being depreciated						
Land	\$ 202	\$ 199	\$ 50	\$ 50	\$ 252	\$ 249
Easements	1	1	-	-	1	1
Construction in progress	350	201	266	187	616	388
Depreciable capital assets:						
Buildings and improvements	407	419	138	142	545	561
Equipment	23	24	22	23	45	47
Software	3	4	1	1	4	5
Vehicles	52	53	-	-	52	53
Transmission and distribution systems	3	3	775	745	778	748
Road network	666	614	-	-	666	614
Street light network	150	129	-	-	150	129
Park and park improvements	140	136	-	-	140	136
<b>Total capital assets</b>	<b>\$ 1,997</b>	<b>\$ 1,783</b>	<b>\$ 1,252</b>	<b>\$ 1,148</b>	<b>\$ 3,249</b>	<b>\$ 2,931</b>

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

This year's major capital asset additions include:

- \$223 million on the Golden 1 Center Project.
- \$29.6 million for the Sacramento River & E.A. Fairbairn Water Treatment Plants Rehabilitation.
- Other capital projects in progress including the Intermodal Depot, Riverfront Reconnection, and the East Sacramento and Curtis Park Water Main Replacements. 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.

**Long-term Debt**

The following table summarizes the City's outstanding debt at June 30, 2016 and 2015:

**City of Sacramento**  
**Outstanding Debt**  
As of June 30, 2016 and 2015  
(in millions)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue and other bonds, net	\$ 628	\$ 399	\$ 493	\$ 520	\$ 1,121	\$ 919
Notes payable	15	16	26	30	41	46
Capital lease obligations	7	10	9	4	16	14
<b>Total outstanding debt</b>	<b>\$ 650</b>	<b>\$ 425</b>	<b>\$ 528</b>	<b>\$ 554</b>	<b>\$ 1,178</b>	<b>\$ 979</b>

Total outstanding debt for governmental activities increased \$225 million due to the issuance of \$273 million of 2015 Lease Revenue bonds for the Golden 1 Center, \$9 million for the 2016 Lease Financing, offset by a net reduction of \$44 million for the 2015 Refunding Bonds and principal payments on existing obligations.

Total outstanding debt for business-type activities decreased \$26 million due to \$18 million in principal payments on existing obligations, a net reduction of \$15 million due to the 2015 Refunding Bonds, offset by \$7 million in new capital leases.

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, 2016, as determined by Standard & Poor's (S & P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch):

Bond issues:	<u>S &amp; P</u>	<u>Moody's</u>
• 1993 Refunded Lease Revenue Bonds, Series A	A+	A2
• 1993 Refunded Lease Revenue Bonds, Series B	A+	A2
• 1997 Lease Revenue Bonds	AA-	A2
• 2006 Capital Improvement Revenue Bonds, Series B and D	A+	A2
• 2006 Capital Improvement Revenue Bonds, Series E	A+	A2
• 2015 Refunding Revenue Bonds	A+/AA	A2

**City of Sacramento**  
**Management’s Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2016

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Bond issues:	<u>S &amp; P</u>	<u>Fitch</u>
• Water Revenue Bonds, Series 2013	AA-	AA-
• Wastewater Revenue Bonds, Series 2013	AA-	AA
• 2015 Lease Revenue Bonds (Golden 1 Center)	A+	A

The City’s issuer credit rating as of June 30, 2016, 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.

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

**Economic Factors**

Sacramento’s economy continues to improve. Unemployment in the Sacramento metropolitan area has fallen from 5.8 percent at the end of fiscal year 2015 to 5.3 percent at the end of fiscal year 2016. The housing market has continued to improve during the fiscal year 2016. Although the trend reflects an increase in revenues, commitments for labor contracts, increasing retirement contributions and rising costs for utilities continue to add costs to the City’s General Fund budget.

**Next Year’s Budget**

General Fund budget appropriations for fiscal year 2017 are \$438.8 million, an increase of 8.6 percent compared to the fiscal year 2016 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget appropriates \$1,300,000 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, 2016  
(in thousands)

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 484,226	\$ 259,458	\$ 743,684
Receivables, net	173,685	64,292	237,977
Internal balances	6,048	(6,048)	-
Inventories	-	2,574	2,574
Prepaid items	1,084	446	1,530
Restricted cash and investments	109,495	84,066	193,561
Intangible assets	-	159	159
Land and other capital assets not being depreciated	553,056	316,748	869,804
Other capital assets, net of depreciation	1,443,869	935,248	2,379,117
<b>Total assets</b>	<b>2,771,463</b>	<b>1,656,943</b>	<b>4,428,406</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Accumulated decrease in fair value of hedging derivative instrument	3,217	-	3,217
Loss on refunding of debt	3,736	5,571	9,307
Deferred outflows related to pensions	67,900	11,816	79,716
<b>Total deferred outflows of resources</b>	<b>74,853</b>	<b>17,387</b>	<b>92,240</b>
<b><u>LIABILITIES</u></b>			
Payables	98,618	40,651	139,269
Unearned revenue	3,248	4,681	7,929
Long-term liabilities:			
Due within one year	46,388	30,169	76,557
Due in more than one year	1,568,572	636,388	2,204,960
<b>Total liabilities</b>	<b>1,716,826</b>	<b>711,889</b>	<b>2,428,715</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Service concession arrangement	5,849	-	5,849
Gain on debt refunding	-	1,609	1,609
Deferred inflows related to pensions	50,524	8,662	59,186
<b>Total deferred inflows of resources</b>	<b>56,373</b>	<b>10,271</b>	<b>66,644</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	1,497,796	785,353	2,283,149
Restricted for:			
Capital projects	80,054	40,772	120,826
Debt service	1,203	-	1,203
Public works programs	20,521	-	20,521
Economic development programs	16,888	-	16,888
Ambulance services	1,085	-	1,085
Other programs	28,381	2,203	30,584
Trust and endowments:			
Expendable	8,008	-	8,008
Nonexpendable	878	-	878
Unrestricted	(581,697)	123,842	(457,855)
<b>Total net position</b>	<b>\$ 1,073,117</b>	<b>\$ 952,170</b>	<b>\$ 2,025,287</b>

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, 2016  
(in thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 69,736	\$ (10,699)	\$ 7,103	\$ 2,245	\$ 61	\$ (49,628)
Police	164,750	-	11,022	6,082	-	(147,646)
Fire	137,859	-	31,204	1,393	-	(105,262)
Public works	121,184	-	37,179	11,320	78,831	6,146
Economic development	13,049	-	7,889	804	15,412	11,056
Convention and cultural services	24,139	-	10,085	602	3,927	(9,525)
Parks and recreation	53,911	-	13,792	5,506	7,207	(27,406)
Community development	36,251	-	27,025	355	17,090	8,219
Library	16,294	-	-	7,135	-	(9,159)
Interest on long-term debt	30,404	-	-	-	-	(30,404)
Total governmental activities	667,577	(10,699)	145,299	35,442	122,528	(353,609)
Business-type activities:						
Water	70,131	3,019	98,533	2,266	4,902	32,551
Wastewater	24,242	1,106	31,532	35	1,274	7,493
Storm drainage	39,160	1,811	40,166	19	1,257	471
Solid waste	45,214	2,489	60,253	550	-	13,100
Community center	16,012	1,265	8,782	-	-	(8,495)
Parking	13,442	1,009	17,646	1	-	3,196
Child development	5,519	-	6,073	564	-	1,118
Total business-type activities	213,720	10,699	262,985	3,435	7,433	49,434
Total primary government	\$ 881,297	\$ -	\$ 408,284	\$ 38,877	\$ 129,961	\$ (304,175)

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, 2016  
(in thousands)

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Change in net position:			
Net (expense) revenue	\$ (353,609)	\$ 49,434	\$ (304,175)
General revenues:			
Taxes:			
Property taxes	138,354	-	138,354
Utility user taxes	61,404	-	61,404
Local sales tax	42,529	-	42,529
Property transfer tax	10,787	-	10,787
Business operations tax	11,332	-	11,332
Transient occupancy tax	4,353	21,800	26,153
Other taxes	1,760	-	1,760
Unrestricted sales taxes shared state revenue	67,983	-	67,983
Unrestricted in lieu sales tax	14,387	-	14,387
Unrestricted investment earnings	11,328	4,428	15,756
Unrestricted miscellaneous	12,954	20	12,974
Special items	(8,830)	-	(8,830)
Transfers	14,773	(14,773)	-
Total general revenues, special items, and transfers	<u>383,114</u>	<u>11,475</u>	<u>394,589</u>
Change in net position	<u>29,505</u>	<u>60,909</u>	<u>90,414</u>
Net position, beginning of year	<u>1,043,612</u>	<u>891,261</u>	<u>1,934,873</u>
Net position, end of year	<u>\$ 1,073,117</u>	<u>\$ 952,170</u>	<u>\$ 2,025,287</u>

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

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# Fund Financial Statements

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**City of Sacramento**  
**Governmental Funds**  
**Balance Sheet**

June 30, 2016  
(in thousands)

	<u>General Fund</u>	<u>Measure U Fund</u>	<u>Capital Grants Fund</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 133,188	\$ 39,260	\$ -
Cash and investments held by fiscal agent	-	-	-
Receivables, net:			
Taxes	34,534	7,581	-
Accounts	13,817	-	2,755
Loans	4	-	-
Intergovernmental	1,500	-	13,875
Interest	529	149	-
Prepaid items	2	-	-
Restricted assets:			
Cash and investments held by City	1,860	-	29
Cash and investments held by fiscal agent	-	-	-
<b>Total assets</b>	<b><u>\$ 185,434</u></b>	<b><u>\$ 46,990</u></b>	<b><u>\$ 16,659</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 11,452	\$ 758	\$ 8,836
Accrued payroll	18,470	-	-
Accrued claims and judgements	310	-	-
Matured notes and interest payable	-	-	-
Due to other funds	-	-	2,976
Deposits	239	-	-
Unearned revenue	756	-	1,421
Advances from other funds	-	-	-
<b>Total liabilities</b>	<b><u>31,227</u></b>	<b><u>758</u></b>	<b><u>13,233</u></b>
Deferred inflows of resources:			
Unavailable revenue	4,211	700	8,682
Fund balances:			
Nonspendable:			
Prepaid items	2	-	-
Noncurrent assets	-	-	-
Permanent fund principal	-	-	-
Restricted:			
Capital projects	1,860	-	3,426
Debt service	-	-	-
Public works programs	-	-	-
Ambulance service	1,085	-	-
Economic development programs	-	-	-
Other programs	17	-	-
Committed:			
Economic uncertainty	46,950	-	-
Capital projects	37,526	5,843	-
Debt service	-	-	-
Community center theater renovation	8,500	-	-
B Street Theater project	-	-	-
Fire programs	5,720	-	-
OPEB trust fund	6,752	-	-
Homeless programs	250	-	-
Other programs	13,953	39,689	-
Assigned:			
Debt service	-	-	-
Unrealized investment gains	732	-	-
Other programs	-	-	-
Unassigned	26,649	-	(8,682)
<b>Total fund balances (deficit)</b>	<b><u>149,996</u></b>	<b><u>45,532</u></b>	<b><u>(5,256)</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 185,434</u></b>	<b><u>\$ 46,990</u></b>	<b><u>\$ 16,659</u></b>

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

**City of Sacramento**  
**Governmental Funds**  
**Balance Sheet**

June 30, 2016  
(in thousands)

	1997 Lease Revenue Bond Fund	Golden 1 Center Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments held by City	\$ 60	\$ -	\$ 214,107	\$ 386,615
Cash and investments held by fiscal agent	-	-	614	614
Receivables, net:				
Taxes	-	-	2,939	45,054
Accounts	-	-	3,987	20,559
Loans	57,315	-	2,769	60,088
Intergovernmental	-	-	24,920	40,295
Interest	662	-	151	1,491
Prepaid items	-	-	-	2
Restricted assets:				
Cash and investments held by City	4,650	-	19,376	25,915
Cash and investments held by fiscal agent	-	31,572	52,008	83,580
Total assets	<u>\$ 62,687</u>	<u>\$ 31,572</u>	<u>\$ 320,871</u>	<u>\$ 664,213</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 31,557	\$ 9,182	\$ 61,785
Accrued payroll	-	-	147	18,617
Accrued claims and judgements	-	-	97	407
Matured notes and interest payable	-	-	1,985	1,985
Due to other funds	-	-	-	2,976
Deposits	4,650	-	1,605	6,494
Unearned revenue	-	-	705	2,882
Advances from other funds	-	-	7,040	7,040
Total liabilities	<u>4,650</u>	<u>31,557</u>	<u>20,761</u>	<u>102,186</u>
Deferred inflows of resources:				
Unavailable revenue	<u>57,977</u>	<u>-</u>	<u>18,721</u>	<u>90,291</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	2
Noncurrent assets	-	-	283	283
Permanent fund principal	-	-	878	878
Restricted:				
Capital projects	-	15	135,121	140,422
Debt service	-	-	50,577	50,577
Public works programs	-	-	14,522	14,522
Ambulance service	-	-	-	1,085
Economic development programs	-	-	16,887	16,887
Other programs	-	-	27,793	27,810
Committed:				
Economic uncertainty	-	-	-	46,950
Capital projects	-	-	1,174	44,543
Debt service	-	-	9,847	9,847
Community center theater renovation	-	-	-	8,500
B Street Theater project	-	-	21,360	21,360
Fire programs	-	-	-	5,720
OPEB trust fund	-	-	-	6,752
Homeless programs	-	-	-	250
Other programs	-	-	11,335	64,977
Assigned:				
Debt service	-	-	2,547	2,547
Unrealized investment gains	-	-	40	772
Other programs	60	-	-	60
Unassigned	-	-	(10,975)	6,992
Total fund balances (deficit)	<u>60</u>	<u>15</u>	<u>281,389</u>	<u>471,736</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 62,687</u>	<u>\$ 31,572</u>	<u>\$ 320,871</u>	<u>\$ 664,213</u>

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

**City of Sacramento**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**

June 30, 2016  
(in thousands)

<b>Fund balances - total governmental funds</b>		<b>\$ 471,736</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		90,291
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.		291
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	3,314,053	
Less: accumulated depreciation	<u>(1,371,964)</u>	1,942,089
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:		
Interest payable		(6,316)
Deferred outflows of resources are not recognized in the current period and therefore not reported in the governmental funds.		
Deferred outflows related to pension	66,836	
Deferred inflows related to pensions	(49,414)	
Loss on refunding of debt	<u>3,736</u>	21,158
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	(33,848)	
Accrued claims and judgements	(1,726)	
Financing plan fee credits	(46,129)	
Net pension liability	(623,637)	
Pollution remediation obligations	(1,664)	
Revenue and other bonds payable, net	(625,357)	
Capital lease obligations payable	(7,192)	
Notes payable	(14,728)	
OPEB liability	<u>(167,831)</u>	(1,522,112)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>75,980</u>
<b>Net position of governmental activities</b>		<b><u>\$ 1,073,117</u></b>

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, 2016  
(in thousands)

	General Fund	Measure U Fund	Capital Grants Fund
Revenues:			
Taxes	\$ 306,543	\$ 42,229	\$ -
Intergovernmental	16,253	-	40,796
Charges for services	73,632	-	-
Fines, forfeits, and penalties	12,110	-	-
Interest, rents, and concessions	3,002	596	37
Community service fees	-	-	-
Assessment levies	172	-	-
Contributions and donations	13	-	11,032
Miscellaneous	245	-	-
Total revenues	<u>411,970</u>	<u>42,825</u>	<u>51,865</u>
Expenditures:			
Current:			
General government	28,909	512	-
Police	128,891	17,099	-
Fire	106,399	11,665	-
Public works	11,308	-	9
Convention and cultural services	4,637	-	-
Economic development	2,114	-	60
Parks and recreation	15,144	8,012	-
Community development	25,960	124	-
Library	7,130	506	-
Utilities	393	-	-
Citywide and community support	47,961	-	-
Capital outlay	12,577	2,020	47,893
Debt service:			
Principal	3,035	-	-
Interest and fiscal charges	184	-	-
Bond issuance costs	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total expenditures	<u>394,642</u>	<u>39,938</u>	<u>47,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,328</u>	<u>2,887</u>	<u>3,903</u>
Other financing sources (uses):			
Transfers in	34,256	-	-
Transfers out	(25,032)	-	(34)
Issuance of long-term debt	-	-	-
Premium on long term debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	<u>9,224</u>	<u>-</u>	<u>(34)</u>
Special item	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,552	2,887	3,869
Fund balances (deficit), beginning of year	<u>123,444</u>	<u>42,645</u>	<u>(9,125)</u>
Fund balances (deficit), end of year	<u>\$ 149,996</u>	<u>\$ 45,532</u>	<u>\$ (5,256)</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, 2016  
(in thousands)

	1997 Lease Revenue Bond Fund	Golden 1 Center Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 16,710	\$ 365,482
Intergovernmental	-	-	71,141	128,190
Charges for services	-	-	16,133	89,765
Fines, forfeits, and penalties	-	-	610	12,720
Interest, rents, and concessions	3,310	207	8,069	15,221
Community service fees	-	-	16,460	16,460
Assessment levies	-	-	43,303	43,475
Contributions and donations	2,475	-	22,300	35,820
Miscellaneous	-	-	2,516	2,761
<b>Total revenues</b>	<b>5,785</b>	<b>207</b>	<b>197,242</b>	<b>709,894</b>
Expenditures:				
Current:				
General government	-	-	4,776	34,197
Police	-	-	6,255	152,245
Fire	-	-	1,750	119,814
Public works	-	-	30,877	42,194
Convention and cultural services	-	-	7,101	11,738
Economic development	-	-	7,697	9,871
Parks and recreation	-	-	14,645	37,801
Community development	-	-	8,026	34,110
Library	-	-	7,135	14,771
Utilities	-	-	308	701
Citywide and community support	-	-	-	47,961
Capital outlay	-	223,322	52,005	337,817
Debt service:				
Principal	2,475	-	10,971	16,481
Interest and fiscal charges	3,293	-	21,345	24,822
Bond issuance costs	-	-	5,483	5,483
Payment to refunded bond escrow agent	-	-	38,052	38,052
<b>Total expenditures</b>	<b>5,768</b>	<b>223,322</b>	<b>216,426</b>	<b>928,058</b>
Excess (deficiency) of revenues over (under) expenditures	17	(223,115)	(19,184)	(218,164)
Other financing sources (uses):				
Transfers in	-	223,130	49,424	306,810
Transfers out	(2,190)	-	(243,102)	(270,358)
Issuance of long-term debt	-	-	401,943	401,943
Premium on long term debt	-	-	13,972	13,972
Payment to refunded bond escrow agent	-	-	(133,931)	(133,931)
<b>Total other financing sources (uses)</b>	<b>(2,190)</b>	<b>223,130</b>	<b>88,306</b>	<b>318,436</b>
Special items	-	-	(8,830)	(8,830)
Net change in fund balances	(2,173)	15	60,292	91,442
Fund balances (deficit), beginning of year	2,233	-	221,097	380,294
Fund balances (deficit), end of year	<u>\$ 60</u>	<u>\$ 15</u>	<u>\$ 281,389</u>	<u>\$ 471,736</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, 2016

(in thousands)

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**Net change in fund balances - total governmental funds** \$ 91,442

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	303,486	
Depreciation expense	<u>(74,833)</u>	
		228,653

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Infrastructure dedications		8,641
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt, including premium	(415,915)	
Payments to refunding escrows	171,983	
Principal repayments on long-term debt	<u>16,481</u>	
		(227,451)

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.

(39,814)

**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, 2016

(in thousands)

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

Compensated absences	(2,180)	
Accrued claims and judgements	(284)	
Pension expense	15,787	
Other post-employment benefits	(17,366)	
Pollution remediation	(1,045)	
Accrued interest	(7,019)	
Amortization of prepaid bond insurance	(565)	
Amortization of bond discount	(2)	
Amortization of bond premium	1,147	
Amortization of gain/loss on refunding	(220)	
		(11,747)

Capital assets transferred from governmental activities to business-type activities are reported as transfers in the statement of activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources. (21,651)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expense of the internal service funds is reported with the governmental activities. 1,432

**Change in net position of governmental activities** \$ 29,505

**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, 2016  
(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>
<b>Revenues:</b>						
Taxes	\$ 284,357	\$ 284,506	\$ 306,543	\$ 22,037	\$ -	\$ 306,543
Intergovernmental	9,082	11,845	16,253	4,408	-	16,253
Charges for services	65,258	68,243	73,632	5,389	-	73,632
Fines, forfeits and penalties	12,037	12,037	12,110	73	-	12,110
Interest, rents, and concessions	887	2,200	3,002	802	-	3,002
Assessment levies	74	74	172	98	-	172
Contributions and donations	-	13	13	-	-	13
Miscellaneous	124	124	245	121	-	245
<b>Total revenues</b>	<b>371,819</b>	<b>379,042</b>	<b>411,970</b>	<b>32,928</b>	<b>-</b>	<b>411,970</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Mayor/Council	3,783	4,275	3,727	548	-	3,727
City Manager	2,483	5,396	3,171	2,225	(484)	2,687
City Attorney	5,195	5,736	5,441	295	(24)	5,417
City Clerk	1,142	1,199	1,189	10	-	1,189
City Treasurer	1,982	2,062	1,825	237	(16)	1,809
Finance	5,327	5,356	4,888	468	(83)	4,805
Information technology	6,962	7,144	6,689	455	(10)	6,679
Human resources	2,685	2,872	2,603	269	(7)	2,596
Subtotal - General government	29,559	34,040	29,533	4,507	(624)	28,909
Police	123,176	127,364	129,064	(1,700)	(173)	128,891
Fire	103,910	106,866	106,399	467	-	106,399
Public works	10,459	11,825	11,343	482	(35)	11,308
Convention and cultural services	4,576	4,855	4,691	164	(54)	4,637
Economic development	2,125	2,401	2,204	197	(90)	2,114
Parks and recreation	15,454	15,761	15,222	539	(78)	15,144
Community development	26,826	30,777	26,024	4,753	(64)	25,960
Library	7,130	7,130	7,130	-	-	7,130
Utilities	561	1,173	393	780	-	393
Citywide and community support	41,594	49,875	48,890	985	(929)	47,961
Capital outlay	41,290	45,877	16,818	29,059	(4,241)	12,577
<b>Debt service:</b>						
Principal	3,035	3,035	3,035	-	-	3,035
Interest and fiscal charges	184	184	184	-	-	184
<b>Total expenditures</b>	<b>409,879</b>	<b>441,163</b>	<b>400,930</b>	<b>40,233</b>	<b>(6,288)</b>	<b>394,642</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(38,060)</b>	<b>(62,121)</b>	<b>11,040</b>	<b>73,161</b>	<b>6,288</b>	<b>17,328</b>
<b>Other financing sources (uses):</b>						
Transfers in	30,143	32,656	34,257	1,601	(1)	34,256
Transfers out	(24,560)	(26,363)	(25,032)	1,331	-	(25,032)
<b>Total other financing sources (uses)</b>	<b>5,583</b>	<b>6,293</b>	<b>9,225</b>	<b>2,932</b>	<b>(1)</b>	<b>9,224</b>
<b>Net change in fund balance</b>	<b>\$ (32,477)</b>	<b>\$ (55,828)</b>	<b>\$ 20,265</b>	<b>\$ 76,093</b>	<b>\$ 6,287</b>	<b>\$ 26,552</b>

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, 2016

(in thousands)

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts - Budgetary Basis	Final Budget - Positive (Negative)	to GAAP Reconciliation	Amounts - GAAP Basis
<b>Revenues:</b>						
Taxes	\$ 42,046	\$ 42,046	\$ 42,229	\$ 183	\$ -	\$ 42,229
Interest, rents, and concessions	-	-	596	596	-	596
<b>Total revenues</b>	<b>42,046</b>	<b>42,046</b>	<b>42,825</b>	<b>779</b>	<b>-</b>	<b>42,825</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	-	1,000	878	122	(366)	512
Police	18,592	17,792	17,139	653	(40)	17,099
Fire	12,184	12,184	11,667	517	(2)	11,665
Parks and recreation	8,836	9,025	8,734	291	(722)	8,012
Community development	176	176	124	52	-	124
Library	506	506	506	-	-	506
Capital outlay	8,797	9,251	3,436	5,815	(1,416)	2,020
<b>Total expenditures</b>	<b>49,091</b>	<b>49,934</b>	<b>42,484</b>	<b>7,450</b>	<b>(2,546)</b>	<b>39,938</b>
Excess (deficiency) of revenues over (under) expenditures	(7,045)	(7,888)	341	8,229	2,546	2,887
<b>Net change in fund balance</b>	<b>\$ (7,045)</b>	<b>\$ (7,888)</b>	<b>\$ 341</b>	<b>\$ 8,229</b>	<b>\$ 2,546</b>	<b>\$ 2,887</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**

June 30, 2016  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ 101,832	\$ 36,137	\$ 32,042	\$ 42,531
Cash and investments held by fiscal agent	1	-	5	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	19,345	11,050	5,703	9,459
Loans	2,473	131	431	-
Intergovernmental	1,522	590	2,972	-
Interest	721	173	161	165
Due from other funds	-	-	-	-
Inventories	1,937	78	559	-
Prepaid items	392	-	17	-
Intangible asset, current portion	-	-	-	-
Total current assets	<u>128,223</u>	<u>48,159</u>	<u>41,890</u>	<u>52,155</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	46,115	7,625	4,363	1,021
Cash and investments held by fiscal agent	7,317	994	765	-
Advances to other funds	-	-	-	-
Loans receivable	2,097	551	2,838	-
Intangible assets	-	-	-	-
Capital assets:				
Land	1,754	1,138	18,724	1,133
Buildings and improvements	40,365	26,551	8,795	31,150
Machinery and equipment	16,725	5,147	17,613	12,437
Vehicles	-	-	-	-
Transmission and distribution system	635,268	163,963	397,595	-
Construction in progress	241,359	13,623	1,636	226
Software	516	324	907	161
Easements	134	-	157	-
Less: accumulated depreciation/amortization	<u>(234,134)</u>	<u>(72,341)</u>	<u>(172,523)</u>	<u>(27,776)</u>
Total noncurrent assets	<u>757,516</u>	<u>147,575</u>	<u>280,870</u>	<u>18,352</u>
Total assets	<u>885,739</u>	<u>195,734</u>	<u>322,760</u>	<u>70,507</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	5,571	-	-	-
Deferred outflows related to pensions	<u>3,420</u>	<u>1,136</u>	<u>2,905</u>	<u>2,766</u>
Total deferred outflows of resources	<u>8,991</u>	<u>1,136</u>	<u>2,905</u>	<u>2,766</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, 2016  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ 20,376	\$ 26,469	\$ 259,387	\$ 96,689
Cash and investments held by fiscal agent	53	12	71	308
Receivables, net:				
Taxes	2,352	-	2,352	-
Accounts	282	904	46,743	53
Loans	21	85	3,141	-
Intergovernmental	-	-	5,084	-
Interest	85	114	1,419	296
Due from other funds	-	-	-	3,226
Inventories	-	-	2,574	-
Prepaid items	-	37	446	791
Intangible asset, current portion	-	8	8	-
<b>Total current assets</b>	<b>23,169</b>	<b>27,629</b>	<b>321,225</b>	<b>101,363</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	1,329	4,802	65,255	-
Cash and investments held by fiscal agent	7,945	1,790	18,811	-
Advances to other funds	-	-	-	12,838
Loans receivable	66	1	5,553	-
Intangible assets	-	151	151	-
Capital assets:				
Land	21,740	5,825	50,314	-
Buildings and improvements	111,885	61,930	280,676	7,159
Machinery and equipment	4,831	7,699	64,452	543
Vehicles	-	-	-	138,086
Transmission and distribution system	-	-	1,196,826	-
Construction in progress	6,112	3,187	266,143	58
Software	46	4	1,958	256
Easements	-	-	291	-
Less: accumulated depreciation/amortization	(62,068)	(39,822)	(608,664)	(91,266)
<b>Total noncurrent assets</b>	<b>91,886</b>	<b>45,567</b>	<b>1,341,766</b>	<b>67,674</b>
<b>Total assets</b>	<b>115,055</b>	<b>73,196</b>	<b>1,662,991</b>	<b>169,037</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	-	-	5,571	-
Deferred outflows related to pensions	729	860	11,816	1,064
<b>Total deferred outflows of resources</b>	<b>729</b>	<b>860</b>	<b>17,387</b>	<b>1,064</b>

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
June 30, 2016  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	10,636	11,219	2,549	2,256
Accrued payroll	1,060	289	891	554
Accrued compensated absences	177	25	55	125
Due to other funds	-	-	-	-
Interest payable	4,052	504	196	75
Liability for landfill closure	-	-	-	85
Deposits	9	1,285	15	10
Unearned revenue	1,780	-	122	-
Accrued claims and judgements	138	50	89	171
Capital leases payable	-	151	-	1,627
Revenue and other bonds payable, net	11,562	637	628	1,010
Notes payable	426	771	2,391	-
<b>Total current liabilities</b>	<b>29,840</b>	<b>14,931</b>	<b>6,936</b>	<b>5,913</b>
Noncurrent liabilities:				
Accrued compensated absences	2,228	755	1,826	1,005
Advances from other funds	-	-	-	-
Water fee credits	976	-	-	-
OPEB liability	9,231	3,372	4,315	10,939
Accrued claims and judgements	-	-	-	-
Liability for landfill closure	-	-	-	1,092
Capital leases payable	-	-	-	565
Revenue and other bonds payable, net	368,228	31,166	2,886	17,261
Notes payable	8,162	3,054	11,533	-
Net pension liability	28,038	10,572	25,020	20,483
<b>Total noncurrent liabilities</b>	<b>416,863</b>	<b>48,919</b>	<b>45,580</b>	<b>51,345</b>
<b>Total liabilities</b>	<b>446,703</b>	<b>63,850</b>	<b>52,516</b>	<b>57,258</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Gain on debt refunding	953	-	-	340
Deferred inflows related to pensions	2,486	1,064	2,583	1,175
<b>Total deferred inflows of resources</b>	<b>3,439</b>	<b>1,064</b>	<b>2,583</b>	<b>1,515</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	342,381	107,393	256,347	-
Restricted for:				
Capital projects	34,700	3,488	-	1,255
Other programs	-	-	1,299	904
Unrestricted	67,507	21,075	12,920	12,341
<b>Total net position</b>	<b>\$ 444,588</b>	<b>\$ 131,956</b>	<b>\$ 270,566</b>	<b>\$ 14,500</b>

(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, 2016  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	1,758	2,202	30,620	3,190
Accrued payroll	272	357	3,423	447
Accrued compensated absences	36	41	459	82
Due to other funds	250	-	250	-
Interest payable	312	150	5,289	7
Liability for landfill closure	-	-	85	-
Deposits	-	-	1,319	-
Unearned revenue	2,081	698	4,681	366
Accrued claims and judgements	11	45	504	17,616
Capital leases payable	-	1,303	3,081	27
Revenue and other bonds payable, net	6,210	2,405	22,452	383
Notes payable	-	-	3,588	-
<b>Total current liabilities</b>	<b>10,930</b>	<b>7,201</b>	<b>75,751</b>	<b>22,118</b>
Noncurrent liabilities:				
Accrued compensated absences	605	463	6,882	871
Advances from other funds	5,798	-	5,798	-
Water fee credits	-	-	976	-
OPEB liability	1,029	1,813	30,699	4,192
Accrued claims and judgements	-	-	-	54,359
Liability for landfill closure	-	-	1,092	-
Capital leases payable	-	5,009	5,574	72
Revenue and other bonds payable, net	28,399	23,011	470,951	1,610
Notes payable	-	-	22,749	-
Net pension liability	5,802	7,550	97,465	9,788
<b>Total noncurrent liabilities</b>	<b>41,633</b>	<b>37,846</b>	<b>642,186</b>	<b>70,892</b>
<b>Total liabilities</b>	<b>52,563</b>	<b>45,047</b>	<b>717,937</b>	<b>93,010</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Gain on debt refunding	-	316	1,609	-
Deferred inflows related to pensions	523	831	8,662	1,111
<b>Total deferred inflows of resources</b>	<b>523</b>	<b>1,147</b>	<b>10,271</b>	<b>1,111</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	58,780	20,452	785,353	52,744
Restricted for:				
Capital projects	1,329	-	40,772	-
Other programs	-	-	2,203	-
Unrestricted	2,589	7,410	123,842	23,236
<b>Total net position</b>	<b>\$ 62,698</b>	<b>\$ 27,862</b>	<b>\$ 952,170</b>	<b>\$ 75,980</b>

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, 2016  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Operating revenues:				
Charges for services:				
User fees and charges	\$ 98,388	\$ 30,501	\$ 37,038	\$ 60,118
Rents and concessions	-	-	-	18
Charge to other agencies for contract services	-	1,030	3,128	-
Miscellaneous	145	1	-	117
Total operating revenues	<u>98,533</u>	<u>31,532</u>	<u>40,166</u>	<u>60,253</u>
Operating expenses:				
Employee services	26,508	8,164	22,826	15,233
Services and supplies	21,112	12,979	6,002	28,319
Depreciation/amortization	18,223	4,104	11,502	1,657
Insurance premiums	-	-	-	-
Claims and judgements	108	6	69	310
Total operating expenses	<u>65,951</u>	<u>25,253</u>	<u>40,399</u>	<u>45,519</u>
Operating income (loss)	<u>32,582</u>	<u>6,279</u>	<u>(233)</u>	<u>14,734</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	1,920	529	600	572
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	2,266	-	19	550
Insurance and other claim recoveries	-	-	-	-
Interest income (expense)	(7,009)	(95)	(572)	(2,105)
Amortization of bond prepaid insurance	(190)	-	-	(79)
Gain or (loss) on disposition of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(3,013)</u>	<u>434</u>	<u>47</u>	<u>(1,062)</u>
Income (loss) before contributions and transfers	29,569	6,713	(186)	13,672
Capital contributions	19,123	3,017	6,979	-
Transfers in	184	8	32	134
Transfers out	<u>(11,200)</u>	<u>(3,358)</u>	<u>(4,082)</u>	<u>(6,560)</u>
Change in net position	37,676	6,380	2,743	7,246
Total net position, beginning of year	<u>406,912</u>	<u>125,576</u>	<u>267,823</u>	<u>7,254</u>
Total net position, end of year	<u>\$ 444,588</u>	<u>\$ 131,956</u>	<u>\$ 270,566</u>	<u>\$ 14,500</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, 2016  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Operating revenues:				
Charges for services:				
User fees and charges	\$ 2,952	\$ 23,057	\$ 252,054	\$ 66,711
Rents and concessions	5,762	658	6,438	-
Charge to other agencies for contract services	-	-	4,158	-
Miscellaneous	68	24	355	22
Total operating revenues	<u>8,782</u>	<u>23,739</u>	<u>263,005</u>	<u>66,733</u>
Operating expenses:				
Employee services	6,514	8,671	87,916	10,485
Services and supplies	6,951	7,088	82,451	25,692
Depreciation/amortization	2,018	1,892	39,396	10,031
Insurance premiums	-	-	-	3,329
Claims and judgements	3	3	499	17,560
Total operating expenses	<u>15,486</u>	<u>17,654</u>	<u>210,262</u>	<u>67,097</u>
Operating income (loss)	<u>(6,704)</u>	<u>6,085</u>	<u>52,743</u>	<u>(364)</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	368	439	4,428	1,448
Transient occupancy taxes	21,800	-	21,800	-
Revenue from other agencies	-	565	3,400	55
Insurance and other claim recoveries	-	-	-	271
Interest expense	(1,791)	(2,223)	(13,795)	(33)
Amortization of bond prepaid insurance	-	(93)	(362)	-
Gain or (loss) on disposition of capital assets	-	-	-	83
Total nonoperating revenues (expenses)	<u>20,377</u>	<u>(1,312)</u>	<u>15,471</u>	<u>1,824</u>
Income (loss) before contributions and transfers	13,673	4,773	68,214	1,460
Capital contributions	-	-	29,119	-
Transfers in	2	43	403	321
Transfers out	<u>(3,771)</u>	<u>(7,856)</u>	<u>(36,827)</u>	<u>(349)</u>
Change in net position	9,904	(3,040)	60,909	1,432
Total net position, beginning of year	<u>52,794</u>	<u>30,902</u>	<u>891,261</u>	<u>74,548</u>
Total net position, end of year	<u>\$ 62,698</u>	<u>\$ 27,862</u>	<u>\$ 952,170</u>	<u>\$ 75,980</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, 2016  
(in thousands)

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Cash flows from operating activities:				
Receipts from customers and users	\$ 99,080	\$ 31,671	\$ 38,405	\$ 60,971
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(19,561)	(11,736)	(4,762)	(28,203)
Payments to employees	(25,644)	(7,983)	(23,958)	(14,464)
Claims and judgements paid	(96)	(19)	(60)	(263)
Net cash provided by (used for) operating activities	<u>53,779</u>	<u>11,933</u>	<u>9,625</u>	<u>18,041</u>
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Transfers in from other funds	21	8	32	134
Transfers out to other funds	(10,541)	(3,341)	(4,082)	(6,504)
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	1,299	-	-	550
Claim and judgement recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>(9,221)</u>	<u>(3,333)</u>	<u>(4,050)</u>	<u>(5,820)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(97,140)	(11,952)	(1,622)	(366)
Proceeds from sale of capital assets	294	300	-	-
Proceeds from issuance of debt	40,127	-	-	18,432
Principal payments on capital debt	(50,016)	(1,459)	(2,942)	(23,083)
Interest payments on capital debt	(16,458)	(1,509)	(612)	(546)
Intergovernmental revenue received	-	-	19	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	(652)	(17)	-	(56)
Capital contributions received	1,820	3,029	-	-
Loan repayments received	99	127	421	-
Cash received as a deposit	-	1,285	-	-
Net cash used for capital and related financing activities	<u>(121,926)</u>	<u>(10,196)</u>	<u>(4,736)</u>	<u>(5,619)</u>
Cash flows from investing activities:				
Collection of interest and investment revenue	2,535	642	610	550
Loan repayments received	-	-	-	-
Net cash provided by investing activities	<u>2,535</u>	<u>642</u>	<u>610</u>	<u>550</u>
Net increase (decrease) in cash and cash equivalents	<u>(74,833)</u>	<u>(954)</u>	<u>1,449</u>	<u>7,152</u>
Cash and cash equivalents, beginning of year	<u>230,098</u>	<u>45,710</u>	<u>35,726</u>	<u>36,400</u>
Cash and cash equivalents, end of year	<u>\$ 155,265</u>	<u>\$ 44,756</u>	<u>\$ 37,175</u>	<u>\$ 43,552</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, 2016  
(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	\$ 8,591	\$ 23,685	\$ 262,403	\$ -
Receipts from interfund services provided	-	-	-	128,417
Payments to suppliers	(6,618)	(6,713)	(77,593)	(90,357)
Payments to employees	(6,602)	(8,896)	(87,547)	(10,425)
Claims and judgements paid	(4)	(189)	(631)	(16,322)
Net cash provided by (used for) operating activities	(4,633)	7,887	96,632	11,313
Cash flows from noncapital financing activities:				
Transient occupancy taxes	22,095	-	22,095	-
Transfers in from other funds	2	3	200	-
Transfers out to other funds	(3,771)	(1,912)	(30,151)	(325)
Collections on interfund loans	-	-	-	12,239
Loans made to other funds	-	-	-	(2,976)
Interfund loan repayments	(250)	-	(250)	-
Intergovernmental revenue received	-	646	2,495	55
Claim and judgement recoveries	-	-	-	284
Net cash provided by (used for) noncapital financing activities	18,076	(1,263)	(5,611)	9,277
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(920)	(2,331)	(114,331)	(11,124)
Proceeds from sale of capital assets	-	-	594	360
Proceeds from issuance of debt	-	24,083	82,642	1,463
Principal payments on capital debt	(5,911)	(20,076)	(103,487)	(1,732)
Interest payments on capital debt	(2,035)	(959)	(22,119)	(72)
Intergovernmental revenue received	-	-	19	-
Transfers in from other funds	-	40	40	298
Transfers out to other funds	-	(5,944)	(6,669)	-
Capital contributions received	-	-	4,849	-
Loan repayments received	-	-	647	-
Cash received as a deposit	-	-	1,285	-
Net cash used for capital and related financing activities	(8,866)	(5,187)	(156,530)	(10,807)
Cash flows from investing activities:				
Collection of interest and investment revenue	309	751	5,397	1,394
Loan repayments received	21	85	106	-
Net cash provided by investing activities	330	836	5,503	1,394
Net increase (decrease) in cash and cash equivalents	4,907	2,273	(60,006)	11,177
Cash and cash equivalents, beginning of year	24,796	30,800	403,530	85,820
Cash and cash equivalents, end of year	\$ 29,703	\$ 33,073	\$ 343,524	\$ 96,997

## City of Sacramento

### Proprietary Funds

### Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

(in thousands)

	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	\$ 101,832	\$ 36,137	\$ 32,042	\$ 42,531
Cash and investments held by fiscal agent	1	-	5	-
Restricted cash and investments held by City	46,115	7,625	4,363	1,021
Restricted cash and investments held by fiscal agent	7,317	994	765	-
Total cash and cash equivalents, end of year	<u>\$ 155,265</u>	<u>\$ 44,756</u>	<u>\$ 37,175</u>	<u>\$ 43,552</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 32,582	\$ 6,279	\$ (233)	\$ 14,734
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	18,223	4,104	11,502	1,657
Amortization of intangible assets	-	-	-	-
Pension expense	(1,290)	(404)	-	(824)
Expense of refunded debt unamortized loss on refunding	-	-	-	-
Gain on refunded debt	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable, net	440	139	(158)	718
Intergovernmental receivables	-	-	(1,725)	-
Inventories	-	4	10	-
Prepaid items	1,536	-	(8)	-
Accounts payable	15	1,239	1,238	116
Accrued payroll	187	23	9	117
Accrued compensated absences	617	156	(399)	133
OPEB liabilities	1,350	406	486	1,343
Accrued claims and judgements	12	(13)	9	47
Deposits	1	-	(1,228)	-
Unearned revenue	106	-	122	-
Net cash provided by (used for) operating activities	<u>\$ 53,779</u>	<u>\$ 11,933</u>	<u>\$ 9,625</u>	<u>\$ 18,041</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 221	\$ 220	\$ 1,257	\$ -
Transfer of capital assets from governmental funds, net of depreciation	14,221	1,708	5,722	-
Capitalized interest	9,494	1,245	19	-
Amortization of bond premium and discount	4,621	57	(10)	160
Amortization of bond loss on refunding	(725)	-	-	-
Amortization of bond gain on refunding	190	-	-	26
Amortization of bond prepaid insurance	(190)	-	-	(79)
Capital asset acquisitions on accounts payable	8,282	394	87	-
Water fee credit usage	726	-	-	-
Purchase of capital assets on accounts payable	35	-	-	-
Intergovernmental receivable for capital contributions	1,522	-	-	-
Interest accrual on loans receivable	-	-	-	2

(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, 2016  
(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	\$ 20,376	\$ 26,469	\$ 259,387	\$ 96,689
Cash and investments held by fiscal agent	53	12	71	308
Restricted cash and investments held by City	1,329	4,802	65,255	-
Restricted cash and investments held by fiscal agent	7,945	1,790	18,811	-
Total cash and cash equivalents, end of year	<u>\$ 29,703</u>	<u>\$ 33,073</u>	<u>\$ 343,524</u>	<u>\$ 96,997</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,704)	\$ 6,085	\$ 52,743	\$ (364)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	2,018	1,884	39,388	10,031
Amortization of intangible assets	-	8	8	-
Pension expense	(309)	(418)	(3,245)	(495)
Expense of refunded debt unamortized loss on refunding	-	-	-	72
Gain on refunded debt	-	-	-	(165)
Changes in assets and liabilities:				
Accounts receivable, net	(45)	(105)	989	248
Intergovernmental receivables	-	-	(1,725)	-
Inventories	-	-	14	-
Prepaid items	-	4	1,532	77
Accounts payable	333	371	3,312	136
Accrued payroll	42	26	404	101
Accrued compensated absences	115	(1)	621	(100)
OPEB liabilities	64	168	3,817	556
Accrued claims and judgements	(1)	(186)	(132)	1,236
Deposits	-	(10)	(1,237)	-
Unearned revenue	(146)	61	143	(20)
Net cash provided by (used for) operating activities	<u>\$ (4,633)</u>	<u>\$ 7,887</u>	<u>\$ 96,632</u>	<u>\$ 11,313</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 1,698	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	-	21,651	-
Capitalized interest	269	-	11,027	-
Amortization of bond premium and discount	(25)	894	5,697	-
Amortization of bond loss on refunding	-	(1,427)	(2,152)	72
Amortization of bond gain on refunding	-	-	216	-
Amortization of bond prepaid insurance	-	(7)	(276)	-
Capital asset acquisitions on accounts payable	-	-	8,763	249
Water fee credit usage	-	-	726	-
Purchase of capital assets on accounts payable	-	-	35	-
Intergovernmental receivable for capital contributions	-	-	1,522	-
Interest accrual on loans receivable	-	-	2	-

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

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**

June 30, 2016  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents held by City	\$ 14,782	\$ 148,827	\$ 5,403	\$ 12,526
Cash and investments held by fiscal agent	-	-	24,322	15,120
Prepays	-	-	530	-
Receivables, net:				
Taxes	-	-	-	217
Accounts	-	-	-	10
Interest	1,686	450	-	15
Intergovernmental	-	-	95	-
Investments, at fair value:				
U.S. government obligations	1,430	-	-	-
Corporate bonds	53,775	-	-	-
Equity securities	50,326	-	-	-
Exchange traded funds	114,915	-	-	-
Municipal bonds	49,223	-	-	-
Mortgage loans	1,924	-	-	-
Loans receivable	-	-	7,384	-
Capital assets:				
Land	-	-	23,062	-
Buildings and improvements	-	-	6,558	-
Less: accumulated depreciation/amortization	-	-	(1,596)	-
<b>Total assets</b>	<b>288,061</b>	<b>149,277</b>	<b>65,758</b>	<b>\$ 27,888</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	-	-	2,983	-
<b><u>LIABILITIES</u></b>				
Accounts payable	19	-	550	\$ 63
Benefits payable	2,872	-	-	-
Due to bondholders	-	-	-	27,810
Interest payable	-	-	507	-
Contracts payable	-	-	11,264	-
Pollution remediation obligations	-	-	295	-
Bonds payable	-	-	109,913	-
Notes payable	-	-	177,958	-
<b>Total liabilities</b>	<b>2,891</b>	<b>-</b>	<b>300,487</b>	<b>27,873</b>
Deferred inflows of resources:	-	-	-	15
<b>Total liabilities and deferred inflows of resources</b>	<b>2,891</b>	<b>-</b>	<b>300,487</b>	<b>\$ 27,888</b>
<b><u>NET POSITION</u></b>				
Held in trust for:				
Pension benefits	285,170	-	-	
External pool participants	-	149,277	-	
Redevelopment dissolution	-	-	(231,746)	
<b>Total net position (deficit)</b>	<b>\$ 285,170</b>	<b>\$ 149,277</b>	<b>\$ (231,746)</b>	

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

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund
<b>Additions:</b>			
Property taxes	\$ -	\$ -	\$ 29,962
<b>Contributions:</b>			
Employer	8,645	-	-
Employees	146	-	-
Total contributions	8,791	-	-
<b>Investment income:</b>			
From investment activities:			
Net appreciation (depreciation) in fair value of investments	(908)	487	-
Interest	5,236	1,634	533
Dividends	4,609	-	-
Total investment income	8,937	2,121	533
<b>Investment expenses:</b>			
Banking, interest, and fiscal agent expenses	104	152	-
Professional services	1,034	-	-
Total investment expenses	1,138	152	-
Net income from investment activities	7,799	1,969	533
Total net investment income	7,799	1,969	533
Deposits	-	80,819	-
Other	-	-	905
Total additions	16,590	82,788	31,400
<b>Deductions:</b>			
Benefits	32,633	-	-
Withdrawals	50	73,293	-
Interest expense	-	-	11,338
Cost of issuance	-	-	1,121
Other enforceable obligation payments	-	-	18,688
Loan forgiveness	-	-	213
Depreciation expense	-	-	164
Total deductions	32,683	73,293	31,524
Extraordinary item - loss on disposition of capital asset	-	-	(2,929)
Change in net position	(16,093)	9,495	(3,053)
Net position (deficit), beginning of year	301,263	139,782	(228,693)
Net position (deficit), end of year	\$ 285,170	\$ 149,277	\$ (231,746)

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, 2016  
(dollar amounts expressed in thousands)

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DEFINITION OF REPORTING ENTITY

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

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

#### Blended Component Unit

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

The Sacramento Public Financing Authority (SPFA) is a joint exercise of powers entity created by the City and the Sacramento City Housing Authority to facilitate the financing and refinancing of public capital facilities. Most of the debt of the SPFA is backed by the City. The SPFA is governed by the City Council.

#### Fiduciary-type Component Units

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

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

#### ACCOUNTING POLICIES

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**New Pronouncements**

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. The Statement was implemented effective July 1, 2015.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statements 67 and 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015, except for the certain provisions, which are effective for fiscal years beginning after June 15, 2016. The applicable provisions were implemented July 1, 2015 and did not have a material impact to the financial statements.

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for fiscal years beginning after June 15, 2015. This Statement was implemented effective July 1, 2015 and did not have a material impact to the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investments Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require to measure all their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The provisions in Statement 79 are effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. This Statement was implemented effective July 1, 2015 and did not have a material impact to the financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement 82 are effective for fiscal years beginning after June 15, 2016. The City has early implemented this Statement effective July 1, 2015.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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**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. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. The City has not determined its effect on the financial statements.

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

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain 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 City has not determined its effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The provisions in Statement 77 are effective for fiscal years beginning after December 15, 2015. The City has not determined its effect on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The provisions in Statement 78 are effective for fiscal years beginning after December 15, 2015. The City has not determined its effect on the financial statements.

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

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

#### New Pronouncements (Continued)

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

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The provisions in Statement 83 are effective for fiscal years beginning after June 15, 2018. The City has not determined the effect of implementing this statement.

#### 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

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

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

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

The 1997 Lease Revenue Bond 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.

Golden 1 Center Capital Project Fund accounts for the proceeds of the bond issue and associated transactions for the construction of the Golden 1 Center.

The City reports the following major enterprise funds:

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

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

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

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

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

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

Additionally, the City reports the following fund types:

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

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

Investment Trust Funds account for the 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.

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

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

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

**Budget Information**

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

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Budget Information (Continued)**

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. 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, 2016. 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** – As of July 1, 2015, the City retrospectively, applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. 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.

**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.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Financial Statement Elements (Continued)

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 the lower of average cost or market and consist of expendable materials and supplies.

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

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

**Capital Assets** - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Financial Statement Elements (Continued)**

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. When the asset constructed in business-type activities is financed by a specific bond issue, the interest included is net of interest earned on the invested bond proceeds over the same period. The total interest cost incurred by the City during the current fiscal year was \$61,213. Of this amount, \$11,030, consisting of interest cost of \$11,531 net of interest earned of \$501, was included as part of the cost of capital assets under construction.

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

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

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

**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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Financial Statement Elements (Continued)**

**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.

**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 2016-0216 adopted with the fiscal year 2016/17 annual budget. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund revenue and equal to two months of regular on-going General Fund expenditures, including transfers. The City Manager may recommend a release from the Reserve when the gap between projected revenue and expenditures is greater than \$1,000 in the proposed budget. Additions and releases from the Reserve must be approved by City Council by resolution.

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

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

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

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Financial Statement Elements (Continued)**

**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.

**NOTE 2 – CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2016:

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 743,684	\$ 492,573	\$ 1,236,257
Restricted cash and investments	193,561	-	193,561
<b>Total</b>	<b>\$ 937,245</b>	<b>\$ 492,573</b>	<b>\$ 1,429,818</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2015-0271, 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 25, 2015. 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 November 24, 2015. 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 2016, the asset allocations consisted of the following: 40% Fixed Income securities, 35% Large Cap Growth stocks, 15% Equity Income stocks and 10% International stocks. The Investment Policy allows for up to 5% variance from these approved allocation 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, 2016  
(dollar amounts expressed in thousands)

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

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

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

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

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

**Interest Rate Risk**

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

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(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, 2016 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Total
		Under 1	1-5	Over 5	
Certificates of deposit	\$ -	\$ 3,497	\$ 20,823	\$ -	\$ 24,320
Commercial paper	-	196,965	-	-	196,965
Corporate bonds/notes	-	135,859	176,475	10,264	322,598
Deposits	3,297	-	-	-	3,297
Equities	55,135	-	-	-	55,135
Exchange traded funds	116,425	-	-	-	116,425
Investment Trust of California (CalTRUST)	-	14,067	150,821	-	164,888
Local Agency Investment Fund (LAIF)	-	20,000	-	-	20,000
Mortgage loans	-	-	-	1,924	1,924
Municipal bonds	-	30,110	108,681	46,432	185,223
Mutual funds	-	89,003	-	-	89,003
U.S. agency securities	-	65,314	175,888	1,425	242,627
U.S. Treasury notes	-	7,413	-	-	7,413
<b>Total Cash and Investments</b>	<b>\$ 174,857</b>	<b>\$ 562,228</b>	<b>\$ 632,688</b>	<b>\$ 60,045</b>	<b>\$ 1,429,818</b>

Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. The fair values of the callable bonds held at June 30, 2016 by investment type are as follows:

Investment Type	Total
Certificates of deposit	\$ 5,019
Corporate bonds/notes	40,242
Municipal bonds	33,272
U.S. agencies	84,586

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(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, 2016 are as follows:

Cash and Investment Type	S & P	Moody's	Total
Certificates of deposit	not rated	not rated	\$ 24,320
Commercial paper	A	P1	190,000
	AA	Aa	6,965
Corporate bonds/notes	A	A	88,628
	A	Aa	3,471
	A	not rated	7,026
	AA	A	53,891
	AA	Aa	82,674
	AA	Aaa	4,981
	AA	withdrawn	3,005
	AAA	Aaa	3,267
	BBB	A	23,519
	BBB	Baa	49,222
	BBB	not rated	2,745
	not rated	withdrawn	169
Deposits	not rated	not rated	3,297
Equities (exempt from disclosure)	N/A	N/A	55,135
Exchange traded funds (exempt from disclosure)	N/A	N/A	116,425
Investment Trust of California (CalTRUST)	not rated	not rated	164,888
Local Agency Investment Fund (LAIF)	not rated	not rated	20,000
Mortgage loans	not rated	not rated	1,924
Municipal bonds	A	A	202
	A	Baa	3,424
	A	not rated	6,559
	AA	A	18,454
	AA	Aa	95,661
	AA	Aaa	2,940
	AA	not rated	18,274
	AAA	Aa	4,052
	AAA	Aaa	13,828
	AAA	not rated	1,379
	SP1	not rated	1,002
	not rated	Aa	16,447
	not rated	Aaa	3,001



# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Fair Value and Measurement and Application

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

The Money Market Mutual funds held by the City pool and outside the City pool are at \$1 net asset value (NAV) per share. The total fair value of these at June 30, 2016 was \$28,321 and \$60,682 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 LAIF and CalTRUST Investment Pools, are made on the basis of \$1 and not fair value. Accordingly, the City's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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**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, 2016. 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, 2016  
(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, 2016:

	Balance at June 30, 2016	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)
<b>Investments by Fair Value Level</b>				
Certificates of deposit	\$ 21,320	\$ -	\$ 21,320	\$ -
Commercial paper	190,000	-	-	190,000
Corporate bonds/notes	314,274	-	314,274	-
Equities	55,135	55,135	-	-
Exchange traded funds	116,425	116,425	-	-
Mortgage loans	1,924	-	-	1,924
Municipal bonds	185,223	-	185,223	-
U. S. agency securities	183,755	-	183,755	-
<b>Total Investments by Fair Value Level</b>	<b>1,068,056</b>	<b>\$ 171,560</b>	<b>\$ 704,572</b>	<b>\$ 191,924</b>
<b>Investments Not Measured at Fair Value</b>				
Certificates of deposit (Non Negotiable)	3,000			
Deposits	2,728			
<b>Total Investments Not Measured at Fair Value</b>	<b>5,728</b>			
<b>Investments Measured at Net Asset Value</b>				
Mutual funds	28,321			
<b>Total Investments Measured at Net Asset Value</b>	<b>28,321</b>			
<b>Investments Uncategorized</b>				
Investment Trust of California (CalTRUST)	164,888			
Local Agency Investment Fund (LAIF)	20,000			
<b>Total Investments Uncategorized</b>	<b>184,888</b>			
<b>Total City's Pooled Investments</b>	<b>1,286,993</b>			
<b>Investments Held Outside City Pool by Fair Value Level</b>				
Commercial paper	6,965	-	-	6,965
Corporate bonds/notes	8,324	-	8,324	-
Deposits	569	-	-	569
U.S. agency securities	58,872	-	58,872	-
U.S. Treasury notes	7,413	7,413	-	-
<b>Total Investments by Fair Value Level</b>	<b>82,143</b>	<b>\$ 7,413</b>	<b>\$ 67,196</b>	<b>\$ 7,534</b>
<b>Investments Held Outside City Pool Measured at Net Asset Value</b>				
Mutual funds	60,682			
<b>Total Investments Held Outside City Pool Measured at Net Asset Value</b>	<b>60,682</b>			
<b>Total Investments Held Outside City Pool</b>	<b>142,825</b>			
<b>Total Investments</b>	<b>\$ 1,429,818</b>			

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(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 7.06% 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, 2016:

#### Statement of Net Position:

Investments at fair value	\$ 924,695
Interest receivables	2,506
Net Position	<u>\$ 927,201</u>
Equity of internal pool participants	\$ 861,710
Equity of external pool participants	65,491
Total equity	<u>\$ 927,201</u>

#### Statement of Changes in Net Position:

Net position at July 1, 2015	\$ 940,145
Net change in investments by pool participants	(12,944)
Net position at June 30, 2016	<u>\$ 927,201</u>

A summary of the investment classifications as of June 30, 2016 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Certificates of deposit	\$ 23,322	\$ 22,868	0.35-2.40%	11/16-12/20
Commercial paper	190,000	189,430	0.50-1.02%	07/16-02/17
Corporate bonds/notes	238,354	237,664	0.68-7.62%	08/16-06/21
Deposits	2,166	2,166	N/A	N/A
Investment Trust of California (CalTRUST)	132,282	132,282	0.42-1.01%	N/A
Municipal bonds	122,692	121,383	0.62-5.95%	07/16-05/21
Mutual funds	28,286	28,286	0.01-0.07%	N/A
Local Agency Investment Fund (LAIF)	20,000	20,000	0.52%	N/A
U.S. government and agency securities	167,593	167,155	0.37-6.25%	08/16-06/21
Total cash and investments in City sponsored investment pool	<u>\$ 924,695</u>	<u>\$ 921,234</u>		



**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Participation in External Investment Pools**

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The balance available for withdrawal is based on the accounting records maintained by the LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. As of June 30, 2016, the City's investment in LAIF is \$20,000. The total amount invested by all public agencies in LAIF at that date is \$22,712,085. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2016 had a balance of \$75,442,589. Of that amount, 97.19% is invested in non-derivative financial products, and 2.81% is invested in derivative financial products.

The City is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2016, the City's investment in CalTRUST is \$164,888, of which \$14,067 was invested in the Money Market Fund, \$93,493 in the Short-term pool and \$57,328 in the Medium-term pool. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2016, were as follows:

	Taxes	Accounts	Loans	Inter- govern- mental	Interest	Total
Governmental activities						
General Fund	\$ 34,534	\$ 13,817	\$ 4	\$ 1,500	\$ 529	\$ 50,384
Measure U Fund	7,581	-	-	-	149	7,730
Capital Grants Fund	-	2,755	-	13,875	-	16,630
1997 Lease Revenue Bond Fund	-	-	57,315	-	662	57,977
Other governmental funds	2,939	3,987	8,618	24,920	151	40,615
Internal service funds	-	53	-	-	296	349
	<u>\$ 45,054</u>	<u>\$ 20,612</u>	<u>\$ 65,937</u>	<u>\$ 40,295</u>	<u>\$ 1,787</u>	<u>\$ 173,685</u>
Amounts not scheduled for collection during the subsequent year						
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,650</u>	<u>\$ 13,841</u>	<u>\$ -</u>	<u>\$ 68,491</u>
Business-type activities						
Water Fund	\$ -	\$ 19,345	\$ 4,570	\$ 1,522	\$ 721	\$ 26,158
Wastewater Fund	-	11,050	682	590	173	12,495
Storm Drainage Fund	-	5,703	3,269	2,972	161	12,105
Solid Waste Fund	-	9,459	-	-	165	9,624
Community Center Fund	2,352	282	87	-	85	2,806
Other enterprise funds	-	904	86	-	114	1,104
	<u>\$ 2,352</u>	<u>\$ 46,743</u>	<u>\$ 8,694</u>	<u>\$ 5,084</u>	<u>\$ 1,419</u>	<u>\$ 64,292</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$13,384 in governmental activities and \$1,407 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 \$5,849, reported with the associated deferred inflow in the government-wide statement of net position.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2016:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated/amortized			
Land	\$ 202,374	\$ 50,314	\$ 252,688
Easements	913	291	1,204
Construction in progress	349,769	266,143	615,912
Total capital assets not being depreciated/amortized	<u>553,056</u>	<u>316,748</u>	<u>869,804</u>
Depreciable/amortizable capital assets			
Buildings and improvements	630,189	280,676	910,865
Equipment	73,409	64,452	137,861
Software	4,866	1,958	6,824
Vehicles	138,086	-	138,086
Transmission and distribution system	3,622	1,196,826	1,200,448
Roadway network	1,639,363	-	1,639,363
Streetlight network	227,620	-	227,620
Park improvements	189,943	-	189,943
Total depreciable/amortizable capital assets	<u>2,907,098</u>	<u>1,543,912</u>	<u>4,451,010</u>
Less accumulated depreciation/amortization for:			
Buildings and improvements	(222,701)	(142,690)	(365,391)
Equipment	(50,885)	(43,685)	(94,570)
Software	(1,666)	(712)	(2,378)
Vehicles	(86,052)	-	(86,052)
Transmission and distribution system	(766)	(421,577)	(422,343)
Roadway network	(973,054)	-	(973,054)
Street light network	(78,128)	-	(78,128)
Park improvements	(49,977)	-	(49,977)
Total accumulated depreciation/amortization	<u>(1,463,229)</u>	<u>(608,664)</u>	<u>(2,071,893)</u>
Depreciable/amortizable capital assets, net	<u>1,443,869</u>	<u>935,248</u>	<u>2,379,117</u>
Total capital assets, net	<u>\$ 1,996,925</u>	<u>\$ 1,251,996</u>	<u>\$ 3,248,921</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Governmental Activities**

Governmental capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 199,142	\$ 3,232	\$ -	\$ -	\$ 202,374
Easements	697	216	-	-	913
Construction in progress	201,226	320,907	(172,230)	(134)	349,769
Total capital assets not being depreciated/amortized	<u>401,065</u>	<u>324,355</u>	<u>(172,230)</u>	<u>(134)</u>	<u>553,056</u>
Depreciable/amortizable capital assets					
Buildings and improvements	628,851	1,338	-	-	630,189
Equipment	70,484	2,925	-	-	73,409
Software	4,866	-	-	-	4,866
Vehicles	133,335	8,763	(4,012)	-	138,086
Transmission and distribution system	3,622	21,517	-	(21,517)	3,622
Roadway network	1,564,431	98,750	(23,818)	-	1,639,363
Streetlight network	202,480	25,140	-	-	227,620
Park improvements	179,467	10,476	-	-	189,943
Total depreciable/amortizable capital assets	<u>2,787,536</u>	<u>168,909</u>	<u>(27,830)</u>	<u>(21,517)</u>	<u>2,907,098</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(209,975)	(12,726)	-	-	(222,701)
Equipment	(46,709)	(4,176)	-	-	(50,885)
Software	(1,341)	(325)	-	-	(1,666)
Vehicles	(79,955)	(9,880)	3,783	-	(86,052)
Transmission and distribution system	(718)	(48)	-	-	(766)
Roadway network	(950,996)	(45,876)	23,818	-	(973,054)
Streetlight network	(73,076)	(5,052)	-	-	(78,128)
Park improvements	(43,196)	(6,781)	-	-	(49,977)
Total accumulated depreciation/amortization	<u>(1,405,966)</u>	<u>(84,864)</u>	<u>27,601</u>	<u>-</u>	<u>(1,463,229)</u>
Depreciable/amortizable capital assets, net	<u>1,381,570</u>	<u>84,045</u>	<u>(229)</u>	<u>(21,517)</u>	<u>1,443,869</u>
Governmental activities capital assets, net	<u>\$ 1,782,635</u>	<u>\$ 408,400</u>	<u>\$ (172,459)</u>	<u>\$ (21,651)</u>	<u>\$ 1,996,925</u>
Depreciation/amortization expense was charged to functions as follows:					
General government		\$ 5,373			
Police		2,197			
Fire		1,151			
Public works		51,358			
Economic development		100			
Convention and cultural services		4,298			
Parks and recreation		9,235			
Community development		160			
Library		961			
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets		<u>10,031</u>			
Total governmental activities depreciation/amortization expense		<u>\$ 84,864</u>			

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 50,314	\$ -	\$ -	\$ -	\$ 50,314
Easements	157	-	-	134	291
Construction in progress	186,564	118,957	(39,378)	-	266,143
Total capital assets not being depreciated/amortized	237,035	118,957	(39,378)	134	316,748
Depreciable/amortizable capital assets					
Buildings and improvements	278,585	2,091	-	-	280,676
Equipment	63,136	1,316	-	-	64,452
Software	1,681	277	-	-	1,958
Transmission and distribution system	1,137,022	38,287	-	21,517	1,196,826
Total depreciable/amortizable capital assets	1,480,424	41,971	-	21,517	1,543,912
Less accumulated depreciation/amortization for:					
Buildings and improvements	(136,615)	(6,075)	-	-	(142,690)
Equipment	(40,423)	(3,262)	-	-	(43,685)
Software	(574)	(138)	-	-	(712)
Transmission and distribution system	(391,663)	(29,914)	-	-	(421,577)
Total accumulated depreciation/amortization	(569,275)	(39,389)	-	-	(608,664)
Depreciable/amortizable capital assets, net	911,149	2,582	-	21,517	935,248
Business-type activities capital assets, net	<u>\$ 1,148,184</u>	<u>\$ 121,539</u>	<u>\$ (39,378)</u>	<u>\$ 21,651</u>	<u>\$ 1,251,996</u>
Depreciation/amortization expense was charged to functions as follows:					
Water		\$ 18,223			
Wastewater		4,104			
Storm drainage		11,502			
Solid waste		1,657			
Community center		2,018			
Parking		1,807			
Child development		78			
Total business-type activities depreciation/amortization expense		<u>\$ 39,389</u>			

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

**NOTE 5 – PAYABLES**

Payables as of June 30, 2016, were as follows:

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
Governmental activities					
General Fund	\$ 11,452	\$ 18,780	\$ -	\$ 239	\$ 30,471
Measure U Fund	758	-	-	-	758
Capital Grants Fund	8,836	-	-	-	8,836
1997 Lease Revenue Bond Fund	-	-	662	4,650	5,312
2015 Golden 1 Center					
Capital Projects Fund	31,557	-	-	-	31,557
Other governmental funds	9,182	178	7,075	1,605	18,040
Internal service funds	3,190	447	7	-	3,644
Total governmental activities	<u>\$ 64,975</u>	<u>\$ 19,405</u>	<u>\$ 7,744</u>	<u>\$ 6,494</u>	<u>\$ 98,618</u>
Business-type activities					
Water Fund	\$ 10,636	\$ 1,060	\$ 4,052	\$ 9	\$ 15,757
Wastewater Fund	11,219	289	504	1,285	13,297
Storm Drainage Fund	2,549	891	196	15	3,651
Solid Waste Fund	2,256	554	75	10	2,895
Community Center Fund	1,758	272	312	-	2,342
Other enterprise funds	2,202	357	150	-	2,709
Total business-type activities	<u>\$ 30,620</u>	<u>\$ 3,423</u>	<u>\$ 5,289</u>	<u>\$ 1,319</u>	<u>\$ 40,651</u>

Included in the Interest Payable amount related to 1997 Lease Revenue Bond Fund above is the interest payable accrual of \$662, 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 \$5,654, reported in the government-wide statement of net position.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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**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, 2016, were \$924.

Sublease rental income for the fiscal year ended June 30, 2016 was \$690. The total amount of minimum rentals to be received in the future under non-cancelable subleases is \$2,491.

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>
2017	\$ 650
2018	564
2019	572
2020	578
2021	583
2022 - 2026	3,016
2027 - 2031	3,161
2032 - 2036	3,176
2037 - 2041	2,492
2042 - 2046	2,628
2047 - 2051	2,757
2052 - 2056	1,807
2057 - 2061	200
2062	<u>32</u>
Total future minimum lease payments	<u>\$ 22,216</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(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, 2016. Certain long-term liabilities provide financing to both governmental and business-type activities.

<b>GOVERNMENTAL ACTIVITIES:</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 9,141	\$ -	\$ (1,330)	\$ 7,811	\$ 1,403
1993 Refunded Revenue Bonds, Series B	15,326	-	(2,230)	13,096	2,352
1996 Lighting and Landscaping Bonds	1,100	-	(1,100)	-	-
1997 Lease Revenue Bonds	59,790	-	(2,475)	57,315	2,665
1999 CFD No. 2 Revenue Bonds, Series A	1,750	-	(140)	1,610	150
2002 Capital Improvement Revenue Bonds	1,275	-	(1,275)	-	-
2003 Capital Improvement Revenue Bonds	15,395	-	(15,395)	-	-
2005 Refunding Revenue Bonds	51,486	-	(51,486)	-	-
2006 Capital Improvement Revenue Bonds, Series A	73,315	-	(73,315)	-	-
2006 Capital Improvement Revenue Bonds, Series B	48,170	-	(1,120)	47,050	1,185
2006 Capital Improvement Revenue Bonds, Series C	25,605	-	(25,605)	-	-
2006 Capital Improvement Revenue Bonds, Series D	1,160	-	(685)	475	475
2006 Capital Improvement Revenue Bonds, Series E	80,803	-	-	80,803	-
2015 Refunding Revenue Bonds	-	115,725	-	115,725	9,645
2015 Lease Revenue Bonds - Golden 1 Center	-	272,870	-	272,870	-
2016 Lease Financing	-	9,115	-	9,115	735
Subtotal, revenue and other bonds	<u>384,316</u>	<u>397,710</u>	<u>(176,156)</u>	<u>605,870</u>	<u>18,610</u>
Notes Payable:					
1997 State Department of Boating & Waterways	369	-	(86)	283	90
1985 Marina Phase I	1,539	-	(46)	1,493	48
1985 Marina Phase II	2,367	-	(61)	2,306	64
1985 Marina Phase III	536	-	(125)	411	131
1985 Marina Phase IV	392	-	(72)	320	75
2008 Sacramento Marina South Basin	10,477	-	-	10,477	768
Subtotal, notes payable	<u>\$ 15,680</u>	<u>\$ -</u>	<u>\$ (390)</u>	<u>\$ 15,290</u>	<u>\$ 1,176</u>



**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Activity (Continued)**

<b>GOVERNMENTAL ACTIVITIES (Continued):</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Capital Lease Obligations:</b>					
JP Morgan Fleet Financing	\$ 1,430	\$ -	\$ (567)	\$ 863	\$ 574
JP Morgan Capital Lease Refinance	1,257	-	(814)	443	442
Fire trucks and equipment #3	2,523	-	(461)	2,062	482
Liquid nitrate gas (LNG) - Refueling Trailer	127	-	(26)	101	27
Parking meters system with AutoVu	4,238	-	(1,192)	3,046	1,207
Bank of America - Marina South Basin	881	-	(102)	779	106
Subtotal, capital lease obligations	<u>10,456</u>	<u>-</u>	<u>(3,162)</u>	<u>7,294</u>	<u>2,838</u>
<b>Plus deferred amounts:</b>					
For issuance discounts	(126)	-	118	(8)	(2)
For issuance premiums	14,354	14,110	(6,975)	21,489	1,187
Subtotal deferred amounts	<u>14,228</u>	<u>14,110</u>	<u>(6,857)</u>	<u>21,481</u>	<u>1,185</u>
Subtotal, debt governmental activities	<u>424,680</u>	<u>411,820</u>	<u>(186,565)</u>	<u>649,935</u>	<u>23,809</u>
<b>Other Long-term Liabilities:</b>					
Accrued claims and judgements	73,782	17,844	(17,859)	73,767	19,408
Compensated absences	32,721	34,610	(32,531)	34,800	2,195
OPEB liability	154,102	36,799	(18,878)	172,023	-
Net Pension liability	573,024	112,365	(51,964)	633,425	-
Pollution remediation obligations	619	1,118	(73)	1,664	59
Derivative instrument - interest rate swap	5,727	-	(2,510)	3,217	-
<b>Financing plan fee credits:</b>					
North Natomas	40,157	5,514	(2,862)	42,809	609
Jacinto Creek	944	24	-	968	-
Park Development	3,148	20	(816)	2,352	308
Subtotal, other long-term liabilities	<u>884,224</u>	<u>208,294</u>	<u>(127,493)</u>	<u>965,025</u>	<u>22,579</u>
Total governmental activities	<u>\$ 1,308,904</u>	<u>\$ 620,114</u>	<u>\$ (314,058)</u>	<u>\$ 1,614,960</u>	<u>\$ 46,388</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Activity (Continued)**

<b>BUSINESS-TYPE ACTIVITIES:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 37,741	\$ -	\$ (5,490)	\$ 32,251	\$ 5,792
1993 Refunded Revenue Bonds, Series B	16,739	-	(2,435)	14,304	2,568
2005 Refunding Revenue Bonds	83,713	-	(83,713)	-	-
2006 Capital Improvement Revenue Bonds, Ser. E	92,277	-	-	92,277	-
Water Revenue Bonds, Series 2013	211,655	-	(3,645)	208,010	3,780
Wastewater Revenue Bonds, Series 2013	30,855	-	(560)	30,295	580
2015 Refunding Revenue Bonds	-	67,655	-	67,655	7,035
Subtotal, revenue and other bonds	<u>472,980</u>	<u>67,655</u>	<u>(95,843)</u>	<u>444,792</u>	<u>19,755</u>
Notes Payable:					
State Water Resources Control Board	472	-	(153)	319	157
State Water Resources Control Board	13,166	-	(2,078)	11,088	2,123
State Water Resources Control Board	1,585	-	(302)	1,283	309
State Water Resources Control Board	2,182	-	(340)	1,842	349
State Water Resources Control Board	908	-	(141)	767	145
California Department of Public Health	9,004	-	(416)	8,588	426
California Infrastructure and Economic Development Bank (I-Bank)	2,527	-	(77)	2,450	79
Subtotal, notes payable	<u>29,844</u>	<u>-</u>	<u>(3,507)</u>	<u>26,337</u>	<u>3,588</u>
Capital Lease Obligations:					
Refuse Trucks - Schedule 16	2,104	-	(1,035)	1,069	1,069
Sewer Cleaning Trucks - Schedule 17	298	-	(146)	152	151
JP Morgan Capital Lease Refinance	1,673	-	(551)	1,122	558
Parking Equipment - Schedule 19	-	3,999	(387)	3,612	782
Parking Equipment - Schedule 20	-	2,700	-	2,700	521
Subtotal, capital lease obligations	<u>4,075</u>	<u>6,699</u>	<u>(2,119)</u>	<u>8,655</u>	<u>3,081</u>
Less deferred amounts:					
For issuance discounts	(305)	-	60	(245)	(59)
For issuance premiums	47,194	8,288	(6,626)	48,856	2,756
Subtotal, deferred amounts	<u>46,889</u>	<u>8,288</u>	<u>(6,566)</u>	<u>48,611</u>	<u>2,697</u>
Subtotal, debt, business type activities	<u>553,788</u>	<u>82,642</u>	<u>(108,035)</u>	<u>528,395</u>	<u>29,121</u>
Other Long-term Liabilities:					
Compensated absences	6,720	7,717	(7,096)	7,341	459
OPEB liability	26,882	6,339	(2,522)	30,699	-
Net Pension liability	89,769	15,330	(7,634)	97,465	-
Accrued claims and judgements	636	-	(132)	504	504
Water fee credits	1,702	-	(726)	976	-
Liability for landfill closure	1,177	-	-	1,177	85
Subtotal, other long-term liabilities	<u>126,886</u>	<u>29,386</u>	<u>(18,110)</u>	<u>138,162</u>	<u>1,048</u>
Total business-type activities	<u>\$ 680,674</u>	<u>\$ 112,028</u>	<u>\$ (126,145)</u>	<u>\$ 666,557</u>	<u>\$ 30,169</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Activity (Continued)**

<b>COMPONENT UNIT:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of Participation SRAFFA *					
2002 Series COPS	\$ 12,470	\$ -	\$ (12,470)	\$ -	\$ -
Less deferred amounts:					
For issuance discounts	(89)	-	89	-	-
Total component unit	<u>12,381</u>	<u>-</u>	<u>(12,381)</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,001,959</u>	<u>\$ 732,142</u>	<u>\$ (452,584)</u>	<u>\$ 2,281,517</u>	<u>\$ 76,557</u>

\* SRAFFA was dissolved during FY16 and is no longer presented as a discretely presented component unit of the City.

The following is a list of long-term debt issues outstanding at June 30, 2016, including the amount of original debt issuance, a description of the debt issue, and disclosure of pledged revenue.

**Revenue and Other Bonds**

Issued Amount

- \$130,425 1993 Refunded Revenue Bonds, Series A  
Authorized and issued September 1993, due in annual installments of \$2,186 to \$8,875 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1986 Public Facilities Certificates of Participation and a portion of the 1991 Marks-Roos Revenue Bonds.
- \$95,480 1993 Refunded Revenue Bonds, Series B  
Authorized and issued September 1993, due in annual installments of \$1,634 to \$6,070 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1989 Public Facilities Certificates of Participation.
- \$73,725 1997 Lease Revenue Bonds  
Authorized and issued July 1997, due in annual installments of \$1,060 to \$2,665 through July 2017, at which time there will be a mandatory remarketing. The bonds were issued to finance the acquisition and lease back of a sports and entertainment arena. The bonds were issued as variable rate bonds for which a ten-year interest rate hedge was purchased to mitigate risk of interest rate fluctuations to a fixed rate of 5.607%. The debt service on the bonds is paid from lease revenue from the arena owner. The City pledged future lease revenues to repay the bonds. The bonds are payable solely from lease revenue through July 2027. Total remaining principal and interest of \$79,145 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$5,768 and lease revenue was \$5,768.
- \$2,910 1999 Community Facilities District No. 2 Revenue Bonds, Series A  
Authorized and issued January 1999, due in annual installments of \$35 to \$255 through September 2023, bearing interest rates of 4.8% to 6.25%, for the purpose of financing capital improvements of the North Natomas CFD of benefit to City property.
- \$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

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Revenue and Other Bonds (Continued)

##### Issued Amount

- \$2,430 2006 Capital Improvement Revenue Bonds, Series D (Tax Exempt)  
Authorized and issued December 12, 2006, due in annual installments of \$475 to \$685 through December 1, 2016, bearing an interest rate of 5.16%. Net proceeds of \$2,400 were utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento.
- \$186,950 2006 Capital Improvement Revenue Bonds, Series E (Refunding)  
Authorized and issued December 12, 2006, due in annual installments of \$402 to \$8,570 through December 1, 2033, bearing interest rates of 4% to 5.25%. Net proceeds of \$216,661 plus cash of \$13,441 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000 principal amount of the outstanding 2001 Capital Improvement Revenue Bonds and a portion of the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, and the associated liabilities have been removed from the governmental and business-type activities columns of the statement of net position.
- \$215,195 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 \$378,425 as of June 30, 2016. Current year principal and interest paid was \$14,017 and Water Fund system revenue was \$98,388.
- \$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 \$52,797 as of June 30, 2016. Current year principal and interest paid was \$1,955 and Wastewater Fund system revenue was \$30,501.
- \$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 established 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.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Revenue and Other Bonds (Continued)

##### Issued Amount

- \$272,870 2015 Lease Revenue Bonds – Golden 1 Center  
The bonds were originally issued on August 13, 2015, in the aggregate principal amount \$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, 2016, \$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%. The debt service on the bonds is payable solely from the lease revenues pledged under the indenture.
- \$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.

#### Notes Payable

- \$2,220 1985 Sacramento Marina Note Payable, Phase I  
Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$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, 2016, the DB&W and the City have not executed a formal agreement to restructure this loan.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Notes Payable (Continued)

##### Issued Amount

- \$1,380 1997 State Department of Boating and Waterways Note Payable  
Authorized January 1997, issued May 1999, due in annual installments of \$89 to \$98 through 2018, for the purpose of financing a visitor dock at Old Sacramento.
- \$2,619 State Water Resources Control Board Note Payable  
Authorized July 1998, issued September 1998, due in annual installments of \$166 through March 2018, bearing an interest rate of 2.6% for the purpose of financing the City's reservoir rehabilitation project. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through March 2018. Total principal and interest remaining to be paid on the note is \$331. Current year principal and interest paid was \$166 and wastewater and storm drain fee revenue was \$67,539.
- \$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 \$11,835. Current year principal and interest paid was \$2,367 and wastewater and storm drain fee revenue was \$67,539.
- \$5,177 State Water Resources Control Board Note Payable  
Authorized March 2001, issued July 2001, due in annual installments of \$342 through September 2019, bearing an interest rate of 2.6%, for the purpose of financing the construction of underground storage and pumping facilities. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through September 2019. Total principal and interest remaining to be paid on the note is \$1,368. Current year principal and interest paid was \$342 and wastewater and storm drain fee revenue was \$67,539.
- \$2,603 State Water Resources Control Board Note Payable  
Authorized June 2001, issued beginning May 2002, due in annual installments of \$149 through May 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. In fiscal year 2003 there was an additional draw of \$250. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through May 2021. Total principal and interest remaining to be paid on the note is \$825. Current year principal and interest paid was \$165 and wastewater and storm drain fee revenue was \$67,539.
- \$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 \$1,986. Current year principal and interest paid was \$397 and wastewater and storm drain fee revenue was \$67,539.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Notes Payable (Continued)

##### Issued Amount

- \$10,000 California Department of Public Health  
Authorized September 2009 for the installation of approximately 13,000 water meters. The note, with a 2.5% interest rate, will be repaid over 20 years with annual principal and interest payments of approximately \$639. The City pledged future water enterprise fund revenue to repay the note. Water Fund system revenue was \$98,388. The note is payable solely from water enterprise fund revenue through 2033.
- \$2,975 California Infrastructure and Economic Development (I-Bank)  
Authorized in December 2007, due in annual principal and interest installments from \$187 to \$196 through August 2032, bearing an interest rate of 3.17%, for the purpose of financing the purchase and construction of the Basin 31 Detention Basin. The City pledged future storm drainage fee revenue to repay the note. The note is payable solely from the storm drainage fee revenue through August 2032. Total principal and interest remaining to be paid on the note is \$3,495. Current year principal and interest paid was \$163 and storm drainage fee revenue was \$37,038.

#### 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, 2016, 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
2017	\$ 3,007	\$ 3,218	\$ 6,225
2018	2,271	1,970	4,241
2019	1,358	1,399	2,757
2020	722	1,400	2,122
2021	139	983	1,122
2022 - 2026	210	-	210
Total minimum lease payments	7,707	8,970	16,677
Less amounts representing interest	(413)	(316)	(729)
Net present value of minimum lease payments	<u>\$ 7,294</u>	<u>\$ 8,654</u>	<u>\$ 15,948</u>

The following is a schedule of property under capital leases by major classes at June 30, 2016:

	Governmental Activities	Business-Type Activities	Total
Buildings and improvements	\$ 1,523	\$ -	\$ 1,523
Equipment	20,539	16,055	36,594
Less: accumulated depreciation	(8,546)	(9,642)	(18,188)
Total	<u>\$ 13,516</u>	<u>\$ 6,413</u>	<u>\$ 19,929</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**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.

OPEB liability (other post-employment benefits) – Actuarially determined obligation for retiree medical benefits. The City established its OPEB liability at zero as of June 30, 2007. This liability reflects eight years of contributing less than the annual required contribution. OPEB liabilities are generally liquidated by the City’s General Fund, internal service funds and enterprise funds. See note 9 for more information.

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

Derivative instrument - interest rate swap – Amount represents the fair value of the interest rate swap associated with the 1997 Lease Revenue bonds. See additional disclosures regarding interest rate swap below.

Financing plan fee credits – Issued to developers as consideration for infrastructure and other capital improvements constructed on behalf of the City within the scope of the North Natomas, Jacinto Creek and other development impact fee programs. Credits are redeemable from or against future impact fees assessed within the geographic boundaries of the finance plan.

Water fee credits – Issued to developers as consideration for infrastructure constructed on behalf of the City. Credits are redeemable from or against future water development impact fees.

Liability for landfill closure – Estimated post-closure maintenance and monitoring costs for the closed landfill sites.

Net Pension Liability – The net pension liability is \$633,425 and \$97,465 for governmental activities and business-type activities, respectively, at June 30, 2016. Refer to Note 8 for more detailed information.



**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**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, 2016.

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
2017	\$ 18,610	\$ 31,557	\$ 1,176	\$ 674
2018	21,313	30,652	640	645
2019	21,352	29,668	669	616
2020	21,510	28,635	448	586
2021	22,121	27,631	377	567
2022 - 2026	106,406	122,542	2,168	2,553
2027 - 2031	115,502	92,314	2,710	2,010
2032 - 2036	96,499	64,217	3,388	1,332
2037 - 2041	56,265	44,131	3,082	561
2042 - 2046	62,445	28,940	632	29
2047 - 2051	63,847	9,244	-	-
Subtotals	605,870	509,531	15,290	9,573
Less: Issuance discounts	(8)	-	-	-
Plus: Issuance premiums	21,489	-	-	-
Totals	\$ 627,351	\$ 509,531	\$ 15,290	\$ 9,573

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
2017	\$ 19,755	\$ 21,669	\$ 3,588	\$ 649
2018	20,709	20,694	3,673	564
2019	21,725	19,647	3,595	477
2020	22,830	18,521	3,679	392
2021	23,999	17,331	3,424	305
2022 - 2026	76,419	74,662	3,028	966
2027 - 2031	94,063	53,061	3,447	538
2032 - 2036	70,906	30,907	1,601	139
2037 - 2041	63,985	15,862	302	11
2042 - 2046	30,401	1,539	-	-
2047 - 2051	-	-	-	-
Subtotals	444,792	273,893	26,337	4,041
Less: Issuance discounts	(245)	-	-	-
Plus: Issuance premiums	48,856	-	-	-
Totals	\$ 493,403	\$ 273,893	\$ 26,337	\$ 4,041

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Derivative Instrument - Interest Rate Swap

*Objective of the interest rate swap.* In July 2007, the Sacramento City Financing Authority (the “Authority”) and Goldman Sachs Capital Markets, L.P. (“GSCM”) entered into an interest-rate swap in connection with the remarketing of the Authority’s 1997 Lease Revenue Bonds (ARCO Arena Acquisition) variable-rate bonds (the “Bonds”). In effect, the swap changed the Bonds variable rate to a synthetic fixed rate of 5.607% through the end of the swap agreement’s term, thereby hedging the Authority’s interest-rate risk and lowering the Authority’s borrowing cost compared to the cost of issuing traditional fixed-rate bonds. As of June 30, 2016, the amount of outstanding Bonds was \$57,315. The interest and principal payments on the Bonds are insured by National Public Finance Guarantee Corporation (“NPFGC”), formerly MBIA Insurance Corporation.

*Terms.* The Bonds mature on July 15, 2027; are subject to mandatory remarketing on July 19, 2017; and carry an interest rate equal to 3-month London Interbank Offered Rate (“LIBOR”) plus 0.25% (total rate not to exceed 14%), payable quarterly, until July 19, 2017. As noted, the swap was entered at the same time the Bonds were remarketed in July 2007. The swap agreement terminates on July 19, 2017, and has a notional amount as of June 30, 2016, of \$57,315. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through 2017. Under the swap, the Authority pays the swap provider a fixed interest payment of 5.607% and receives a variable-interest payment of LIBOR plus 0.25% (total rate not to exceed 14%). The Authority’s payments to the swap provider are also insured by NPFGC.

*Fair value.* As of June 30, 2016, the swap had a negative value to the Authority of \$3,217, which reflects the decline in interest rates since 2007. (Because the interest rates on the Bonds adjust as LIBOR adjusts, the Bonds do not have a corresponding value increase.) The swap’s fair value was estimated using the cost method, which calculates the future net-settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot-interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. This swap is categorized as Level 2 based on observable market data derived from LIBOR.

*Provider credit risk.* The value of the swap to the Authority depends on the “provider credit risk,” which is the swap provider’s ability to meet its payment obligations under the swap. Often this risk is addressed by requiring the swap provider to enter into a “collateral agreement” if its credit rating falls below specified levels. Such an agreement provides for the collateralization of the swap provider’s obligations under the swap, as measured by the estimated “settlement amount” if the swap is terminated. But when the Authority entered into this swap, the swap provider, GSCM, was not rated by credit rating agencies, so a rated affiliate of GSCM, The Goldman Sachs Group, Inc. (“GS Group”), provided credit support. GSCM was replaced in November 2008 by a rated swap provider, Goldman Sachs Bank USA (“GS Bank”).

The swap agreement requires the swap provider to enter into a collateral agreement if the credit support provider is rated A3 or lower by Moody’s Investor Service or A- or lower by Standard & Poor’s. As of June 30, 2016, the current swap provider, GS Bank, was rated A1 by Moody’s Investors Services and A by Standard & Poor’s; the credit support provider, GS Group, was rated A3 by Moody’s Investors Service and BBB+ by Standard & Poor’s; and GS Bank and the Authority had not entered into a collateral agreement.

*Basis risk.* The swap agreement provides that the payment received by the Authority must be at LIBOR plus 0.25% (total rate not to exceed 14%), which is identical to the interest rate on the Bonds. This mitigates the Authority’s exposure to basis risk.

*Termination risk.* Under certain circumstances, either the swap provider or the Authority may terminate the swap. If the swap is terminated, then the Authority would no longer pay a synthetic fixed-interest rate on the Bonds but would instead pay the variable rate. And if, at the time of termination, the swap has a negative value, then the Authority would be liable to the swap provider for a payment equal to the swap’s value.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

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

*Rollover Risk.* The Authority is exposed to rollover risk on the swap because the maturity date of the swap agreement is July 2017 whereas the Bonds mature in July 2027.

*Swap payments and associated debt.* Using rates in effect on June 30, 2016, the debt-service requirements of the Bonds and the net swap payments, assuming interest rates remain the same through the July 2017 termination date of the swap and tender date on the Bonds, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u> <u>Swaps, Net</u>	<u>Total</u>
2017	\$ 2,665	\$ 294	\$ 2,799	\$ 5,758
2018	54,650	73	693	55,416
TOTAL	<u>\$ 57,315</u>	<u>\$ 367</u>	<u>\$ 3,492</u>	<u>\$ 61,174</u>

The interest rates on the Bonds will vary after July 2017, when the swap terminates and the Bonds must be remarketed.

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and determined the liability to be zero at June 30, 2016.

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$141,980 at June 30, 2016. 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 \$217,452 at June 30, 2016. Special facility revenue bonds were issued to provide administrative and service facilities for four non-profit organizations and for offices leased to the State of California Department of General Services (State). The bonds issued are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from loan or lease agreements between the City and the non-profit organizations or the State. The redevelopment agency bonds were issued by the Sacramento City Financing Authority to finance redevelopment activities and to refund certain other obligations of the redevelopment agency. The City is not liable for repayment of these bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

#### Defeasance of Debt

In the current year, the City placed the proceeds of new debt in an irrevocable trust account to provide for all remaining debt service payments on the 2006 Series A and C bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in these financial statements. On June 30, 2016, \$87,590 of such bonds outstanding are considered defeased.

### 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). PERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

As of June 30, 2016, 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	\$ 233,618	\$ 26,270	\$ 25,435
Safety Plan	416,301	40,959	33,751
SCERS	80,971	12,487	-
Total	<u>\$ 730,890</u>	<u>\$ 79,716</u>	<u>\$ 59,186</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 PERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within PERS 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/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous</b>	
	<b>Classic</b>	<b>PEPRA</b>
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	50-55	52-67
Monthly benefits, as a % of annual salary	1.4% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.82%	6.75%
Required employer contribution rates	15.67%	15.67%

	<b>Safety</b>	
	<b>Classic</b>	<b>PEPRA</b>
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%	12%
Required employer contribution rates	34%	34%

**Employees Covered** – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	<b>Miscellaneous</b>	<b>Safety</b>
Inactive employees or beneficiaries currently receiving benefits	1,930	1,070
Inactive employees entitled to but not yet receiving benefits	4,075	366
Active employees	2,450	1,148
Total	<u>8,455</u>	<u>2,584</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 annual 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, 2016, the contributions for the miscellaneous and safety plans were \$26,156 and \$40,959 respectively.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

### NOTE 8 – PENSION PLANS (Continued)

#### Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. 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, 2014 actuarial valuations were determined using the following actuarial assumptions:

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

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

(2) Net of pension plan investment expenses, including inflation

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

**Changes of assumptions** – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

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

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Net Pension Liability (Continued)**

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.

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

(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, 2016  
(dollar amounts expressed in thousands)

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

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for each Plan for the measurement date of June 30, 2016 are as follows:

Miscellaneous Plan:

	<b>Increase (Decrease)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	<u>\$ 1,013,277</u>	<u>\$ 799,630</u>	<u>\$ 213,647</u>
<b>Changes in the year:</b>			
Service cost	22,342	-	22,342
Interest on the total pension liability	74,835	-	74,835
Changes of assumptions	(20,153)	-	(20,153)
Difference between Expected and Actual Experience	(8,865)	-	(8,865)
Plan to Plan resource movement	-	(3,066)	3,066
Contribution - employer	-	22,827	(22,827)
Contribution - employee	-	11,302	(11,302)
Net investment income	-	18,047	(18,047)
Benefit payments, including refunds of employee contributions	(34,390)	(34,390)	-
Administrative expense	-	(922)	922
<b>Net changes</b>	<u>33,769</u>	<u>13,798</u>	<u>19,971</u>
<b>Balance at June 30, 2016</b>	<u>\$ 1,047,046</u>	<u>\$ 813,428</u>	<u>\$ 233,618</u>

Safety Plan:

	<b>Increase (Decrease)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	<u>\$ 1,518,033</u>	<u>\$ 1,144,102</u>	<u>\$ 373,931</u>
<b>Changes in the year:</b>			
Service cost	29,653	-	29,653
Interest on the total pension liability	112,331	-	112,331
Changes of assumptions	(28,604)	-	(28,604)
Difference between Expected and Actual Experience	(593)	-	(593)
Plan to Plan resource movement	-	1	(1)
Contribution - employer	-	30,798	(30,798)
Contribution - employee	-	15,565	(15,565)
Net investment income	-	25,341	(25,341)
Benefit payments, including refunds of employee contributions	(70,545)	(70,545)	-
Administrative expense	-	(1,288)	1,288
<b>Net changes</b>	<u>42,242</u>	<u>(128)</u>	<u>42,370</u>
<b>Balance at June 30, 2016</b>	<u>\$ 1,560,275</u>	<u>\$ 1,143,974</u>	<u>\$ 416,301</u>
<b>Totals of both Miscellaneous and Safety Plans</b>	<u>\$ 2,607,321</u>	<u>\$ 1,957,402</u>	<u>\$ 649,919</u>



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

For the Fiscal Year Ended June 30, 2016  
(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 rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 389,633	\$ 634,507	\$ 1,024,140
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 233,618	\$ 416,301	\$ 649,919
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 105,845	\$ 237,476	\$ 343,321

**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, 2016 the City recognized pension expense of \$42,457 attributable to the CalPERS plans. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 67,115	\$ -
Changes of assumption	-	36,411
Differences between actual and expected experience	-	6,289
Net differences between projected and actual earnings on plan investments	-	16,372
Proportionate share	114	114
Total	<u>\$ 67,229</u>	<u>\$ 59,186</u>

The amount of \$67,115 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, 2017. 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,	
2017	\$ (27,894)
2018	(26,894)
2019	(17,888)
2020	15,257
2021	(1,653)
Total	<u>\$ (59,072)</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**SCERS**

The City reports SCERS as a pension trust fund. SCERS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 4<sup>th</sup> Floor, Sacramento, CA 95814. The following is a summary of significant accounting policies:

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

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

**General Information about the Pension Plan**

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

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

**Charter Section 399 Plan** – This defined benefit plan was established effective January 1, 1977 to provide retirement, disability and death benefits. Active members contribute at a rate based upon entry age and type of employment. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor, but no larger than 75% of final average earnings. Employees may retire at age 70, or age 50 and 5 years of service.

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

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

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

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

Benefit Factors at sample ages for benefit plans describe 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, 2016 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	976	69	65	1,110
Inactive members entitled to but not yet receiving benefits	10	-	2	12
Active plan members	16	-	-	16
Total plan members	<u>1,002</u>	<u>69</u>	<u>67</u>	<u>1,138</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 2016. Members contribute to this adjustment at a rate of 1% of their normal retirement contributions. The City is required to fund all costs in excess of members' contributions and investment earnings.

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

**Contributions** – The City Charter grants the authority to establish and amend the contribution requirements of the City and active employees to the SCERS Board. The Board establishes rates based on actuarially determined rate 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, 2016, the average active employee contribution rate was 13.56% of annual pay, and the City's average contribution rate was 2.8% of annual payroll. For the fiscal year ended June 30, 2016, the contributions for the SCERS plan were \$8,645.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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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, 2016 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%	
Salary increase	3.0%	CPI Plus 0.5% merit, average
Investment rate of return	6.5%	percent, net of pension plan investment including inflation

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

The actuarial assumption used in the June 30, 2016 valuation were based on the results from the CalPERS 1997-2011 Experience Study, project with fully generational Scale AA.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	40%	1.55%
Large Cap Growth	35%	5.35%
Equity Income	15%	5.35%
International	10%	5.35%
Total	<u>100%</u>	

An expected inflation of 3% used for this period.

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for SCERS Plan for the measurement date June 30, 2016 is as follows:

	<b>Increase (Decrease)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$ 376,478	\$ 301,263	\$ 75,215
<b>Changes in the year:</b>			
Service Cost	103	-	103
Interest	23,416	-	23,416
Differences between expected and actual experience	(1,173)		(1,173)
Contribution - employer	-	8,645	(8,645)
Contribution - employee	-	146	(146)
Net investment income	-	7,799	(7,799)
Benefit payments, including refunds of employee contributions	(32,683)	(32,683)	-
<b>Net changes</b>	<b>(10,337)</b>	<b>(16,093)</b>	<b>5,756</b>
<b>Balance at June 30, 2016</b>	<b>\$ 366,141</b>	<b>\$ 285,170</b>	<b>\$ 80,971</b>

**Change of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date** – The mortality rate tables were updated from the CalPERS 1997 - 2011 Experience Study, projected with fully generational Scale AA. In addition, monthly benefits for approximately 300 retirees were updated to reflect a recalculation for those who retired or turned age 62 after January 1, 2005.

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

	<b>1% decrease (5.5%)</b>	<b>Current Discount Rate (6.5%)</b>	<b>1% increase (7.5%)</b>
SCERS net pension liability	\$ 114,431	\$ 80,971	\$ 52,297

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

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

For the Fiscal Year Ended June 30, 2016  
(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, 2016, the City recognized pension expense of \$6,822 attributable to the SCERS plans. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Net differences between projected and actual earnings on plan investments	<u>\$ 12,487</u>

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

Fiscal Year Ended June 30,	
2017	\$ 3,428
2018	3,428
2019	3,428
2020	<u>2,203</u>
Total	<u>\$ 12,487</u>

**Defined Contribution Plan**

The City also provides defined contribution retirement benefits through City’s 401(a) Money Purchase Plan (the 401(a)). The 401(a) is administered by the International City Management Association Retirement Corporation. 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, 2016, employees contributed \$3,451 and the City contributed \$2,829 to the 401(a).

**NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS**

**Plan Description**

The City provides contributions for post-employment medical, dental and vision benefits to employees who retire directly from the City and their dependents through a single-employer defined benefit OPEB plan (the plan). The post-retirement health care and dental care employer contributions range from \$0 and \$761.63 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 service and be 55 or 50 years of age for miscellaneous and safety employees, respectively. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit. Participants with more than fifteen years but less than twenty years of service are eligible for 75% of the maximum benefit. Participants with more than ten years but less than fifteen years of service are eligible for 50% of the maximum benefit. The post-employment health, dental and vision care contributions are defined by labor agreements and resolutions approved by the City Council. The City does not issue a separate stand-alone financial report for its OPEB plan.

**Funding Policy**

The City is currently funding the OPEB plan on a pay-as-you-go basis. However, the City Council has authorized the City Manager to establish an OPEB trust fund with CalPERS. As of June 30, 2016, the City had deposited \$14,000 to the trust fund from the General Fund, Enterprise Funds, and Internal Service Funds. Additional deposit may be made in the future.

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

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

**Annual OPEB Cost and Net OPEB Obligation**

The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The current ARC rate is 16.9% of annual covered payroll. The following table shows the components of the City’s annual OPEB cost for the year, the amount contributed to the plan, and the changes in the City’s net OPEB obligation.

Annual required contribution (ARC)	\$ 46,480
Interest on beginning OPEB liability	8,144
Adjustment to the ARC	<u>(11,486)</u>
Annual OPEB cost	43,138
Contributions made	(12,363)
Trust prefunding	<u>(9,037)</u>
Increase in net OPEB obligation	21,738
Net OPEB obligation - Beginning of year	180,984
Net OPEB obligation - End of year	<u>\$ 202,722</u>
Covered payroll (active plan members)	\$ 270,677
UAAL as a percentage of covered payroll	132.0%

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 39,930	\$ 17,473	43%	\$ 154,197
6/30/2015	41,311	14,524	35	180,984
6/30/2016	43,138	21,400	50	202,722

**Funding Status and Progress**

As of June 30, 2015, the most recent actuarial valuation date of the plan was 1.5% funded. The actuarial accrued liability was \$362,824 and the actuarial value of assets was \$5,461 resulting in an unfunded actuarial accrued liability (UAAL) of \$357,363. The annual covered payroll was \$270,677 and the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 132.0%. The Schedule of Funding Progress is presented as RSI following the notes to the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into future. Examples of these estimates and assumptions include future employment trends, mortality and the health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future.

**City of Sacramento**  
**Notes to the Financial Statements**  
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(dollar amounts expressed in thousands)

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

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the June 30, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions utilized a 3% inflation rate, a 4.5% discount rate and a medical trend rate of 7.7% for fiscal year 2016, reduced by decrements of 0.5% each year to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2015 was 18 years.

**NOTE 10 – FUND EQUITY**

At June 30, 2016, the government-wide statement of net position reported restricted net position of \$148,132 in governmental activities. Of this amount, \$23,376 is restricted for enabling legislation.

The Capital Grants Fund, a capital project fund, had a deficit fund balance of \$5,256 as of June 30, 2016. 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 \$2,799 as of June 30, 2016. Both the Golf and Marina programs within this fund had deficit fund balances of \$5,659 and \$1,234, respectively. It is anticipated that this deficit will be funded by future operating subsidies and surpluses.

The 4<sup>th</sup> R Child Development Fund, an enterprise fund, had a deficit net position of \$2,494 as of June 30, 2016. It is anticipated that this deficit will be funded by future operating subsidies.



**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

**NOTE 11 – INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 2016:

	<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<b>Governmental activities:</b>				
General Fund	Debt service	\$ 2,065	\$ (22,186)	\$ (20,121)
General Fund	In-lieu tax transfers	28,069	-	28,069
General Fund	Program support	4,122	(2,846)	1,276
Capital Grants Fund	Program support	-	(34)	(34)
1997 Lease Revenue Bond Fund	Program support	-	(2,190)	(2,190)
2015 Golden 1 Center Lease Revenue Bond Fund	Debt service	223,130	-	223,130
Other Governmental Funds	Debt service	40,584	(235,810)	(195,226)
Other Governmental Funds	Program support	8,840	(7,292)	1,548
Internal Service Funds	Debt service	321	(24)	297
Internal Service Funds	Program support	-	(325)	(325)
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	-	(21,651)	(21,651)
Total governmental activities		<u>307,131</u>	<u>(292,358)</u>	<u>14,773</u>
<b>Business-type activities:</b>				
Water Fund	Debt service	-	(18)	(18)
Water Fund	In-lieu tax transfers	-	(10,540)	(10,540)
Water Fund	Program support	184	(642)	(458)
Wastewater Fund	Debt service	-	(24)	(24)
Wastewater Fund	In-lieu tax transfers	-	(3,334)	(3,334)
Wastewater Fund	Program support	8	-	8
Storm Drainage Fund	Debt service	-	(38)	(38)
Storm Drainage Fund	In-lieu tax transfers	-	(4,044)	(4,044)
Storm Drainage Fund	Program support	32	-	32
Solid Waste Fund	Debt service	-	(56)	(56)
Solid Waste Fund	In-lieu tax transfers	-	(6,504)	(6,504)
Solid Waste Fund	Program support	134	-	134
Community Center Fund	Debt service	-	(2,000)	(2,000)
Community Center Fund	In-lieu tax transfers	-	(1,735)	(1,735)
Community Center Fund	Program support	2	(36)	(34)
Other Enterprise Funds	Debt service	-	(5,944)	(5,944)
Other Enterprise Funds	In-lieu tax transfers	-	(1,912)	(1,912)
Other Enterprise Funds	Program support	43	-	43
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	21,651	-	21,651
Total business-type activities		<u>22,054</u>	<u>(36,827)</u>	<u>(14,773)</u>
<b>Total government-wide statements</b>		<u>\$ 329,185</u>	<u>\$ (329,185)</u>	<u>\$ -</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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**NOTE 11 – INTERFUND TRANSACTIONS (Continued)**

**Interfund Balances**

Interfund balances report lending transactions between funds. The following is a summary of interfund balances as of June 30, 2016:

	<u>Receivables</u>	<u>Payables</u>	<u>Interfund Balances</u>
Capital Grants Fund	\$ -	\$ (2,976)	\$ (2,976)
Other Governmental Funds	-	(7,040)	(7,040)
Internal Service Funds	16,064	-	16,064
Total governmental activities	<u>16,064</u>	<u>(10,016)</u>	<u>6,048</u>
Community Center Fund	-	(6,048)	(6,048)
Total business-type activities	<u>-</u>	<u>(6,048)</u>	<u>(6,048)</u>
Total	<u>\$ 16,064</u>	<u>\$ (16,064)</u>	<u>\$ -</u>

\$16,064 was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$2,976) and to assist in development of community resources (approximately \$13,088). Included in the \$13,088 of interfund loans is \$12,838 that is not expected to be repaid within one year.

\$2,976 was borrowed by the Capital Grants Fund for short-term loans.

\$7,040 was borrowed by the Golf Fund for development of community resources.

\$6,048 was borrowed by the Community Center Fund for development of community resources.

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

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**NOTE 12 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to following: worker’s compensation; torts including errors and omissions; employment practices; theft of, damage to and destruction of assets; and natural disasters for which the City self-insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City.

The Risk Management Internal Service Fund self-insures the first \$2,000 of each workers’ compensation claim. Excess worker’s compensation insurance is purchased through the California State Association of Counties’ Excess Insurance Authority and it provides statutory coverage over the City’s \$2,000 self-insured retention. The fund self-insures the first \$2,000 of general and auto liability claims plus claim costs that exceed commercial insurance coverage. Commercial insurance for general and automobile liability claims provides \$30,000 in coverage, with a \$1,000 loss corridor deductible, for claims over the City’s self-insured retention.

Liabilities are estimated based on recommendations from an independent actuarial evaluation. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other social and economic factors. Estimated liability is then discounted by the City’s expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For the fiscal year ended June 30, 2016, 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, 2016, the Risk Management Internal Service Fund had a net position of \$27,102.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, economic and social factors, and trends in damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

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

	<u>2016</u>	<u>2015</u>
Accrued claims and judgements, July 1	\$ 70,693	\$ 63,107
Incurred claims and adjustment expenses	17,560	19,196
Claim payments	<u>(16,314)</u>	<u>(11,610)</u>
Accrued claims and judgements, June 30	<u>\$ 71,939</u>	<u>\$ 70,693</u>

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

For the Fiscal Year Ended June 30, 2016  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Commitment of Enterprise Fund Revenues**

Revenues of the Wastewater and Storm Drainage Enterprise Funds are pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable. Revenue of the Wastewater Enterprise Fund is pledged to the payment of principal and interest on the Wastewater Revenue Bonds, Series 2013. Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Notes Payable and the Water Revenue Bonds, Series 2013. Revenue of the Storm Drainage Enterprise Fund is pledged to the payment of principal and interest on the California Infrastructure and Economic Development Bank Loan. See Note 7 for more information.

**Construction and Other Commitments**

The City has commitments of \$74,528 for contracts awarded but not completed as of June 30, 2016. The following table shows the distribution of those commitments among major and non-major funds.

<b>Governmental Activities:</b>		<b>Business-type Activities:</b>	
General Fund	\$ 6,981	Water Fund	\$ 17,783
Measure U	2,546	Wastewater Fund	3,858
Capital Grants Fund	8,303	Storm Drainage Fund	3,573
Other governmental funds	19,445	Solid Waste Fund	2,428
Internal service funds	4,281	Community Center Fund	548
	<u>          </u>	Other enterprise funds	<u>4,782</u>
 Total governmental activities	 <u>\$ 41,556</u>	 Total business-type activities	 <u>\$ 32,972</u>

The major contracts outstanding are \$7,662 for design and construction of the intermodal transportation facility, \$6,199 for the residential water meter retrofit program, \$5,288 for water treatment plant upgrades and replacements, \$4,665 for upgrades to the parking revenue control system, \$1,400 for public art at the Golden 1 Center, \$1,367 for road and interchange improvements on Consumnes Boulevard, \$1,366 for the renovation of parking facility elevators, \$1,353 to reconnect the riverfront with downtown, \$1,284 for a South Natomas water meter retrofit project, and \$1,168 to add bike lanes and other enhancements to Freeport Blvd.

**Contingent Liabilities**

The City participates in a number of federal, state and local grant programs, the principal of which is the Federal Highway Planning and Construction program. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for earlier years and the year ended June 30, 2016 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City believes any such claims would be immaterial to the City's financial position at June 30, 2016. Receipt of these grant revenues is not assured in the future.

**Litigation**

Various claims and lawsuits are pending against the City. As discussed in Note 12, the City is primarily self-insured and has accrued a liability for estimated claims outstanding. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that final outcome of these matters will not have a material adverse effect on the financial condition of the City.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

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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 \$1,177 is required for future postclosure monitoring costs as of June 30, 2016. The estimate is based on current cost and may change due to inflation or deflation, technology, or applicable laws and regulations. The City received approval from state regulators to fund the postclosure costs, along with cost increases due to inflation, with user charges for solid waste disposal.

#### Pollution Remediation Obligations

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The City is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. Regulatory agencies providing oversight of the City's pollution remediation obligations and activities include the State of California Regional Water Quality Control Board, the State of California Department of Toxic Substance Control, the Sacramento County Department of Environmental Management and the State of California Department of Public Health. The estimated obligation was \$619 at June 30, 2015 and \$1,664 at June 30, 2016. Pollution remediation outlays totaled approximately \$73 for the fiscal year ended June 30, 2016. Pollution remediation obligations are measured based on outlays expected to be incurred to settle all estimable remediation efforts. Pollution remediation obligations are measured at the current value of reasonable and supportable assumptions about future events that may affect the eventual settlement of the obligations. Pollution remediation obligations are measured using the expected cash flow technique, which measures the obligation as the sum of probability-weighted amounts in a range of possible cash flows. Estimates are based on all currently available information, as well as the facts and circumstances of each situation, but may change due to price changes, changes in laws or regulations, changes in remediation technologies, or as additional information become available. Estimated recoveries from other parties that are included in the calculation of the City's pollution remediation obligations total \$70.

### NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

#### JOINT VENTURES

##### Sacramento Housing and Redevelopment Agency

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

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

## **City of Sacramento**

### **Notes to the Financial Statements**

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(dollar amounts expressed in thousands)

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#### **NOTE 14 – JOINTLY GOVERNED AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

##### **Sacramento Public Library Authority**

The City is a participant with the County of Sacramento and the cities of Citrus Heights, Elk Grove, Galt, Isleton and Rancho Cordova in the Sacramento Public Library Authority (Library), a joint powers agency created to provide library services to the residents of the participating municipalities. The Library is governed by a board made up of five County appointees and various numbers of appointees from each city, depending upon population. As of June 30, 2016, 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, 2016, were \$7,598. In addition, the City paid cost reimbursements and program support of \$7 to the library during the same period. The City also contributed the use of its library facilities to the Library. In order to provide funding for additional services and hours in City libraries, the City also levies and passes through to the Library a parcel tax which totaled \$7,135 for the fiscal year ended June 30, 2016. 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 \$3,439 of support to SRFECC during the fiscal year ended June 30, 2016. 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, 2016, the City provided \$451 of annual support to the NCRPSTA. Rent payments during the fiscal year ended June 30, 2016 were \$12. 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, 2016, the City provided general support of \$238, paid \$159 for training courses for City staff and provided staff support. Financial statements may be obtained from the Regional Fire and Rescue Training Authority Business Office, 9320 Tech Center Drive, Sacramento, CA 95826.

**City of Sacramento**  
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**NOTE 14 – JOINTLY GOVERNED AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS WITH RELATED PARTY TRANSACTIONS**

The City participates in several jointly governed organizations for which it appoints a minority of board members. The City may also provide minor financial support or have other financial transactions with these organizations, but it does not have a financial interest in or responsibility to the organizations. The following organizations had financial transactions with the City during the fiscal year ended June 30, 2016:

The City provided \$96 in annual support and \$49 in project/program expenses to the Regional Water Authority.

The City provided \$82 in annual support to the Sacramento Area Council of Governments.

The City provided \$121 in annual support to the Sacramento Groundwater Authority.

The City received \$200 of administration fees from the Sacramento Area Flood Control Agency (SAFCA) for collecting and transmitting permitting fees. The City paid SAFCA \$250 in cost-sharing for the Florin Creek Multi-Use Basin project.

The City received \$234 in Workforce Investment Act grants from the Sacramento Employment and Training Agency.

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) which dissolved all redevelopment agencies in the State of California. Successor agencies are allocated property tax revenue in an amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entity as of February 1, 2012.

On January 31, 2012, the City of Sacramento (City) elected to serve as the successor agency to the Redevelopment Agency of the City of Sacramento (Agency) for the Agency’s non-housing assets and liabilities pursuant to the provisions of AB 1x26 (Chapter 5, Statutes of 2011). Also on January 1, 2012, the City Council elected not to serve as the successor agency for the former redevelopment agency’s housing assets and functions, but instead designated the City’s Housing Authority to serve as the successor housing agency.

Prior to February 1, 2012, California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of redevelopment financing, the former Agency liabilities exceeded its assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to repay its outstanding long-term debt. This deficit was transferred to the successor agency on February 1, 2012. At June 30, 2016, the successor agency had a deficit of \$231,746 which will be eliminated with future property tax revenue distributions from the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

On June 27, 2012, Assembly Bill 1484 was enacted. Under AB 1484 (Chapter 16, Statutes of 2012; Health and Safety Code section 34173, subdivision (g)), the dissolution law was clarified to provide that the Agency is a separate legal entity from the City. Also, AB 1484 provided that the Agency’s bond fund assets can be expended in a manner consistent with the bonds covenants after compliance with certain requirements.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

### NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

On September 20, 2013, the Agency received its Finding of Completion from the State Department of Finance (DOF) and can spend the Agency’s unencumbered bond funds in a manner consistent with the original bonds covenants. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

On August 25, 2015, the DOF approved RASA’s Oversight Board action authorizing the RASA to refund certain outstanding tax-allocation obligations of the former Redevelopment Agency in accordance with Assembly Bill Nos. 1X 26 and 1484. The Redevelopment Agency Successor Agency of the City of Sacramento 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) and the Redevelopment Agency Successor Agency of the City of Sacramento 2015 Tax Allocation Refunding Bonds, Series B (Federally Taxable) were issued under the Indenture of Trust, dated October 1, 2015, to refund certain obligations of the former Redevelopment Agency of the City of Sacramento currently outstanding in aggregate principal amount of \$119,360, to purchase a Municipal Bond Debt Service Reserve Insurance Policy from Build America Mutual Assurance Company for deposit in the Reserve Account, and to pay certain costs of the issuance of the Bonds.

On October 6, 2015, the DOF approved the RASA’s Oversight Board action approving an Excess Bond Expenditures Plan, approving a Master Excess Bond Expenditure Agreement between the RASA and the City, authorizing the transfer of the unspent non-housing bond proceeds to the City, approving an Excess Housing Bond Expenditure Agreement between RASA and the Housing Authority, and authorizing the transfer of the unspent housing bond proceeds to the Housing Authority of the City as the Housing Successor. The City will finance public and private development projects previously planned by the Agency and the Housing Authority will use the funds for low-moderate income housing projects.

On December 31, 2015, DOF, completed its review of RASA’s Long-Range Property Management Plan (LRPMP). DOF approve the use or disposition of all the properties listed in the LRPMP. The approved LRPMP will govern the disposition and use of all the real property assets of the former redevelopment agency.

The contracts payable reported in the private-purpose trust fund are allocations of the SHRA OPEB and pension unfunded liabilities for the former redevelopment agency employees.

### Capital Assets

The following is a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 26,141	\$ 1,041 <sup>(1)</sup>	\$ (4,120) <sup>(2)</sup>	\$ 23,062
Depreciable/amortizable capital assets				
Buildings and improvements	6,558	-	-	6,558
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,432)	(164)	-	(1,596)
Depreciable/amortizable capital assets, net	5,126	(164)	-	4,962
Total activities capital assets, net	<u>\$ 31,267</u>	<u>\$ 877</u>	<u>\$ (4,120)</u>	<u>\$ 28,024</u>

(1) Parcels transferred from SHRA and parcels listed on the RASA Long-Range Property Management Plan not recorded in the General Ledger, were added.

(2) RASA properties in North Sacramento are sold and remaining governmental use properties were transferred to the City.



**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Revenue Bonds:</b>					
2015 Tax Allocation Refunding Bonds TE, Series A	\$ -	\$ 68,486	\$ (423)	\$ 68,063 <sup>(2)</sup>	\$ 7,485
2015 Tax Allocation Refunding Bonds TX, Series B	-	41,838	12	41,850 <sup>(2)</sup>	2,441
Subtotal, revenue bonds	-	110,324	(411)	109,913	9,926
<b>Notes Payable:</b>					
1993 Merged Downtown TABS	31,633	1,781 <sup>(1)</sup>	(11,709)	21,705	11,395
1999 Oak Park Refunding	1,675	-	(1,675)	- <sup>(2)</sup>	-
2002 Merged Downtown TABS	5,435	-	(5,435)	- <sup>(2)</sup>	-
2002 Stockton Blvd Master Lease	270	-	(270)	- <sup>(2)</sup>	-
2003 Alkali Flat TE TABS, Series C	4,000	-	(4,000)	- <sup>(2)</sup>	-
2003 Del Paso TE TABS, Series A	8,231	280 <sup>(1)</sup>	(3,561)	4,950 <sup>(2)</sup>	-
2003 North Sacramento TE TABS, Series C	4,365	-	(4,365)	- <sup>(2)</sup>	-
2005 Del Paso Master Lease	975	-	(975)	- <sup>(2)</sup>	-
2005 Del Paso Refunding	3,980	-	(3,980)	- <sup>(2)</sup>	-
2005 Merged Downtown Master Lease Refunding	6,790	-	(6,790)	- <sup>(2)</sup>	-
2005 Merged Downtown TE, Series A	126,937	6,348 <sup>(1)</sup>	(14,001)	119,284 <sup>(2)</sup>	-
2005 Merged Downtown TX, Series B	31,405	-	(31,405)	- <sup>(2)</sup>	-
2005 North Sacramento Master Lease Refund	3,850	-	(3,850)	- <sup>(2)</sup>	-
2005 Oak Park Master Lease Refunding	945	-	(945)	- <sup>(2)</sup>	-
2005 Oak Park TE, Series A	9,982	166 <sup>(1)</sup>	(6,993)	3,155 <sup>(2)</sup>	-
2005 Oak Park TX, Series B	5,385	-	(5,385)	- <sup>(2)</sup>	-
2005 Richards Master Lease Refunding	4,430	-	(4,430)	- <sup>(2)</sup>	-
2006 65th Street TE Master Lease, Series A	1,495	-	(1,495)	- <sup>(2)</sup>	-
2006 65th Street TX Master Lease, Series B	3,660	-	(85)	3,575	90
2006 Del Paso TE, Series A	5,080	-	(5,080)	- <sup>(2)</sup>	-
2006 Del Paso TX, Series B	2,050	-	(2,050)	- <sup>(2)</sup>	-
2006 North Sacramento TE Master Lease, Series A	455	-	(455)	- <sup>(2)</sup>	-
2006 North Sacramento TX Master Lease, Series B	4,275	-	(100)	4,175	105
2006 Oak Park Refunding TE, Series A	6,495	-	(6,495)	- <sup>(2)</sup>	-
2006 Stockton Blvd Master Lease	1,990	-	-	1,990	-
2008 BOA Public Capital Corporation	2,356	-	(131)	2,225	137
2009 Army Depot TE Swap	6,240	-	(6,240)	- <sup>(2)</sup>	-
2009 Army Depot TX Swap	2,947	-	(70)	2,877	72
2009 River District TX Swap	2,758	-	(65)	2,693	68
2009-10 SERAF Borrowing	2,398	-	(2,398)	- <sup>(2)</sup>	-
Boating and Waterways Loan	369	-	(86)	283	90
City of Sacramento CIEDB - Utilities/Detention Basin	1,263	-	(38)	1,225	39
Franklin Blvd Redevelopment Area	54	-	(54)	-	-
Globe Mills	4,047	-	(236)	3,811	251
North Sacramento CIEDB Loan	3,392	-	(118)	3,274	122
Railyards Parking Loan	306	-	(306)	-	-
Stockton Blvd CIEDB Loan	2,836	-	(100)	2,736	103
Subtotal, notes payable	304,754	8,575	(135,371)	177,958	12,472
Total, long-term debt	\$ 304,754	\$ 118,899	\$ (135,782)	\$ 287,871	\$ 22,398

(1) Change in accreted value is recorded as adjustment of Notes Payable.

(2) 2015 Refunded and Refunding debts.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**Future Debt Service Requirements**

The following tables disclose the annual debt service requirements outstanding as of June 30, 2016:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 9,926	\$ 3,575	\$ 12,472	\$ 1,431
2018	10,700	3,359	12,528	1,378
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 - 2026	12,585	6,612	95,435	4,940
2027 - 2031	7,735	4,281	90,017	2,959
2032 - 2036	12,885	1,510	40,638	1,234
2037 - 2041	509	10	1,217	37
Subtotal	104,050	26,775	266,204	15,762
Less: Unaccreted interest	-	-	(88,246)	-
Less: Issuance discounts	(65)	-	-	-
Plus: Issuance premiums	5,928	-	-	-
Total	<u>\$ 109,913</u>	<u>\$ 26,775</u>	<u>\$ 177,958</u>	<u>\$ 15,762</u>

**Extraordinary Item**

The extraordinary item of \$2,929 recognized in the fiduciary fund statements represents the net loss on dispositions and transfers of capital assets. Seventeen parcels were approved by the Department of Finance for transfer to the City for government purposes with a book value of \$2,983. The sale of four parcels of land generated losses totaling \$417 and five parcels were returned to RASA from SHRA with a book value of \$471. The dissolution of all redevelopment agencies in the State of California was a state-wide event that was both unusual in nature and infrequent in occurrence.

**NOTE 16 – SPECIAL ITEM**

In January 2016, the Sacramento City Financing Authority, a blended component unit of the City utilized bond proceeds totaling \$8,830 for the purpose to refund the total outstanding debt for the Sacramento Regional Arts Financing Authority (SRAFFA). The result of this transaction recognized a special item expenditure in a debt service fund and the dissolution of the SRAFFA previously reported as a discretely presented component unit of the City.

**NOTE 17 – 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 \$5,849 in the government-wide statement of net position as of June 30, 2016.

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# Required Supplementary Information

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS - Miscellaneous Plan**  
**Last Ten Years \***  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**(in thousands)**

	Fiscal Year	
	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 23,110	\$ 22,342
Interest on the Total Pension Liability	70,942	74,835
Changes of assumptions	-	(20,153)
Differences between Expected and Actual Experience	-	(8,865)
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)
<b>Net change in total pension liability</b>	63,812	33,769
<b>Total pension liability -- beginning</b>	949,465	1,013,277
<b>Total pension liability -- ending (a)</b>	<u>\$ 1,013,277</u>	<u>\$ 1,047,046</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 21,613	\$ 22,827
Contributions - employee	11,670	11,302
Net investment income	118,326	18,047
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)
Plan to Plan Resource Movement	-	(3,066)
Administrative Expense	-	(922)
<b>Net change in fiduciary net position</b>	121,369	13,798
<b>Plan fiduciary net position -- beginning</b>	678,261	799,630
<b>Plan fiduciary net position -- ending (b)</b>	<u>\$ 799,630</u>	<u>\$ 813,428</u>
<b>Net pension liability -- ending (a) - (b)</b>	<u>\$ 213,647</u>	<u>\$ 233,618</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	78.92%	77.69%
<b>Covered payroll **</b>	<u>\$ 156,032</u>	<u>\$ 157,449</u>
<b>Net pension liability as a percentage of covered payroll</b>	136.93%	148.38%
<b>Measurement date</b>	June 30, 2014	June 30, 2015

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS - Miscellaneous Plan**  
**Last Ten Years\***  
**Schedule of Contributions**  
**(in thousands)**

	Fiscal Year	
	2015	2016
Actuarially determined contributions	\$ 22,827	\$ 26,156
Contributions in relation to the actuarially determined contribution	22,827	26,156
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll **	\$ 156,032	\$ 157,449
Contributions as a percentage of covered payroll	14.63%	16.61%

Notes to the Required Supplementary Information

Valuation date: 6/30/2012 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Average Remaining Period	23 Years as of the valuation date
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Investment Rate of Return	7.65% (net of administrative expenses)
Retirement age	50 - 67 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation

\* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS - Safety Plan**  
**Last Ten Years \***  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**(in thousands)**

	<b>Fiscal Year</b>	
	<b>2015</b>	<b>2016</b>
<b>Total pension liability</b>		
Service cost	\$ 29,539	\$ 29,653
Interest on the Total Pension Liability	107,189	112,331
Changes in assumptions	-	(28,604)
Difference between Expected and Actual Experience	-	(593)
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)
<b>Net change in total pension liability</b>	<b>70,513</b>	<b>42,242</b>
<b>Total pension liability -- beginning</b>	<b>1,447,520</b>	<b>1,518,033</b>
<b>Total pension liability -- ending (a)</b>	<b>\$ 1,518,033</b>	<b>\$ 1,560,275</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 27,935	\$ 30,798
Contributions - employee	16,094	15,565
Net investment income	171,795	25,341
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)
Plan to Plan Resource Movement	-	1
Administrative Expense	-	(1,288)
<b>Net change in fiduciary net position</b>	<b>149,609</b>	<b>(128)</b>
<b>Plan fiduciary net position -- beginning</b>	<b>994,493</b>	<b>1,144,102</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 1,144,102</b>	<b>\$ 1,143,974</b>
<b>Net pension liability -- ending (a) - (b)</b>	<b>\$ 373,931</b>	<b>\$ 416,301</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>75.37%</b>	<b>73.32%</b>
<b>Covered payroll **</b>	<b>\$ 107,176</b>	<b>\$ 112,067</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>348.89%</b>	<b>371.48%</b>
<b>Measurement date</b>	June 30, 2014	June 30, 2015

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS - Safety Plan**  
**Last Ten Years \***  
**Schedule of Contributions**  
**(in thousands)**

	Fiscal Year	
	2015	2016
Actuarially determined contributions	\$ 30,798	\$ 40,959
Contributions in relation to the actuarially determined contribution	30,798	40,959
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 107,176	\$ 112,067
Contributions as a percentage of covered payroll	28.74%	36.55%

Notes to the Required Supplementary Information

Valuation date: 6/30/2012      6/30/2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	27 years as of the valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Investment Rate of Return	7.65%, (net of administrative expenses)
Retirement age	50 - 57 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation

\* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.



**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System, a Single-Employer Defined Benefit Pension Plan**  
**Last Ten Years \***  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**(in thousands)**

	Fiscal Year	
	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 131	\$ 103
Interest	23,134	23,416
Differences between expected and actual experience	(8,783)	(1,173)
Changes of assumptions	23,117	-
Benefit payments, including refunds of member contributions	(33,791)	(32,683)
<b>Net change in total pension liability</b>	3,808	(10,337)
<b>Total pension liability -- beginning</b>	372,670	376,478
<b>Total pension liability -- ending (a)</b>	<u>\$ 376,478</u>	<u>\$ 366,141</u>
<b>Plan fiduciary net position</b>		
Contributions -- employer	\$ 9,183	\$ 8,645
Contributions -- member	82	146
Net investment income	13,375	7,799
Benefits payments, including refunds of member contributions	(33,791)	(32,683)
<b>Net change in fiduciary net position</b>	(11,151)	(16,093)
<b>Plan fiduciary net position -- beginning</b>	312,414	301,263
<b>Plan fiduciary net position -- ending (b)</b>	<u>\$ 301,263</u>	<u>\$ 285,170</u>
<b>Net pension liability -- ending (a) - (b)</b>	<u>\$ 75,215</u>	<u>\$ 80,971</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	80.02%	77.89%
<b>Covered payroll **</b>	\$ 1,180	\$ 1,020
<b>Net pension liability as a percentage of covered payroll</b>	6374.15%	7938.33%
<b>Measurement Date</b>	June 30, 2015	June 30, 2016

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System, a Single-Employer Defined Benefit Pension Plan**  
**Last Ten Years \***  
**Schedule of Contributions**  
**(in thousands)**

	Fiscal Year	
	2015	2016
Actuarially determined contributions	\$ 9,183	\$ 8,645
Contributions in relation to the actuarially determined contribution	9,183	8,645
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll **	\$ 1,180	\$ 1,020
Contributions as a percentage of covered payroll	778%	848%

Notes to the Required Supplementary Information

Valuation date: 6/30/2015 6/30/2016

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% CPI plus 0.5% merit
Investment rate of return	6.50%
Retirement age	Deferred vested members covered under Section 399 are assumed to retire at age 62; those covered under 175 are assumed to retire at age 65
Mortality	CalPERS 1997-2011 Mortality Tables with Scale MP-2014

\* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

\*\* Covered payroll was restated during Fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Schedule of Funding Progress (Unaudited)**  
**Other Post-Employment Benefits**  
**(in millions)**

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Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	\$ -	\$ 447	\$ 447	0.00%	\$ 262	170.9%
6/30/2013	-	434	434	0.00	257	168.4
6/30/2015	5	363	357	1.50	271	132.0

Notes to the Required Supplementary Information

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

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## 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, 2016  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 100,071	\$ 10,712	\$ 97,938	\$ 5,386	\$ 214,107
Cash and investments held by fiscal agent	5	609	-	-	614
Receivables, net:					
Taxes	2,939	-	-	-	2,939
Accounts	3,491	-	496	-	3,987
Loans	2,487	282	-	-	2,769
Intergovernmental	3,620	14,176	7,124	-	24,920
Interest	4	58	78	11	151
Restricted assets:					
Cash and investments held by City	89	-	19,287	-	19,376
Cash and investments held by fiscal agent	732	51,276	-	-	52,008
<b>Total assets</b>	<b>\$ 113,438</b>	<b>\$ 77,113</b>	<b>\$ 124,923</b>	<b>\$ 5,397</b>	<b>\$ 320,871</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 6,042	\$ -	\$ 3,140	\$ -	\$ 9,182
Accrued payroll	147	-	-	-	147
Accrued claims and judgements	97	-	-	-	97
Matured notes and interest payable	1,985	-	-	-	1,985
Deposits	1,199	406	-	-	1,605
Unearned revenue	61	-	644	-	705
Advances from other funds	7,040	-	-	-	7,040
<b>Total liabilities</b>	<b>16,571</b>	<b>406</b>	<b>3,784</b>	<b>-</b>	<b>20,761</b>
Deferred Inflows of resources:					
Unavailable revenue	1,979	14,234	2,508	-	18,721
<b>Total deferred inflows of resources</b>	<b>1,979</b>	<b>14,234</b>	<b>2,508</b>	<b>-</b>	<b>18,721</b>
Fund balances:					
Nonspendable:					
Noncurrent assets	-	283	-	-	283
Permanent fund principal	-	-	-	878	878
Restricted:					
Capital projects	14,774	-	120,347	-	135,121
Debt service	821	49,756	-	-	50,577
Public works programs	14,522	-	-	-	14,522
Economic development programs	16,887	-	-	-	16,887
Other programs	22,657	-	617	4,519	27,793
Committed:					
Capital projects	1,174	-	-	-	1,174
Debt service	-	9,847	-	-	9,847
Economic development programs	21,360	-	-	-	21,360
Other programs	11,335	-	-	-	11,335
Assigned:					
Debt service	-	2,547	-	-	2,547
Unrealized investment gains	-	40	-	-	40
Unassigned	(8,642)	-	(2,333)	-	(10,975)
<b>Total fund balances</b>	<b>94,888</b>	<b>62,473</b>	<b>118,631</b>	<b>5,397</b>	<b>281,389</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 113,438</b>	<b>\$ 77,113</b>	<b>\$ 124,923</b>	<b>\$ 5,397</b>	<b>\$ 320,871</b>

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

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 14,295	\$ -	\$ 2,415	\$ -	\$ 16,710
Intergovernmental	15,561	25,072	30,508	-	71,141
Charges for services	15,751	-	382	-	16,133
Fines, forfeits and penalties	610	-	-	-	610
Interest, rents, and concessions	3,520	2,955	1,132	462	8,069
Community service fees	2,927	-	13,533	-	16,460
Assessment levies	40,738	-	2,565	-	43,303
Contributions and donations	1,870	3,005	17,425	-	22,300
Miscellaneous	-	-	2,516	-	2,516
<b>Total revenues</b>	<b>95,272</b>	<b>31,032</b>	<b>70,476</b>	<b>462</b>	<b>197,242</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	2,739	-	1,873	164	4,776
Police	6,255	-	-	-	6,255
Fire	1,750	-	-	-	1,750
Public works	22,220	-	8,657	-	30,877
Convention and cultural services	7,090	-	-	11	7,101
Economic development	7,697	-	-	-	7,697
Parks and recreation	14,484	-	161	-	14,645
Community development	7,327	-	699	-	8,026
Library	7,135	-	-	-	7,135
Utilities	308	-	-	-	308
Capital outlay	10,797	-	41,208	-	52,005
<b>Debt service:</b>					
Principal	2,245	5,048	3,678	-	10,971
Interest and fiscal charges	1,180	19,824	341	-	21,345
Bond issuance costs	2	5,481	-	-	5,483
Payment to refunded bond escrow agent	-	38,052	-	-	38,052
<b>Total expenditures</b>	<b>91,229</b>	<b>68,405</b>	<b>56,617</b>	<b>175</b>	<b>216,426</b>
Excess (deficiency) of revenues over (under) expenditures	4,043	(37,373)	13,859	287	(19,184)
<b>Other financing sources (uses):</b>					
Transfers in	6,054	40,583	2,787	-	49,424
Transfers out	(4,792)	(233,513)	(4,797)	-	(243,102)
Issuance of long-term debt	585	395,800	5,558	-	401,943
Premium on long term debt	64	13,908	-	-	13,972
Payment to refunded bond escrow agent	(747)	(133,184)	-	-	(133,931)
<b>Total other financing sources (uses)</b>	<b>1,164</b>	<b>83,594</b>	<b>3,548</b>	<b>-</b>	<b>88,306</b>
Special item	-	(8,830)	-	-	(8,830)
Net change in fund balances	5,207	37,391	17,407	287	60,292
Fund balances, beginning of year	89,681	25,082	101,224	5,110	221,097
<b>Fund balances, end of year</b>	<b>\$ 94,888</b>	<b>\$ 62,473</b>	<b>\$ 118,631</b>	<b>\$ 5,397</b>	<b>\$ 281,389</b>

## 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, Quimby, Special Recreation, Land Park, Sutter Park Sites, Special Program Donations and the Ethel MacLeod Hart Trust.

**THE ECONOMIC DEVELOPMENT FUND** accounts for the receipts and disbursements of former redevelopment property tax revenues as well as the Brownfield Revolving Loan Program and the Sheraton Master Owner Participation Agreement (MOPA).

**THE OPERATING GRANTS FUND** is used to account for federal, state and other agency grants received for various specific purposes.

**THE CCOMWP FUND** is used to account for the revenue and expenditures associated with the City/County Office of Metropolitan Water Planning. The CCOMWP was formed to develop the Water Forum Agreement with objectives to provide a reliable water supply for planned development to the year 2030, and to preserve the region's Lower American River.



## **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, 2016

(in thousands)

	<b>Transportation and Development Fund</b>	<b>Culture and Leisure Fund</b>	<b>Parks and Recreation Fund</b>	<b>Economic Development Fund</b>
<b>ASSETS</b>				
Cash and investments held by City	\$ 28,141	\$ 5,518	\$ 8,762	\$ 32,865
Cash and investments held by fiscal agent	-	5	-	-
Receivables, net:				
Taxes	-	-	-	2,939
Accounts	1,721	324	6	11
Loans	-	27	-	2,460
Intergovernmental	-	-	712	-
Interest	-	-	3	1
Restricted assets:				
Cash and investments held by City	-	89	-	-
Cash and investments held by fiscal agent	-	732	-	-
<b>Total assets</b>	<b>\$ 29,862</b>	<b>\$ 6,695</b>	<b>\$ 9,483</b>	<b>\$ 38,276</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 507	\$ 185	\$ 51	\$ 28
Accrued payroll	-	15	119	-
Accrued claims and judgements	66	-	31	-
Matured notes and interest payable	-	1,985	-	-
Deposits	883	150	-	-
Unearned revenue	-	34	-	-
Advances from other funds	-	7,040	-	-
<b>Total liabilities</b>	<b>1,456</b>	<b>9,409</b>	<b>201</b>	<b>28</b>
Deferred Inflows of resources:				
Unavailable revenue	88	85	123	1
<b>Total deferred inflows of resources</b>	<b>88</b>	<b>85</b>	<b>123</b>	<b>1</b>
Fund balances:				
Restricted:				
Capital projects	5,224	517	6,245	-
Debt service	-	821	-	-
Public works programs	14,522	-	-	-
Economic development programs	-	-	-	16,887
Other programs	-	1,553	2,343	-
Committed:				
Capital projects	226	409	-	-
Economic development programs	-	-	-	21,360
Other programs	8,346	1,275	393	-
Unassigned	-	(7,374)	178	-
<b>Total fund balances (deficit)</b>	<b>28,318</b>	<b>(2,799)</b>	<b>9,159</b>	<b>38,247</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 29,862</b>	<b>\$ 6,695</b>	<b>\$ 9,483</b>	<b>\$ 38,276</b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**

June 30, 2016

(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Other Special Revenue Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 4,760	\$ 1,521	\$ 16,682	\$ 1,822	\$ 100,071
Cash and investments held by fiscal agent	-	-	-	-	5
Receivables, net:					
Taxes	-	-	-	-	2,939
Accounts	89	-	1,340	-	3,491
Loans	-	-	-	-	2,487
Intergovernmental	2,623	247	-	38	3,620
Interest	-	-	-	-	4
Restricted assets:					
Cash and investments held by City	-	-	-	-	89
Cash and investments held by fiscal agent	-	-	-	-	732
<b>Total assets</b>	<b>\$ 7,472</b>	<b>\$ 1,768</b>	<b>\$ 18,022</b>	<b>\$ 1,860</b>	<b>\$ 113,438</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 646	\$ 151	\$ 4,474	\$ -	\$ 6,042
Accrued payroll	-	13	-	-	147
Accrued claims and judgements	-	-	-	-	97
Matured notes and interest payable	-	-	-	-	1,985
Deposits	166	-	-	-	1,199
Unearned revenue	27	-	-	-	61
Advances from other funds	-	-	-	-	7,040
<b>Total liabilities</b>	<b>839</b>	<b>164</b>	<b>4,474</b>	<b>-</b>	<b>16,571</b>
Deferred Inflows of resources:					
Unavailable revenue	1,446	236	-	-	1,979
<b>Total deferred inflows of resources</b>	<b>1,446</b>	<b>236</b>	<b>-</b>	<b>-</b>	<b>1,979</b>
Fund balances:					
Restricted:					
Capital projects	-	-	2,788	-	14,774
Debt service	-	-	-	-	821
Public works programs	-	-	-	-	14,522
Economic development programs	-	-	-	-	16,887
Other programs	6,633	1,368	10,760	-	22,657
Committed:					
Capital projects	-	-	-	539	1,174
Economic development programs	-	-	-	-	21,360
Other programs	-	-	-	1,321	11,335
Unassigned	(1,446)	-	-	-	(8,642)
<b>Total fund balances (deficit)</b>	<b>5,187</b>	<b>1,368</b>	<b>13,548</b>	<b>1,860</b>	<b>94,888</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,472</b>	<b>\$ 1,768</b>	<b>\$ 18,022</b>	<b>\$ 1,860</b>	<b>\$ 113,438</b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2016

(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
Revenues:				
Taxes	\$ 10,149	\$ -	\$ -	\$ 4,146
Intergovernmental	-	-	4,674	-
Charges for services	12,470	2,002	103	-
Fines, forfeits and penalties	610	-	-	-
Interest, rents, and concessions	216	1,592	1,136	329
Community service fees	41	-	2,886	-
Assessment levies	73	-	-	-
Contributions and donations	-	1,051	271	-
Total revenues	<u>23,559</u>	<u>4,645</u>	<u>9,070</u>	<u>4,475</u>
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	9,732	-	-	-
Convention and cultural services	-	1,395	-	-
Economic development	-	-	-	4
Parks and recreation	-	-	8,084	-
Community development	7,112	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	2,096	583	839	2,523
Debt service:				
Principal	-	1,145	-	-
Interest and fiscal charges	-	1,148	-	-
Bond issuance costs	-	2	-	-
Total expenditures	<u>18,940</u>	<u>4,273</u>	<u>8,923</u>	<u>2,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,619</u>	<u>372</u>	<u>147</u>	<u>1,948</u>
Other financing sources (uses):				
Transfers in	946	-	1,860	2,777
Transfers out	(167)	-	(1,526)	(1,929)
Payment to refunded bond escrow agent	-	(747)	-	-
Issuance of long term debt	-	585	-	-
Premium on long term debt	-	64	-	-
Total other financing sources (uses)	<u>779</u>	<u>(98)</u>	<u>334</u>	<u>848</u>
Net change in fund balances	5,398	274	481	2,796
Fund balances (deficit), beginning of year	<u>22,920</u>	<u>(3,073)</u>	<u>8,678</u>	<u>35,451</u>
Fund balances (deficit), end of year	<u>\$ 28,318</u>	<u>\$ (2,799)</u>	<u>\$ 9,159</u>	<u>\$ 38,247</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, 2016

(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Other Special Revenue Funds
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 14,295
Intergovernmental	9,259	1,430	-	198	15,561
Charges for services	1,176	-	-	-	15,751
Fines, forfeits and penalties	-	-	-	-	610
Interest, rents, and concessions	35	14	170	28	3,520
Community service fees	-	-	-	-	2,927
Assessment levies	-	-	40,665	-	40,738
Contributions and donations	548	-	-	-	1,870
<b>Total revenues</b>	<b>11,018</b>	<b>1,444</b>	<b>40,835</b>	<b>226</b>	<b>95,272</b>
Expenditures:					
Current:					
General government	-	1,991	748	-	2,739
Police	6,255	-	-	-	6,255
Fire	1,750	-	-	-	1,750
Public works	-	-	12,481	7	22,220
Convention and cultural services	41	-	5,654	-	7,090
Economic development	610	-	7,083	-	7,697
Parks and recreation	595	-	5,805	-	14,484
Community development	88	-	127	-	7,327
Library	-	-	7,135	-	7,135
Utilities	-	-	308	-	308
Capital outlay	386	-	2,186	2,184	10,797
Debt service:					
Principal	-	-	1,100	-	2,245
Interest and fiscal charges	-	-	32	-	1,180
Bond issuance costs	-	-	-	-	2
<b>Total expenditures</b>	<b>9,725</b>	<b>1,991</b>	<b>42,659</b>	<b>2,191</b>	<b>91,229</b>
Excess (deficiency) of revenues over (under) expenditures	1,293	(547)	(1,824)	(1,965)	4,043
Other financing sources (uses):					
Transfers in	-	471	-	-	6,054
Transfers out	(1,170)	-	-	-	(4,792)
Payment to refunded bond escrow agent	-	-	-	-	(747)
Issuance of long term debt	-	-	-	-	585
Premium on long term debt	-	-	-	-	64
<b>Total other financing sources (uses)</b>	<b>(1,170)</b>	<b>471</b>	<b>-</b>	<b>-</b>	<b>1,164</b>
<b>Net change in fund balances</b>	<b>123</b>	<b>(76)</b>	<b>(1,824)</b>	<b>(1,965)</b>	<b>5,207</b>
Fund balances (deficit), beginning of year	5,064	1,444	15,372	3,825	89,681
<b>Fund balances (deficit), end of year</b>	<b>\$ 5,187</b>	<b>\$ 1,368</b>	<b>\$ 13,548</b>	<b>\$ 1,860</b>	<b>\$ 94,888</b>

**City of Sacramento**  
**Transportation and Development Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,202	\$ 9,366	\$ 10,149	\$ 783
Fines, forfeits and penalties	600	600	594	(6)
Interest, rents, and concessions	48	35	40	5
Total revenues	<u>10,850</u>	<u>10,001</u>	<u>10,783</u>	<u>782</u>
Expenditures:				
Current:				
Public works	9,343	11,258	9,345	1,913
Capital outlay	3,696	3,401	1,697	1,704
Total expenditures	<u>13,039</u>	<u>14,659</u>	<u>11,042</u>	<u>3,617</u>
Net change in fund balance for budgeted activities	<u>\$ (2,189)</u>	<u>\$ (4,658)</u>	(259)	<u>\$ 4,399</u>
Net change in fund balance for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted			<u>5,657</u>	
Net change in fund balance			<u>\$ 5,398</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, 2016  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,684	\$ 1,764	\$ 2,002	\$ 238
Interest, rents and concessions	1,503	1,503	1,592	89
Contributions and donations	45	545	1,051	506
Total revenues	3,232	3,812	4,645	833
Expenditures:				
Current:				
Convention and cultural services	1,384	2,064	1,395	669
Capital outlay	905	1,405	583	822
Debt service:				
Principal	1,338	1,093	1,145	(52)
Interest and fiscal charges	1,166	831	1,148	(317)
Bond issuance costs	-	-	2	(2)
Total expenditures	4,793	5,393	4,273	1,120
Net change in fund balance for budgeted activities	(1,561)	(1,581)	372	1,953
Other financing sources (uses):				
Refunded escrow deposits	-	-	(747)	(747)
Issuance of long term debt	-	-	585	585
Premium on long term debt	-	-	64	64
Total other financing sources (uses)	-	-	(98)	(98)
Net change in fund balance	\$ (1,561)	\$ (1,581)	\$ 274	\$ 1,855



**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, 2016  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,018	\$ 4,663	\$ 4,674	\$ 11
Charges for services	223	223	103	(120)
Interest, rents and concessions	731	731	983	252
Community service fees	2,377	2,377	2,154	(223)
Contributions and donations	12	12	4	(8)
<b>Total revenues</b>	<b>7,361</b>	<b>8,006</b>	<b>7,918</b>	<b>(88)</b>
Expenditures:				
Current:				
Parks and recreation	4,953	9,290	7,671	1,619
Capital outlay	208	208	233	(25)
<b>Total expenditures</b>	<b>5,161</b>	<b>9,498</b>	<b>7,904</b>	<b>1,594</b>
Excess (deficiency) of revenues over (under) expenditures	2,200	(1,492)	14	1,506
Other financing sources (uses):				
Transfers in	553	1,860	1,860	-
Transfers out	(3,051)	(1,525)	(1,526)	(1)
<b>Total other financing sources (uses)</b>	<b>(2,498)</b>	<b>335</b>	<b>334</b>	<b>(1)</b>
Net change in fund balance for budgeted activities	\$ (298)	\$ (1,157)	348	\$ 1,505
Net change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			133	
Net change in fund balance			\$ 481	

**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, 2016  
(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	\$ 1,074	\$ 2,125	\$ 1,430	\$ (695)
Interest, rents and concessions	-	-	14	14
Total revenues	<u>1,074</u>	<u>2,125</u>	<u>1,444</u>	<u>(681)</u>
Expenditures:				
Current:				
General government	<u>2,730</u>	<u>3,781</u>	<u>1,991</u>	<u>1,790</u>
Excess (deficiency) of revenues over (under) expenditures	(1,656)	(1,656)	(547)	1,109
Other financing sources				
Operating transfers in	<u>471</u>	<u>471</u>	<u>471</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,185)</u>	<u>\$ (1,185)</u>	<u>\$ (76)</u>	<u>\$ 1,109</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, 2016  
(in thousands)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Interest, rents, and concessions	\$ -	\$ -	\$ 170	\$ 170
Assessment levies	39,646	40,229	40,665	436
<b>Total revenues</b>	<b>39,646</b>	<b>40,229</b>	<b>40,835</b>	<b>606</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	730	722	748	(26)
Public works	13,514	12,170	12,481	(311)
Convention and cultural services	5,144	5,144	5,654	(510)
Economic development	6,582	8,375	7,083	1,292
Parks and recreation	6,398	6,398	5,805	593
Community development	150	150	127	23
Library	7,224	7,224	7,135	89
Utilities	432	432	308	124
Capital outlay	1,813	1,813	2,186	(373)
<b>Debt service:</b>				
Principal	535	535	1,100	(565)
Interest and fiscal charges	46	46	32	14
<b>Total expenditures</b>	<b>42,568</b>	<b>43,009</b>	<b>42,659</b>	<b>350</b>
<b>Net change in fund balance</b>	<b>\$ (2,922)</b>	<b>\$ (2,780)</b>	<b>\$ (1,824)</b>	<b>\$ 956</b>

**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, 2016  
(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	\$ 198	\$ 25
Interest, rents, and concessions	-	-	28	28
Total revenues	<u>173</u>	<u>173</u>	<u>226</u>	<u>53</u>
Expenditures:				
Current:				
Public Works	-	8	7	1
Capital outlay	<u>2,500</u>	<u>2,722</u>	<u>2,184</u>	<u>538</u>
Total Expenditures	<u>2,500</u>	<u>2,730</u>	<u>2,191</u>	<u>539</u>
Net change in fund balance	<u>\$ (2,327)</u>	<u>\$ (2,557)</u>	<u>\$ (1,965)</u>	<u>\$ 592</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 2002 CAPITAL IMPROVEMENT REVENUE BOND FUND** is used to account for debt service activities related to financing various capital improvements and redevelopment projects including the new Civic Center, I-5 Arena Interchange and certain fire trucks and fire stations. These bonds were partially refunded with the 2005 Refunding Revenue Bonds, and with the 2006 Series E Refunding Revenue Bonds.

**THE 2005 REFUNDING REVENUE BOND FUND** is used to account for refunded debt service related to refinancing all of the 2000 Capital Improvement Revenue Bonds and a portion of the 1999, 2001 and 2002 Capital Improvement Revenue Bonds.

**THE 2006 SERIES A REVENUE BOND FUND** is used to account for debt service activities related to financing the expansion of the Crocker Art Museum and other public capital improvements and redevelopment projects.

**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.

## **OTHER DEBT SERVICE FUNDS (continued)**

**THE 2015 GOLDEN 1 CENTER LEASE REVENUE BOND FUND** is used to account 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 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 financing equipment for street lighting and other programs of the City.

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2016

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2006 Series B Revenue Bond Fund
<b><u>ASSETS</u></b>			
Assets:			
Cash and investments held by City	\$ 25	\$ 30	\$ 3,358
Cash and investments held by fiscal agent	8	23	55
Receivables, net:			
Loans	-	-	-
Intergovernmental	-	-	12,186
Interest	1	2	-
Restricted assets:			
Cash and investments held by fiscal agent	1,212	3,314	3,958
Total assets	<u>\$ 1,246</u>	<u>\$ 3,369</u>	<u>\$ 19,557</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Deferred Inflows of resources:			
Unavailable revenue	1	2	12,186
Total deferred inflows of resources	1	2	12,186
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	1,212	3,314	3,958
Committed:			
Debt service	-	-	3,398
Assigned:			
Debt service	28	40	-
Unrealized investment gains	5	13	15
Total fund balances	1,245	3,367	7,371
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,246</u>	<u>\$ 3,369</u>	<u>\$ 19,557</u>



**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2016

(in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	2015 Golden 1 Center Lease Revenue Bond Fund
<b><u>ASSETS</u></b>			
Assets:			
Cash and investments held by City	\$ 3	\$ 46	\$ 5,432
Cash and investments held by fiscal agent	-	-	496
Receivables, net:			
Loans	-	-	-
Intergovernmental	-	1,990	-
Interest	-	-	55
Restricted assets:			
Cash and investments held by fiscal agent	-	-	41,001
Total assets	<u>\$ 3</u>	<u>\$ 2,036</u>	<u>\$ 46,984</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Deferred Inflows of resources:			
Unavailable revenue	-	1,990	55
Total deferred inflows of resources	-	1,990	55
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	-	-	41,001
Committed:			
Debt service	-	-	5,335
Assigned:			
Debt service	3	46	593
Unrealized investment gains	-	-	-
Total fund balances	<u>3</u>	<u>46</u>	<u>46,929</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3</u>	<u>\$ 2,036</u>	<u>\$ 46,984</u>

(continued)

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2016

(in thousands)

	2015 Refunding Revenue Bond Fund	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
<b><u>ASSETS</u></b>				
Assets:				
Cash and investments held by City	\$ 1,798	\$ -	\$ 20	\$ 10,712
Cash and investments held by fiscal agent	17	-	10	609
Receivables, net:				
Loans	-	-	282	282
Intergovernmental	-	-	-	14,176
Interest	-	-	-	58
Restricted assets:				
Cash and investments held by fiscal agent	-	1,520	271	51,276
Total assets	<u>\$ 1,815</u>	<u>\$ 1,520</u>	<u>\$ 583</u>	<u>\$ 77,113</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>				
Liabilities:				
Deposits	\$ -	\$ 406	\$ -	\$ 406
Deferred Inflows of resources:				
Unavailable revenue	-	-	-	14,234
Total deferred inflows of resources	-	-	-	14,234
Fund balances:				
Nonspendable:				
Noncurrent assets	-	-	283	283
Restricted:				
Debt service	-	1,114	271	50,870
Committed:				
Debt service	-	-	-	8,733
Assigned:				
Debt service	1,815	-	22	2,547
Unrealized investment gains	-	-	7	40
Total fund balances	<u>1,815</u>	<u>1,114</u>	<u>583</u>	<u>62,473</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,815</u>	<u>\$ 1,520</u>	<u>\$ 583</u>	<u>\$ 77,113</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, 2016

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 270
Interest, rents, and concessions	17	46	-
Contributions and donations	-	-	-
Total revenues	<u>17</u>	<u>46</u>	<u>270</u>
Expenditures:			
Debt service:			
Principal	787	2,230	-
Interest and fiscal charges	271	767	-
Bond issuance cost	-	-	-
Payment to refunded bond escrow agent	-	-	270
Total expenditures	<u>1,058</u>	<u>2,997</u>	<u>270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,041)</u>	<u>(2,951)</u>	<u>-</u>
Other financing sources:			
Transfers in	1,042	2,797	-
Transfers out	-	-	(139)
Issuance of long term debt	-	-	-
Premium on long term debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	<u>1,042</u>	<u>2,797</u>	<u>(139)</u>
Special items	-	-	-
Net change in fund balances	1	(154)	(139)
Fund balances, beginning of year	<u>1,244</u>	<u>3,521</u>	<u>139</u>
Fund balances, end of year	<u>\$ 1,245</u>	<u>\$ 3,367</u>	<u>\$ -</u>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2016

(in thousands)

	<b>2005</b>	<b>2006</b>	<b>2006</b>
	<b>Refunding</b>	<b>Series A</b>	<b>Series B</b>
	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
	<b>Bond Fund</b>	<b>Bond Fund</b>	<b>Bond Fund</b>
Revenues:			
Intergovernmental	\$ 16,990	\$ 7,492	\$ 320
Interest, rents, and concessions	-	138	957
Contributions and donations	-	3,005	-
	<u>16,990</u>	<u>10,635</u>	<u>1,277</u>
Total revenues			
Expenditures:			
Debt service:			
Principal	-	-	1,120
Interest and fiscal charges	-	-	2,837
Bond issuance cost	-	-	-
Payment to refunded bond escrow agent	16,990	7,492	-
	<u>16,990</u>	<u>7,492</u>	<u>3,957</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>3,143</u>	<u>(2,680)</u>
Other financing sources:			
Transfers in	-	-	2,432
Transfers out	-	(10,206)	(2,741)
Issuance of long term debt	-	-	-
Premium on long term debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
	<u>-</u>	<u>(10,206)</u>	<u>(309)</u>
Total other financing sources (uses)			
Special item	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(7,063)</u>	<u>(2,989)</u>
Fund balances, beginning of year	<u>-</u>	<u>7,063</u>	<u>10,360</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,371</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, 2016

(in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	2015 Golden 1 Center Lease Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Interest, rents, and concessions	-	105	545
Contributions and donations	-	-	-
Total revenues	<u>-</u>	<u>105</u>	<u>545</u>
Expenditures:			
Debt service:			
Principal	685	-	-
Interest and fiscal charges	42	4,131	8,328
Bond issuance cost	-	-	3,114
Payment to refunded bond escrow agent	-	-	-
Total expenditures	<u>727</u>	<u>4,131</u>	<u>11,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(727)</u>	<u>(4,026)</u>	<u>(10,897)</u>
Other financing sources:			
Transfers in	727	4,027	3,335
Transfers out	-	-	(220,427)
Issuance of long term debt	-	-	272,870
Premium on long term debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	<u>727</u>	<u>4,027</u>	<u>55,778</u>
Special item	-	-	-
Net change in fund balances	-	1	44,881
Fund balances, beginning of year	<u>3</u>	<u>45</u>	<u>2,048</u>
Fund balances, end of year	<u>\$ 3</u>	<u>\$ 46</u>	<u>\$ 46,929</u>

(continued)

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2016

(in thousands)

	2015 Refunding Revenue Bond Fund	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 25,072
Interest, rents, and concessions	6	1,114	27	2,955
Contributions and donations	-	-	-	3,005
Total revenues	<u>6</u>	<u>1,114</u>	<u>27</u>	<u>31,032</u>
Expenditures:				
Debt service:				
Principal	-	-	226	5,048
Interest and fiscal charges	3,326	-	122	19,824
Bond issuance cost	2,082	285	-	5,481
Payment to refunded bond escrow agent	13,300	-	-	38,052
Total expenditures	<u>18,708</u>	<u>285</u>	<u>348</u>	<u>68,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,702)</u>	<u>829</u>	<u>(321)</u>	<u>(37,373)</u>
Other financing sources:				
Transfers in	25,978	-	245	40,583
Transfers out	-	-	-	(233,513)
Issuance of long term debt	113,815	9,115	-	395,800
Premium on long term debt	13,908	-	-	13,908
Payment to refunded bond escrow agent	(133,184)	-	-	(133,184)
Total other financing sources (uses)	<u>20,517</u>	<u>9,115</u>	<u>245</u>	<u>83,594</u>
Special item	-	(8,830)	-	(8,830)
Net change in fund balances	1,815	1,114	(76)	37,391
Fund balances, beginning of year	-	-	659	25,082
Fund balances, end of year	<u>\$ 1,815</u>	<u>\$ 1,114</u>	<u>\$ 583</u>	<u>\$ 62,473</u>

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## OTHER CAPITAL PROJECTS FUNDS

Other capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for governmental capital assets. The following capital projects funds have been classified as nonmajor funds:

**THE GENERAL FUND CAPITAL PROJECTS FUND** is used to account for the proceeds of bond issues and associated capital projects.

**THE TRANSPORTATION AND DEVELOPMENT CAPITAL PROJECTS FUND** is used to account for the receipts of taxes and fees which are used to construct transportation-related capital projects.

**THE CROCKER ART MUSEUM EXPANSION FUND** is used to account for contributions from the Crocker Art Museum Association (CAMA) and related expenditures for the museum expansion project.

**THE FINANCING PLANS FUND** is used to account for the construction of public infrastructure funded by developer impact fees authorized under financing plans.

**THE SPECIAL DISTRICTS CAPITAL PROJECTS FUND** is used to account for the proceeds of special assessment bond issues which are used in the construction of street lighting, curbs, gutters, sidewalks and drainage infrastructure.

**THE ECONOMIC DEVELOPMENT FUND** is used to account for the excess proceeds of Redevelopment Agency (RDA) pre-2011 non-housing bond issues and associated capital projects.



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**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**

June 30, 2016  
(in thousands)

	General Fund Capital Projects Fund	Transportation and Development Capital Projects Fund	Crocker Art Museum Expansion Fund
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ -	\$ 38,939	\$ -
Receivables, net:			
Accounts	-	247	-
Interest	-	-	-
Intergovernmental	-	7,124	-
Restricted assets:			
Cash and investments held by City	4,564	-	123
Total assets	<u>\$ 4,564</u>	<u>\$ 46,310</u>	<u>\$ 123</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 98	\$ 1,940	\$ -
Unearned revenue	-	-	-
Total liabilities	<u>98</u>	<u>1,940</u>	<u>-</u>
Deferred Inflows of resources:			
Unavailable revenue	-	2,333	-
Total deferred inflows of resources	<u>-</u>	<u>2,333</u>	<u>-</u>
Fund balances:			
Restricted:			
Capital projects	4,466	44,370	123
Other programs	-	-	-
Unassigned	-	(2,333)	-
Total fund balances	<u>4,466</u>	<u>42,037</u>	<u>123</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,564</u>	<u>\$ 46,310</u>	<u>\$ 123</u>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**

June 30, 2016  
(in thousands)

	<b>Financing Plans Fund</b>	<b>Special Districts Capital Projects Fund</b>	<b>Economic Development Fund</b>	<b>Total Other Capital Projects Funds</b>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 50,131	\$ 8,868	\$ -	\$ 97,938
Receivables, net:				
Accounts	220	29	-	496
Interest	78	-	-	78
Intergovernmental	-	-	-	7,124
Restricted assets:				
Cash and investments held by City	-	-	14,600	19,287
Total assets	<u>\$ 50,429</u>	<u>\$ 8,897</u>	<u>\$ 14,600</u>	<u>\$ 124,923</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 978	\$ 124	\$ -	\$ 3,140
Unearned revenue	644	-	-	644
Total liabilities	<u>1,622</u>	<u>124</u>	<u>-</u>	<u>3,784</u>
Deferred Inflows of resources:				
Unavailable revenue	175	-	-	2,508
Total deferred inflows of resources	<u>175</u>	<u>-</u>	<u>-</u>	<u>2,508</u>
Fund balances:				
Restricted:				
Capital projects	48,015	8,773	14,600	120,347
Other programs	617	-	-	617
Unassigned	-	-	-	(2,333)
Total fund balances	<u>48,632</u>	<u>8,773</u>	<u>14,600</u>	<u>118,631</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,429</u>	<u>\$ 8,897</u>	<u>\$ 14,600</u>	<u>\$ 124,923</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, 2016  
(in thousands)

	<b>General Fund Capital Projects Fund</b>	<b>Transportation and Development Capital Projects Fund</b>	<b>Crocker Art Museum Expansion Fund</b>
<b>Revenues:</b>			
Interest, rents, and concessions	\$ 45	\$ 432	\$ 1
Community service fees	-	-	-
Assessment levies	-	-	-
Contributions and donations	-	-	-
Taxes	-	2,415	-
Intergovernmental	-	30,508	-
Charges for services	-	382	-
Miscellaneous	-	-	2,500
<b>Total revenues</b>	<b>45</b>	<b>33,737</b>	<b>2,501</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	-	-	-
Public works	-	8,657	-
Parks and recreation	-	-	-
Community development	-	-	-
Capital outlay	1,504	22,534	-
<b>Debt service:</b>			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>1,504</b>	<b>31,191</b>	<b>-</b>
(Deficiency) excess of revenues (under) over expenditures	(1,459)	2,546	2,501
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	(1)	-	(2,500)
Issuance of long-term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1)</b>	<b>-</b>	<b>(2,500)</b>
<b>Net change in fund balances</b>	<b>(1,460)</b>	<b>2,546</b>	<b>1</b>
<b>Fund balances, beginning of year</b>	<b>5,926</b>	<b>39,491</b>	<b>122</b>
<b>Fund balances, end of year</b>	<b>\$ 4,466</b>	<b>\$ 42,037</b>	<b>\$ 123</b>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<b>Financing Plans Fund</b>	<b>Special Districts Capital Projects Fund</b>	<b>Economic Development Fund</b>	<b>Total Other Capital Projects Funds</b>
<b>Revenues:</b>				
Interest, rents, and concessions	\$ 549	\$ 69	\$ 36	\$ 1,132
Community service fees	13,533	-	-	13,533
Assessment levies	-	2,565	-	2,565
Contributions and donations	-	5,551	11,874	17,425
Taxes	-	-	-	2,415
Intergovernmental	-	-	-	30,508
Charges for services	-	-	-	382
Miscellaneous	16	-	-	2,516
	<u>14,098</u>	<u>8,185</u>	<u>11,910</u>	<u>70,476</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
<b>Current:</b>				
General government	945	928	-	1,873
Public works	-	-	-	8,657
Parks and recreation	161	-	-	161
Community development	699	-	-	699
Capital outlay	9,974	7,099	97	41,208
<b>Debt service:</b>				
Principal	3,678	-	-	3,678
Interest and fiscal charges	341	-	-	341
	<u>15,798</u>	<u>8,027</u>	<u>97</u>	<u>56,617</u>
<b>Total expenditures</b>				
(Deficiency) excess of revenues (under) over expenditures	<u>(1,700)</u>	<u>158</u>	<u>11,813</u>	<u>13,859</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	2,787	2,787
Transfers out	(2,296)	-	-	(4,797)
Issuance of long-term debt	5,558	-	-	5,558
	<u>3,262</u>	<u>-</u>	<u>2,787</u>	<u>3,548</u>
<b>Total other financing sources (uses)</b>				
Net change in fund balances	1,562	158	14,600	17,407
Fund balances, beginning of year	<u>47,070</u>	<u>8,615</u>	<u>-</u>	<u>101,224</u>
Fund balances, end of year	<u>\$ 48,632</u>	<u>\$ 8,773</u>	<u>\$ 14,600</u>	<u>\$ 118,631</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, 2016  
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 999	\$ 2,997	\$ 1,033
Receivables, net:			
Interest	<u>2</u>	<u>7</u>	<u>2</u>
Total assets	<u>\$ 1,001</u>	<u>\$ 3,004</u>	<u>\$ 1,035</u>
 <b><u>FUND BALANCES</u></b>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 272	\$ 278	\$ 25
Restricted:			
Other programs	<u>729</u>	<u>2,726</u>	<u>1,010</u>
Total fund balances	<u>\$ 1,001</u>	<u>\$ 3,004</u>	<u>\$ 1,035</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2016  
 (in thousands)

	<u>Alice Miller Fund</u>	<u>Sacramento History Museum Fund</u>	<u>Total Permanent Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 51	\$ 306	\$ 5,386
Receivables, net:			
Interest	-	-	11
Total assets	<u>\$ 51</u>	<u>\$ 306</u>	<u>\$ 5,397</u>
 <b><u>FUND BALANCES</u></b>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 3	\$ 300	\$ 878
Restricted:			
Other programs	48	6	4,519
Total fund balances	<u>\$ 51</u>	<u>\$ 306</u>	<u>\$ 5,397</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>
Revenues:			
Interest, rents, and concessions	\$ 103	\$ 310	\$ 45
Total revenues	<u>103</u>	<u>310</u>	<u>45</u>
Expenditures:			
Current:			
General government	35	106	23
Convention and cultural services	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>35</u>	<u>106</u>	<u>23</u>
Net change in fund balances	68	204	22
Fund balances, beginning of year	<u>933</u>	<u>2,800</u>	<u>1,013</u>
Fund balances, end of year	<u>\$ 1,001</u>	<u>\$ 3,004</u>	<u>\$ 1,035</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<b>Alice Miller Fund</b>	<b>Sacramento History Museum Fund</b>	<b>Total Permanent Funds</b>
Revenues:			
Interest, rents, and concessions	\$ 1	\$ 3	\$ 462
Total revenues	<u>1</u>	<u>3</u>	<u>462</u>
Expenditures:			
Current:			
General government	-	-	164
Convention and cultural services	<u>-</u>	<u>11</u>	<u>11</u>
	<u>-</u>	<u>11</u>	<u>175</u>
Net change in fund balances	1	(8)	287
Fund balances, beginning of year	<u>50</u>	<u>314</u>	<u>5,110</u>
Fund balances, end of year	<u>\$ 51</u>	<u>\$ 306</u>	<u>\$ 5,397</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 4<sup>th</sup> R CHILD DEVELOPMENT FUND** is used to account for a program that provides school age child care services at various locations throughout the City.

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**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**

June 30, 2016  
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments held by City	\$ 25,265	\$ 1,204	\$ 26,469
Cash and investments held by fiscal agent	12	-	12
Receivables, net:			
Accounts	654	250	904
Loans	85	-	85
Interest	114	-	114
Prepaid items	37	-	37
Intangible asset, current portion	-	8	8
Total current assets	<u>26,167</u>	<u>1,462</u>	<u>27,629</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	4,764	38	4,802
Cash and investments held by fiscal agent	1,790	-	1,790
Loans receivable	1	-	1
Intangible assets	-	151	151
Capital assets:			
Land	5,825	-	5,825
Buildings and improvements	60,384	1,546	61,930
Machinery and equipment	7,699	-	7,699
Construction in progress	3,187	-	3,187
Software	4	-	4
Less: accumulated depreciation/amortization	<u>(38,874)</u>	<u>(948)</u>	<u>(39,822)</u>
Total noncurrent assets	<u>44,780</u>	<u>787</u>	<u>45,567</u>
Total assets	<u>70,947</u>	<u>2,249</u>	<u>73,196</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	<u>455</u>	<u>405</u>	<u>860</u>
Total deferred outflows of resources	<u>455</u>	<u>405</u>	<u>860</u>



**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**

June 30, 2016  
(in thousands)

	<b>Parking Fund</b>	<b>4th R Child Development Fund</b>	<b>Total Other Enterprise Funds</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,136	66	2,202
Accrued payroll	143	214	357
Accrued compensated absences	30	11	41
Interest payable	150	-	150
Unearned revenue	526	172	698
Accrued claims and judgements	4	41	45
Capital leases payable	1,303	-	1,303
Revenue and other bonds payable, net	2,405	-	2,405
	<u>6,697</u>	<u>504</u>	<u>7,201</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	214	249	463
OPEB liability	1,538	275	1,813
Capital leases payable	5,009	-	5,009
Net pension liability	3,936	3,614	7,550
Revenue and other bonds payable, net	23,011	-	23,011
	<u>33,708</u>	<u>4,138</u>	<u>37,846</u>
Total noncurrent liabilities			
Total liabilities	<u>40,405</u>	<u>4,642</u>	<u>45,047</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Gain on debt refunding	316	-	316
Deferred inflows related to pensions	325	506	831
	<u>641</u>	<u>506</u>	<u>1,147</u>
Total deferred inflows of resources			
<b><u>NET POSITION</u></b>			
Net investment in capital assets	19,854	598	20,452
Unrestricted	10,502	(3,092)	7,410
Total net position (deficit)	<u>\$ 30,356</u>	<u>\$ (2,494)</u>	<u>\$ 27,862</u>

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**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<b>Parking Fund</b>	<b>4th R Child Development Fund</b>	<b>Total Other Enterprise Funds</b>
Operating revenues:			
Charges for services:			
User fees and charges	\$ 16,988	\$ 6,069	\$ 23,057
Rents and concessions	658	-	658
Miscellaneous	20	4	24
Total operating revenues	<u>17,666</u>	<u>6,073</u>	<u>23,739</u>
Operating expenses:			
Employee services	3,622	5,049	8,671
Services and supplies	6,705	383	7,088
Depreciation/amortization	1,807	85	1,892
Claims and judgements	1	2	3
Total operating expenses	<u>12,135</u>	<u>5,519</u>	<u>17,654</u>
Operating income (loss)	<u>5,531</u>	<u>554</u>	<u>6,085</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	433	6	439
Revenue from other agencies	1	564	565
Interest expense	(2,223)	-	(2,223)
Amortization of bond prepaid insurance	(93)	-	(93)
Total nonoperating revenues (expenses)	<u>(1,882)</u>	<u>570</u>	<u>(1,312)</u>
Income (loss) before transfers	3,649	1,124	4,773
Transfers in	3	40	43
Transfers out	<u>(7,856)</u>	<u>-</u>	<u>(7,856)</u>
Change in net position	(4,204)	1,164	(3,040)
Total net position (deficit), beginning of year	<u>34,560</u>	<u>(3,658)</u>	<u>30,902</u>
Total net position (deficit), end of year	<u>\$ 30,356</u>	<u>\$ (2,494)</u>	<u>\$ 27,862</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 17,666	\$ 6,019	\$ 23,685
Payments to suppliers	(6,349)	(364)	(6,713)
Payments to employees	(3,627)	(5,269)	(8,896)
Claims and judgements paid	(1)	(188)	(189)
Net cash provided by (used for) operating activities	<u>7,689</u>	<u>198</u>	<u>7,887</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	3	-	3
Transfers out to other funds	(1,912)	-	(1,912)
Intergovernmental revenue received	1	645	646
Net cash provided by (used for) noncapital financing activities	<u>(1,908)</u>	<u>645</u>	<u>(1,263)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,331)	-	(2,331)
Proceeds from issuance of debt	24,083	-	24,083
Principal payments on capital debt	(20,076)	-	(20,076)
Interest payments on capital debt	(959)	-	(959)
Transfers in from other funds	-	40	40
Transfers out to other funds	(5,944)	-	(5,944)
Net cash provided by (used for) capital and related financing activities	<u>(5,227)</u>	<u>40</u>	<u>(5,187)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	745	6	751
Loan repayments received	85	-	85
Net cash provided by (used for) investing activities	<u>830</u>	<u>6</u>	<u>836</u>
Net increase (decrease) in cash and cash equivalents	1,384	889	2,273
Cash and cash equivalents, beginning of year	30,447	353	30,800
Cash and cash equivalents, end of year	<u>\$ 31,831</u>	<u>\$ 1,242</u>	<u>\$ 33,073</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 25,265	\$ 1,204	\$ 26,469
Cash and investments held by fiscal agent	12	-	12
Restricted cash and investments held by City	4,764	38	4,802
Restricted cash and investments held by fiscal agent	1,790	-	1,790
Total cash and cash equivalents, end of year	<u>\$ 31,831</u>	<u>\$ 1,242</u>	<u>\$ 33,073</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2016  
(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)	\$ 5,531	\$ 554	\$ 6,085
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	1,807	77	1,884
Amortization of intangible assets	-	8	8
Pension expense	(171)	(247)	(418)
Changes in assets and liabilities:			
Accounts receivable, net	(51)	(54)	(105)
Prepaid items	4	-	4
Accounts payable	352	19	371
Accrued payroll	14	12	26
Accrued compensated absences	25	(26)	(1)
Deposits	(10)	-	(10)
Accrued claims and judgements	-	(186)	(186)
OPEB liabilities	127	41	168
Unearned revenue	61	-	61
Net cash provided by (used for) operating activities	<u>\$ 7,689</u>	<u>\$ 198</u>	<u>\$ 7,887</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 894	\$ -	\$ 894
Amortization of bond loss on refunding	(1,427)	-	(1,427)
Amortization of bond prepaid insurance	(7)	-	(7)

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**WATER FUND**

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Eliminations	Total Water Fund
<b><u>ASSETS</u></b>						
Current assets:						
Cash and investments held by City	\$ -	\$ 101,832	\$ -	\$ -	\$ -	\$ 101,832
Cash and investments held by fiscal agent	-	1	-	-	-	1
Receivables, net:						
Accounts	2,145	17,200	-	-	-	19,345
Loans	2,473	-	-	-	-	2,473
Intergovernmental	-	-	1,522	-	-	1,522
Interest	155	566	-	-	-	721
Due from other funds	-	1,189	-	-	(1,189)	-
Inventories	-	1,937	-	-	-	1,937
Prepaid items	-	392	-	-	-	392
<b>Total current assets</b>	<b>4,773</b>	<b>123,117</b>	<b>1,522</b>	<b>-</b>	<b>(1,189)</b>	<b>128,223</b>
Noncurrent assets:						
Restricted assets:						
Cash and investments held by City	27,865	-	-	18,250	-	46,115
Cash and investments held by fiscal agent	-	223	-	7,094	-	7,317
Loans receivable	2,097	-	-	-	-	2,097
Capital assets:						
Land	584	1,170	-	-	-	1,754
Buildings and improvements	-	39,123	37	1,205	-	40,365
Machinery and equipment	-	16,143	582	-	-	16,725
Transmission and distribution systems	1,282	593,370	1,695	38,921	-	635,268
Construction in progress	2,992	21,404	1,206	215,757	-	241,359
Software	-	516	-	-	-	516
Easement	-	134	-	-	-	134
Less: accumulated depreciation/amortization	(75)	(232,557)	(389)	(1,113)	-	(234,134)
<b>Total noncurrent assets</b>	<b>34,745</b>	<b>439,526</b>	<b>3,131</b>	<b>280,114</b>	<b>-</b>	<b>757,516</b>
<b>Total assets</b>	<b>39,518</b>	<b>562,643</b>	<b>4,653</b>	<b>280,114</b>	<b>(1,189)</b>	<b>885,739</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>						
Loss on refunding of debt	-	5,571	-	-	-	5,571
Deferred outflows related to pensions	-	3,420	-	-	-	3,420
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>8,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,991</b>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
June 30, 2016  
(in thousands)

	<b>Development Impact Fee Fund</b>	<b>User Fee Fund</b>	<b>Grant Projects Fund</b>	<b>2013 Water Revenue Bonds Fund</b>	<b>Eliminations</b>	<b>Total Water Fund</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	35	4,789	323	5,489	-	10,636
Due to other funds	-	-	1,189	-	(1,189)	-
Accrued payroll	-	1,060	-	-	-	1,060
Accrued compensated absences	-	177	-	-	-	177
Interest payable	-	612	-	3,440	-	4,052
Deposits	-	9	-	-	-	9
Unearned revenue	-	1,770	10	-	-	1,780
Accrued claims and judgements	-	138	-	-	-	138
Revenue and other bonds payable, net	-	6,672	-	4,890	-	11,562
Notes payable	-	426	-	-	-	426
<b>Total current liabilities</b>	<b>35</b>	<b>15,653</b>	<b>1,522</b>	<b>13,819</b>	<b>(1,189)</b>	<b>29,840</b>
Noncurrent liabilities:						
Accrued compensated absences	-	2,228	-	-	-	2,228
Water fee credits	-	976	-	-	-	976
OPEB liability	-	9,231	-	-	-	9,231
Revenue and other bonds payable, net	-	135,678	-	232,550	-	368,228
Notes payable	-	8,162	-	-	-	8,162
Net pension liability	-	28,038	-	-	-	28,038
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>184,313</b>	<b>-</b>	<b>232,550</b>	<b>-</b>	<b>416,863</b>
<b>Total liabilities</b>	<b>35</b>	<b>199,966</b>	<b>1,522</b>	<b>246,369</b>	<b>(1,189)</b>	<b>446,703</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Gain on debt refunding	-	953	-	-	-	953
Deferred inflows related to pensions	-	2,486	-	-	-	2,486
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>3,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,439</b>
<b>NET POSITION</b>						
Net investment in capital assets	4,783	295,294	3,131	39,173	-	342,381
Restricted for:						
Capital projects	34,700	-	-	-	-	34,700
Unrestricted	-	72,935	-	(5,428)	-	67,507
<b>Total net position</b>	<b>\$ 39,483</b>	<b>\$ 368,229</b>	<b>\$ 3,131</b>	<b>\$ 33,745</b>	<b>\$ -</b>	<b>\$ 444,588</b>

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<b>Development Impact Fee Fund</b>	<b>User Fee Fund</b>	<b>Grant Projects Fund</b>	<b>2013 Water Revenue Bonds Funds</b>	<b>Eliminations</b>	<b>Total Water Fund</b>
Operating revenues:						
Charges for services:						
User fees and charges	\$ -	\$ 98,388	\$ -	\$ -	\$ -	\$ 98,388
Miscellaneous	-	145	-	-	-	145
Total operating revenues	-	98,533	-	-	-	98,533
Operating expenses:						
Employee services	-	26,468	40	-	-	26,508
Services and supplies	7	19,956	761	388	-	21,112
Depreciation/amortization	19	17,294	128	782	-	18,223
Claims and judgements	-	108	-	-	-	108
Total operating expenses	26	63,826	929	1,170	-	65,951
Operating income (loss)	(26)	34,707	(929)	(1,170)	-	32,582
Nonoperating revenues (expenses):						
Interest and investment revenue	370	1,534	-	16	-	1,920
Revenue from other agencies	-	185	2,081	-	-	2,266
Interest expense	-	(7,009)	-	-	-	(7,009)
Amortization of bond prepaid insurance	-	(190)	-	-	-	(190)
Total nonoperating revenues (expenses)	370	(5,480)	2,081	16	-	(3,013)
Income (loss) before contributions and transfers	344	29,227	1,152	(1,154)	-	29,569
Capital contributions	3,965	15,158	-	-	-	19,123
Transfers in	-	21	163	14,038	(14,038)	184
Transfers out	-	(25,230)	(7)	(1)	14,038	(11,200)
Change in net position	4,309	19,176	1,308	12,883	-	37,676
Total net position (deficit), beginning of year	35,174	349,053	1,823	20,862	-	406,912
Total net position (deficit), end of year	<u>\$ 39,483</u>	<u>\$ 368,229</u>	<u>\$ 3,131</u>	<u>\$ 33,745</u>	<u>\$ -</u>	<u>\$ 444,588</u>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ -	\$ 99,080	\$ -	\$ -	\$ -	\$ 99,080
Payments to suppliers	(7)	(18,399)	(767)	(388)	-	(19,561)
Payments to employees	-	(25,604)	(40)	-	-	(25,644)
Claims and judgements paid	-	(96)	-	-	-	(96)
Net cash provided by (used for) operating activities	(7)	54,981	(807)	(388)	-	53,779
Cash flows from noncapital financing activities:						
Interfund cashflow loans	-	(697)	697	-	-	-
Transfers in from other funds	-	21	-	-	-	21
Transfers out to other funds	-	(10,541)	-	-	-	(10,541)
Intergovernmental revenue received	-	185	1,114	-	-	1,299
Net cash provided by (used for) noncapital financing activities	-	(11,032)	1,811	-	-	(9,221)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(60)	(5,361)	(1,014)	(90,705)	-	(97,140)
Proceeds from sale of capital assets	-	284	10	-	-	294
Proceeds from issuance of debt	-	40,127	-	-	-	40,127
Principal payments on capital debt	-	(46,371)	-	(3,645)	-	(50,016)
Interest payments on capital debt	-	(6,086)	-	(10,372)	-	(16,458)
Transfers in from other funds	-	-	-	14,038	(14,038)	-
Transfers out to other funds	-	(14,689)	-	(1)	14,038	(652)
Capital contributions received	1,820	-	-	-	-	1,820
Loan repayments received	99	-	-	-	-	99
Net cash provided by (used for) capital and related financing activities	1,859	(32,096)	(1,004)	(90,685)	-	(121,926)
Cash flows from investing activities:						
Collection of interest and investment revenue	258	1,840	-	437	-	2,535
Net cash provided by (used for) investing activities	258	1,840	-	437	-	2,535
Net increase (decrease) in cash and cash equivalents	2,110	13,693	-	(90,636)	-	(74,833)
Cash and cash equivalents, beginning of year	25,755	88,363	-	115,980	-	230,098
Cash and cash equivalents, end of year	\$ 27,865	\$ 102,056	\$ -	\$ 25,344	\$ -	\$ 155,265
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Cash and investments held by City	\$ -	\$ 101,832	\$ -	\$ -	\$ -	\$ 101,832
Cash and investments held by fiscal agent	-	1	-	-	-	1
Restricted cash and investments held by City	27,865	-	-	18,250	-	46,115
Restricted cash and investments held by fiscal agent	-	223	-	7,094	-	7,317
Total cash and cash equivalents, end of year	\$ 27,865	\$ 102,056	\$ -	\$ 25,344	\$ -	\$ 155,265

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Eliminations	Total Water Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (26)	\$ 34,707	\$ (929)	\$ (1,170)	\$ -	\$ 32,582
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation/amortization expense	19	17,294	128	782	-	18,223
Pension expense	-	(1,290)	-	-	-	(1,290)
Changes in assets and liabilities:						
Accounts receivable, net	-	440	-	-	-	440
Inventories	-	1,536	-	-	-	1,536
Accounts payable	-	21	(6)	-	-	15
Accrued payroll	-	187	-	-	-	187
Accrued compensated absences	-	617	-	-	-	617
OPEB liabilities	-	1,350	-	-	-	1,350
Accrued claims and judgements	-	12	-	-	-	12
Deposits	-	1	-	-	-	1
Unearned revenue	-	106	-	-	-	106
Net cash provided by (used for) operating activities	<u>\$ (7)</u>	<u>\$ 54,981</u>	<u>\$ (807)</u>	<u>\$ (388)</u>	<u>\$ -</u>	<u>\$ 53,779</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets	\$ -	\$ 221	\$ -	\$ -	\$ -	\$ 221
Transfer of capital assets from governmental funds, net of depreciation	-	14,221	-	-	-	14,221
Capitalized interest	-	670	-	8,824	-	9,494
Amortization of bond premium and discount	-	3,510	-	1,111	-	4,621
Amortization of bond loss on refunding	-	(725)	-	-	-	(725)
Amortization of bond gain on refunding	-	190	-	-	-	190
Amortization of bond prepaid insurance	-	(190)	-	-	-	(190)
Capital asset acquisitions on accounts payable	-	2,500	293	5,489	-	8,282
Water fee credits usage	-	726	-	-	-	726
Purchase of capital assets on accounts payable	35	-	-	-	-	35
Intergovernmental receivable for capital contributions	-	-	1,522	-	-	1,522

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**WASTEWATER FUND**



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**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**

June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b><u>ASSETS</u></b>						
Current assets:						
Cash and investments held by City	\$ -	\$ 35,438	\$ 699	\$ -	\$ -	\$ 36,137
Receivables, net:						
Accounts	-	11,050	-	-	-	11,050
Loans	-	131	-	-	-	131
Intergovernmental	-	-	590	-	-	590
Interest	-	173	-	-	-	173
Inventories	-	78	-	-	-	78
Total current assets	-	46,870	1,289	-	-	48,159
Noncurrent assets:						
Restricted assets:						
Cash and investments held by City	3,488	823	-	3,314	-	7,625
Cash and investments held by fiscal agent	-	-	-	994	-	994
Loans receivable	-	551	-	-	-	551
Capital assets:						
Land	-	1,138	-	-	-	1,138
Buildings and improvements	-	15,219	-	11,332	-	26,551
Machinery and equipment	-	4,846	-	301	-	5,147
Transmission and distribution systems	938	153,143	525	9,357	-	163,963
Construction in progress	69	880	3,581	9,093	-	13,623
Software	-	324	-	-	-	324
Less: accumulated depreciation/amortization	(23)	(71,895)	(17)	(406)	-	(72,341)
Total noncurrent assets	4,472	105,029	4,089	33,985	-	147,575
Total assets	4,472	151,899	5,378	33,985	-	195,734
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>						
Deferred outflows related to pensions	-	1,136	-	-	-	1,136
Total deferred outflows of resources	-	1,136	-	-	-	1,136

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	-	10,920	4	295	-	11,219
Accrued payroll	-	289	-	-	-	289
Accrued compensated absences	-	25	-	-	-	25
Interest payable	-	42	-	462	-	504
Deposits	-	-	1,285	-	-	1,285
Accrued claims and judgements	-	50	-	-	-	50
Capital leases payable	-	151	-	-	-	151
Revenue and other bonds payable, net	-	-	-	637	-	637
Notes payable	-	771	-	-	-	771
Total current liabilities	-	12,248	1,289	1,394	-	14,931
Noncurrent liabilities:						
Accrued compensated absences	-	755	-	-	-	755
OPEB liability	-	3,372	-	-	-	3,372
Capital leases payable	-	-	-	-	-	-
Revenue and other bonds payable, net	-	-	-	31,166	-	31,166
Notes payable	-	3,054	-	-	-	3,054
Net pension liability	-	10,572	-	-	-	10,572
Total noncurrent liabilities	-	17,753	-	31,166	-	48,919
Total liabilities	-	30,001	1,289	32,560	-	63,850
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions	-	1,064	-	-	-	1,064
Total deferred inflows of resources	-	1,064	-	-	-	1,064
<b>NET POSITION</b>						
Net investment in capital assets	984	99,829	4,089	2,491	-	107,393
Restricted for:						
Capital projects	3,488	-	-	-	-	3,488
Unrestricted	-	22,141	-	(1,066)	-	21,075
Total net position (deficit)	\$ 4,472	\$ 121,970	\$ 4,089	\$ 1,425	\$ -	\$ 131,956

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**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
Operating revenues:						
Charges for services:						
User fees and charges	\$ -	\$ 30,501	\$ -	\$ -	\$ -	\$ 30,501
Charge to other agencies for contract services	-	1,030	-	-	-	1,030
Miscellaneous	-	1	-	-	-	1
Total operating revenues	-	31,532	-	-	-	31,532
Operating expenses:						
Employee services	-	8,164	-	-	-	8,164
Services and supplies	-	12,395	28	556	-	12,979
Depreciation/amortization	9	3,807	7	281	-	4,104
Claims and judgements	-	6	-	-	-	6
Total operating expenses	9	24,372	35	837	-	25,253
Operating income (loss)	(9)	7,160	(35)	(837)	-	6,279
Nonoperating revenues (expenses):						
Interest and investment revenue	26	502	-	1	-	529
Interest expense	-	(95)	-	-	-	(95)
Total nonoperating revenues (expenses)	26	407	-	1	-	434
Income (loss) before contributions and transfers	17	7,567	(35)	(836)	-	6,713
Capital contributions	521	1,928	568	-	-	3,017
Transfers in	-	8	-	1,948	(1,948)	8
Transfers out	-	(5,306)	-	-	1,948	(3,358)
Change in net position	538	4,197	533	1,112	-	6,380
Total net position (deficit), beginning of year as restated	3,934	117,773	3,556	313	-	125,576
Total net position (deficit), end of year	\$ 4,472	\$ 121,970	\$ 4,089	\$ 1,425	\$ -	\$ 131,956

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Elimination	Total Wastewater Fund
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ -	\$ 31,671	\$ -	\$ -	\$ -	\$ 31,671
Payments to suppliers	-	(11,107)	(73)	(556)	-	(11,736)
Payments to employees	-	(7,983)	-	-	-	(7,983)
Claims and judgements paid	-	(19)	-	-	-	(19)
<b>Net cash provided by (used for) operating activities</b>	<b>-</b>	<b>12,562</b>	<b>(73)</b>	<b>(556)</b>	<b>-</b>	<b>11,933</b>
<b>Cash flows from noncapital financing activities:</b>						
Transfers in from other funds	-	8	-	-	-	8
Transfers out to other funds	-	(3,341)	-	-	-	(3,341)
Interfund loan repayments	-	2,138	(2,138)	-	-	-
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>-</b>	<b>(1,195)</b>	<b>(2,138)</b>	<b>-</b>	<b>-</b>	<b>(3,333)</b>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	-	(46)	(883)	(11,023)	-	(11,952)
Proceeds from sale of capital assets	222	78	-	-	-	300
Principal payments on capital debt	-	(899)	-	(560)	-	(1,459)
Interest payments on capital debt	-	(114)	-	(1,395)	-	(1,509)
Transfers in from other funds	-	-	-	1,948	(1,948)	-
Transfers out to other funds	-	(1,965)	-	-	1,948	(17)
Capital contributions received	521	-	2,508	-	-	3,029
Cash received as a deposit	-	-	1,285	-	-	1,285
Loan repayments received	-	127	-	-	-	127
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>743</b>	<b>(2,819)</b>	<b>2,910</b>	<b>(11,030)</b>	<b>-</b>	<b>(10,196)</b>
<b>Cash flows from investing activities:</b>						
Collection of interest and investment revenue	26	514	-	102	-	642
<b>Net cash provided by (used for) investing activities</b>	<b>26</b>	<b>514</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>642</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>769</b>	<b>9,062</b>	<b>699</b>	<b>(11,484)</b>	<b>-</b>	<b>(954)</b>
Cash and cash equivalents, beginning of year	2,719	27,199	-	15,792	-	45,710
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,488</b>	<b>\$ 36,261</b>	<b>\$ 699</b>	<b>\$ 4,308</b>	<b>\$ -</b>	<b>\$ 44,756</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>						
Cash and investments held by City	\$ -	\$ 35,438	\$ 699	\$ -	\$ -	\$ 36,137
Restricted cash and investments held by City	3,488	823	-	3,314	-	7,625
Restricted cash and investments held by fiscal agent	-	-	-	994	-	994
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 3,488</b>	<b>\$ 36,261</b>	<b>\$ 699</b>	<b>\$ 4,308</b>	<b>\$ -</b>	<b>\$ 44,756</b>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2016  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Elimination	Total Wastewater Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (9)	\$ 7,160	\$ (35)	\$ (837)	\$ -	\$ 6,279
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation/amortization expense	9	3,807	7	281	-	4,104
Pension expense	-	(404)	-	-	-	(404)
Changes in assets and liabilities:						
Accounts receivable, net	-	139	-	-	-	139
Inventories	-	4	-	-	-	4
Accounts payable	-	1,284	(45)	-	-	1,239
Accrued payroll	-	23	-	-	-	23
Accrued compensated absences	-	156	-	-	-	156
Accrued claims and judgements	-	(13)	-	-	-	(13)
OPEB liabilities	-	406	-	-	-	406
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 12,562</u>	<u>\$ (73)</u>	<u>\$ (556)</u>	<u>\$ -</u>	<u>\$ 11,933</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets	\$ -	\$ 220	\$ -	\$ -	\$ -	\$ 220
Transfer of capital assets from governmental funds, net of depreciation	-	1,708	-	-	-	1,708
Capitalized interest	-	10	-	1,235	-	1,245
Amortization of bond premium and discount	-	-	-	57	-	57
Capital asset acquisitions on accounts payable	-	99	-	295	-	394

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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, 2016  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments held by City	\$ 9,003	\$ 87,686	\$ 96,689
Cash and investments held by fiscal agent	-	308	308
Receivables, net:			
Accounts	-	53	53
Interest	-	296	296
Due from other funds	-	3,226	3,226
Prepaid items	791	-	791
	<u>9,794</u>	<u>91,569</u>	<u>101,363</u>
Total current assets			
Noncurrent assets:			
Advances to other funds	-	12,838	12,838
Capital assets:			
Buildings and improvements	7,159	-	7,159
Machinery and equipment	543	-	543
Vehicles	138,086	-	138,086
Software	256	-	256
Construction in progress	58	-	58
Less: accumulated depreciation/amortization	(91,266)	-	(91,266)
	<u>54,836</u>	<u>12,838</u>	<u>67,674</u>
Total noncurrent assets			
Total assets	<u>64,630</u>	<u>104,407</u>	<u>169,037</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	644	420	1,064
Total deferred outflows of resources	<u>644</u>	<u>420</u>	<u>1,064</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**

June 30, 2016  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,898	292	3,190
Accrued payroll	261	186	447
Accrued compensated absences	51	31	82
Interest payable	7	-	7
Unearned revenue	-	366	366
Accrued claims and judgements	36	17,580	17,616
Capital leases payable	27	-	27
Revenue and other bonds payable, net	383	-	383
	<u>3,663</u>	<u>18,455</u>	<u>22,118</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	564	307	871
OPEB liability	3,613	579	4,192
Accrued claims and judgements	-	54,359	54,359
Capital leases payable	72	-	72
Revenue and other bonds payable, net	1,610	-	1,610
Net pension liability	6,140	3,648	9,788
	<u>11,999</u>	<u>58,893</u>	<u>70,892</u>
Total noncurrent liabilities			
Total liabilities			
	<u>15,662</u>	<u>77,348</u>	<u>93,010</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows related to pensions	734	377	1,111
Total deferred inflows of resources			
	<u>734</u>	<u>377</u>	<u>1,111</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	52,744	-	52,744
Unrestricted	(3,866)	27,102	23,236
Total net position			
	<u>\$ 48,878</u>	<u>\$ 27,102</u>	<u>\$ 75,980</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, 2016  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
Operating revenues:			
Charges for services:			
User fees and charges	\$ 35,690	\$ 31,021	\$ 66,711
Miscellaneous	22	-	22
Total operating revenues	<u>35,712</u>	<u>31,021</u>	<u>66,733</u>
Operating expenses:			
Employee services	6,514	3,971	10,485
Services and supplies	19,204	6,488	25,692
Depreciation/amortization	10,031	-	10,031
Insurance premiums	-	3,329	3,329
Claims and judgements	-	17,560	17,560
Total operating expenses	<u>35,749</u>	<u>31,348</u>	<u>67,097</u>
Operating income (loss)	<u>(37)</u>	<u>(327)</u>	<u>(364)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	49	1,399	1,448
Revenue from other agencies	55	-	55
Insurance and other claim recoveries	-	271	271
Interest expense	(33)	-	(33)
Gain (loss) on disposition of capital assets	83	-	83
Total nonoperating revenues (expenses)	<u>154</u>	<u>1,670</u>	<u>1,824</u>
Income (loss) before contributions and transfers	117	1,343	1,460
Transfers in	321	-	321
Transfers out	(349)	-	(349)
Change in net position	89	1,343	1,432
Total net position, beginning of year	<u>48,789</u>	<u>25,759</u>	<u>74,548</u>
Total net position, end of year	<u>\$ 48,878</u>	<u>\$ 27,102</u>	<u>\$ 75,980</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 35,732	\$ 92,685	\$ 128,417
Payments to suppliers	(18,690)	(71,667)	(90,357)
Payments to employees	(6,386)	(4,039)	(10,425)
Claims and judgements paid	(8)	(16,314)	(16,322)
Net cash provided by (used for) operating activities	<u>10,648</u>	<u>665</u>	<u>11,313</u>
Cash flows from noncapital financing activities:			
Transfers out to other funds	(325)	-	(325)
Collections on interfund loans	-	12,239	12,239
Loans made to other funds	-	(2,976)	(2,976)
Intergovernmental revenue received	55	-	55
Claim and judgement recoveries	-	284	284
Net cash provided by (used for) noncapital financing activities	<u>(270)</u>	<u>9,547</u>	<u>9,277</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(11,124)	-	(11,124)
Proceeds from sale of capital assets	360	-	360
Proceeds from issuance of debt	1,463	-	1,463
Principal payments on capital debt	(1,732)	-	(1,732)
Interest payments on capital debt	(72)	-	(72)
Transfers in from other funds	298	-	298
Net cash used for capital and related financing activities	<u>(10,807)</u>	<u>-</u>	<u>(10,807)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	49	1,345	1,394
Net cash provided by investing activities	<u>49</u>	<u>1,345</u>	<u>1,394</u>
Net increase in cash and cash equivalents	(380)	11,557	11,177
Cash and cash equivalents, beginning of year	9,383	76,437	85,820
Cash and cash equivalents, end of year	<u>\$ 9,003</u>	<u>\$ 87,994</u>	<u>\$ 96,997</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 9,003	\$ 87,686	\$ 96,689
Cash and investments held by fiscal agent	-	308	308
Total cash and cash equivalents, end of year	<u>\$ 9,003</u>	<u>\$ 87,994</u>	<u>\$ 96,997</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2016  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (37)	\$ (327)	\$ (364)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	10,031	-	10,031
Pension expense	(300)	(195)	(495)
Expense of refunded debt unamortized loss on refunding	72	-	72
Gain on refunded debt	(165)	-	(165)
Changes in assets and liabilities:			
Accounts receivable, net	18	230	248
Prepaid items	77	-	77
Accounts payable	532	(396)	136
Accrued payroll	58	43	101
Accrued compensated absences	(100)	-	(100)
Unearned revenue	-	(20)	(20)
Accrued claims and judgements	(10)	1,246	1,236
OPEB liabilities	472	84	556
Net cash provided by (used for) operating activities	<u>\$ 10,648</u>	<u>\$ 665</u>	<u>\$ 11,313</u>
Noncash investing, capital and financing activities:			
Expense of unamortized loss on refunding	\$ 72	\$ -	\$ 72
Capital asset acquisitions on accounts payable	249	-	249



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## INVESTMENT TRUST FUNDS

Investment trust funds account for assets and related liabilities of legally separate entities for which the City provides investment services.

**Investment Pool** is used to account for assets and liabilities held for external participants in the City Sponsored Investment Pool.

**Individual Investment Accounts** are used to account for assets and liabilities, held for entities external to the City, which are not invested in the City Sponsored Investment Pool.

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Fiduciary Net Position**

June 30, 2016

(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 65,314	\$ 83,513	\$ 148,827
Receivables, net:			
Interest	<u>177</u>	<u>273</u>	<u>450</u>
Total assets	<u>65,491</u>	<u>83,786</u>	<u>149,277</u>
<b><u>NET POSITION</u></b>			
Held in trust	<u>\$ 65,491</u>	<u>\$ 83,786</u>	<u>\$ 149,277</u>

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended June 30, 2016  
(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	\$ 225	\$ 262	\$ 487
Interest	696	938	1,634
Total investment earnings	921	1,200	2,121
Less investment expenses:			
Banking, interest, and fiscal agent expenses	152	-	152
Net income from investing activities	769	1,200	1,969
Net investment income	769	1,200	1,969
Deposits	67,027	13,792	80,819
Total additions	67,796	14,992	82,788
Deductions:			
Withdrawals	64,276	9,017	73,293
Change in net position	3,520	5,975	9,495
Net position, beginning of year	61,971	77,811	139,782
Net position, end of year	<u>\$ 65,491</u>	<u>\$ 83,786</u>	<u>\$ 149,277</u>

## AGENCY FUNDS

Agency funds account for assets held for other organizations, governments, or private individuals and includes:

**THE ASSESSMENT DISTRICTS FUND** is used to account for parcel assessments and debt service for bonds issued under the Improvement Bond Act of 1915.

**THE COMMUNITY FACILITIES DISTRICTS FUND** is used to account for special tax assessments, debt service payments and the payment of other costs related to Mello-Roos districts within the City.

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2016  
(in thousands)

<b>ASSESSMENT DISTRICTS FUND</b>				
	<b>Balance Beginning of Fiscal Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Fiscal Year</b>
<b>ASSETS</b>				
Cash and investments held by City	\$ 2,227	\$ 1,193	\$ 1,055	\$ 2,365
Cash and investments held by fiscal agent	952	937	952	937
Receivables, net:				
Accounts	5	10	5	10
Total assets	<u>\$ 3,184</u>	<u>\$ 2,140</u>	<u>\$ 2,012</u>	<u>\$ 3,312</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 2	\$ -	\$ 2
Due to bondholders	3,184	1,202	1,076	3,310
Total liabilities	<u>\$ 3,184</u>	<u>\$ 1,204</u>	<u>\$ 1,076</u>	<u>\$ 3,312</u>
<b>COMMUNITY FACILITIES DISTRICTS FUND</b>				
	<b>Balance Beginning of Fiscal Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Fiscal Year</b>
<b>ASSETS</b>				
Cash and investments held by City	\$ 9,093	\$ 16,932	\$ 15,864	\$ 10,161
Cash and investments held by fiscal agent	13,353	12,207	11,377	14,183
Receivables, net:				
Taxes	134	217	134	217
Interest	30	15	30	15
Total assets	<u>\$ 22,610</u>	<u>\$ 29,371</u>	<u>\$ 27,405</u>	<u>\$ 24,576</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Liabilities:				
Accounts payable	\$ 14	\$ 61	\$ 14	\$ 61
Due to bondholders	22,596	45,673	43,769	24,500
Total liabilities	<u>22,610</u>	<u>45,734</u>	<u>43,783</u>	<u>24,561</u>
Deferred inflows of resources:				
Unavailable revenue	-	15	-	15
Total deferred inflows of resources	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>
Total liabilities and deferred inflows of resources	<u>\$ 22,610</u>	<u>\$ 45,749</u>	<u>\$ 43,783</u>	<u>\$ 24,576</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
	<b>Balance Beginning of Fiscal Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Fiscal Year</b>
<b>ASSETS</b>				
Cash and investments held by City	\$ 11,320	\$ 18,125	\$ 16,919	\$ 12,526
Cash and investments held by fiscal agent	14,305	13,144	12,329	15,120
Receivables, net:				
Taxes	134	217	134	217
Accounts	5	10	5	10
Interest	30	15	30	15
Total assets	<u>\$ 25,794</u>	<u>\$ 31,511</u>	<u>\$ 29,417</u>	<u>\$ 27,888</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Liabilities:				
Accounts payable	\$ 14	\$ 63	\$ 14	\$ 63
Due to bondholders	25,780	46,875	44,845	27,810
Total liabilities	<u>25,794</u>	<u>46,938</u>	<u>44,859</u>	<u>27,873</u>
Deferred inflows of resources:				
Unavailable revenue	-	15	-	15
Total deferred inflows of resources	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>
Total liabilities and deferred inflows of resources	<u>\$ 25,794</u>	<u>\$ 46,953</u>	<u>\$ 44,859</u>	<u>\$ 27,888</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** <sup>(1) (2) (3) (4) (5) (6)</sup>  
**Last Ten Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Net investment in capital assets	\$ 1,161,730	\$ 1,165,658	\$ 1,249,993	\$ 1,286,576	\$ 1,328,932
Restricted for:					
Capital projects	155,596	239,377	221,594	186,619	156,157
Debt service	509	531	544	494	1,105
Public works programs	-	-	-	-	21,484
Economic development programs	-	-	-	-	-
Ambulance services	-	-	-	-	-
Other programs	31,649	30,996	30,836	32,443	23,544
Trust and endowments:					
Expendable	6,513	6,159	4,442	4,690	5,659
Nonexpendable	1,927	1,934	1,934	1,934	1,934
Unrestricted	145,750	124,408	84,092	76,953	16,107
Total governmental activities net position	<u>\$ 1,503,674</u>	<u>\$ 1,569,063</u>	<u>\$ 1,593,435</u>	<u>\$ 1,589,709</u>	<u>\$ 1,554,922</u>
Business-type activities					
Net investment in capital assets	\$ 634,966	\$ 656,951	\$ 687,417	\$ 691,197	\$ 701,157
Restricted for:					
Capital projects	425	-	16,866	25,781	30,184
Other programs	-	-	-	-	-
Unrestricted	119,050	119,975	92,458	106,148	113,804
Total business-type activities net position	<u>\$ 754,441</u>	<u>\$ 776,926</u>	<u>\$ 796,741</u>	<u>\$ 823,126</u>	<u>\$ 845,145</u>
Primary government					
Net investment in capital assets	\$ 1,796,696	\$ 1,822,609	\$ 1,937,410	\$ 1,977,773	\$ 2,030,089
Restricted for:					
Capital projects	156,021	239,377	238,460	212,400	186,341
Debt service	509	531	544	494	1,105
Public works programs	-	-	-	-	21,484
Economic development programs	-	-	-	-	-
Ambulance services	-	-	-	-	-
Other programs	31,649	30,996	30,836	32,443	23,544
Trust and endowments:					
Expendable	6,513	6,159	4,442	4,690	5,659
Nonexpendable	1,927	1,934	1,934	1,934	1,934
Unrestricted	264,800	244,383	176,550	183,101	129,911
Total primary government net position	<u>\$ 2,258,115</u>	<u>\$ 2,345,989</u>	<u>\$ 2,390,176</u>	<u>\$ 2,412,835</u>	<u>\$ 2,400,067</u>

- Notes: (1) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.
- (2) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".
- (3) The 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.
- (4) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (5) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.
- (6) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Net Position by Component** <sup>(1) (2) (3) (4) (5) (6)</sup>  
**Last Ten Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year				
	2012	2013	2014	2015	2016
Governmental activities					
Net investment in capital assets	\$ 1,367,540	\$ 1,369,377	\$ 1,393,447	\$ 1,445,139	\$ 1,497,796
Restricted for:					
Capital projects	149,904	131,822	116,271	116,910	80,054
Debt service	1,101	641	652	665	1,203
Public works programs	18,103	16,756	16,462	19,027	20,521
Economic development programs	-	23,979	22,493	17,280	16,888
Ambulance services	-	-	-	1,085	1,085
Other programs	23,274	21,087	22,315	26,735	28,381
Trust and endowments					
Expendable	6,870	7,225	7,928	7,789	8,008
Nonexpendable	878	878	878	878	878
Unrestricted	6,128	1,837	30,170	(591,896)	(581,697)
Total governmental activities net position	<u>\$ 1,573,798</u>	<u>\$ 1,573,602</u>	<u>\$ 1,610,616</u>	<u>\$ 1,043,612</u>	<u>\$ 1,073,117</u>
Business-type activities					
Net investment in capital assets	\$ 705,527	\$ 720,039	\$ 733,980	\$ 748,312	\$ 785,353
Restricted for:					
Capital projects	33,209	33,168	33,255	33,914	40,772
Other programs	530	349	1,215	1,730	2,203
Unrestricted	123,265	140,385	177,814	107,305	123,842
Total business-type activities net assets	<u>\$ 862,531</u>	<u>\$ 893,941</u>	<u>\$ 946,264</u>	<u>\$ 891,261</u>	<u>\$ 952,170</u>
Primary government					
Net investment in capital assets	\$ 2,073,067	\$ 2,089,416	\$ 2,127,427	\$ 2,193,451	\$ 2,283,149
Restricted for:					
Capital projects	183,113	164,990	149,526	150,824	120,826
Debt service	1,101	641	652	665	1,203
Public works programs	18,103	16,756	16,462	19,027	20,521
Economic development programs	-	23,979	22,493	17,280	16,888
Ambulance services	-	-	-	1,085	1,085
Other programs	23,804	21,436	23,530	28,465	30,584
Trust and endowments					
Expendable	6,870	7,225	7,928	7,789	8,008
Nonexpendable	878	878	878	878	878
Unrestricted	129,393	142,222	207,984	(484,591)	(457,855)
Total primary government net position	<u>\$ 2,436,329</u>	<u>\$ 2,467,543</u>	<u>\$ 2,556,880</u>	<u>\$ 1,934,873</u>	<u>\$ 2,025,287</u>

Notes: (1) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.

(2) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(3) The 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.

(4) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.

(5) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.

(6) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2) (3) (4)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Expenses</b> <sup>(3)</sup>					
<i>Governmental Activities</i>					
General government	\$ 41,536	\$ 49,841	\$ 45,956	\$ 44,278	\$ 42,238
Police	148,586	159,207	153,874	152,922	159,908
Fire	97,044	104,149	107,119	109,210	111,174
Public works	-	-	-	-	-
General services	14,437	24,462	25,067	26,110	22,614
Transportation	89,063	89,016	95,238	89,358	97,350
Economic development	8,538	10,048	10,055	9,815	10,467
Convention, culture & leisure	19,602	21,518	18,573	18,064	21,348
Parks and recreation	55,661	60,930	54,209	51,984	56,162
Code enforcement	9,946	10,154	10,882	10,984	-
Community development	-	-	-	18,848	25,821
Neighborhood services	2,505	1,667	1,370	1,105	-
Development services	27,851	30,247	24,063	-	-
Planning	8,158	6,830	2,973	-	-
Library	9,433	9,935	13,976	16,827	14,635
Interest on long-term debt	31,067	31,157	29,284	29,658	24,903
Total governmental activities expenses	<u>563,427</u>	<u>609,161</u>	<u>592,639</u>	<u>579,163</u>	<u>586,620</u>
<i>Business type activities</i>					
Water	58,890	63,364	66,757	60,902	63,073
Wastewater	17,171	18,330	20,498	17,389	18,990
Storm drainage	36,473	38,570	38,483	37,040	37,815
Solid waste	45,050	48,735	67,911	47,076	48,203
Community center	19,704	20,507	20,342	19,563	18,530
Child development	5,868	6,604	7,617	6,797	6,274
Marina	1,384	1,257	1,045	1,625	2,662
Parking	16,375	17,154	16,009	16,390	15,786
Total business-type activities	<u>200,915</u>	<u>214,521</u>	<u>238,662</u>	<u>206,782</u>	<u>211,333</u>
Total primary government expenses	<u>\$ 764,342</u>	<u>\$ 823,682</u>	<u>\$ 831,301</u>	<u>\$ 785,945</u>	<u>\$ 797,953</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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2) (3) (4)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Expenses</b> <sup>(3)</sup>					
<i>Governmental Activities</i>					
General government	\$ 40,846	\$ 36,681	\$ 41,190	\$ 52,474	\$ 59,037
Police	153,392	157,432	157,248	166,797	164,750
Fire	116,418	117,451	125,461	127,561	137,859
Public works	-	126,636	103,632	103,088	121,184
General Services <sup>(4)</sup>	23,083	15,343	13,807	15,619	-
Transportation	98,384	-	-	-	-
Economic development	9,704	10,468	17,080	11,075	13,049
Convention and cultural services	19,857	19,537	17,916	19,441	24,139
Parks and recreation	45,448	48,457	52,336	56,573	53,911
Code enforcement	-	-	-	-	-
Community development	24,286	29,253	26,484	30,221	36,251
Neighborhood services	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Library	13,301	13,753	13,720	15,629	16,294
Interest on long-term debt	23,583	22,420	22,178	29,046	30,404
Total governmental activities expenses	<u>568,302</u>	<u>597,431</u>	<u>591,052</u>	<u>627,524</u>	<u>656,878</u>
<i>Business type activities</i>					
Water	67,335	68,643	66,627	69,428	73,150
Wastewater	20,491	22,776	25,673	25,432	25,348
Storm drainage	37,692	36,755	36,664	41,830	40,971
Solid waste	53,205	49,794	49,014	47,149	47,703
Community center	18,125	17,251	17,204	17,690	17,277
Child development	5,885	6,116	6,297	6,151	5,519
Marina	2,008	-	-	-	-
Parking	15,732	15,358	15,238	13,704	14,451
Total business-type activities	<u>220,473</u>	<u>216,693</u>	<u>216,717</u>	<u>221,384</u>	<u>224,419</u>
Total primary government expenses	<u>\$ 788,775</u>	<u>\$ 814,124</u>	<u>\$ 807,769</u>	<u>\$ 848,908</u>	<u>\$ 881,297</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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2) (3) (4)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 5,333	\$ 5,233	\$ 5,290	\$ 6,614	\$ 5,827
Police	3,959	4,203	4,819	4,098	10,316
Fire	17,579	17,936	24,448	22,711	21,998
Public works	-	-	-	-	-
General services	10,327	10,471	10,878	9,964	10,442
Transportation	14,261	19,574	26,391	28,857	28,614
Economic development	5,905	8,143	8,345	8,497	9,136
Convention, culture & leisure	9,759	9,425	11,026	9,689	9,364
Parks and recreation	17,142	13,343	10,187	10,122	10,039
Code enforcement	2,417	3,800	7,932	5,627	-
Community development	-	-	-	8,752	15,409
Neighborhood services	1,085	123	195	166	-
Development services	25,261	19,867	16,115	-	-
Planning	4	114	108	-	-
Library	-	-	-	-	-
Total charge for services	113,032	112,232	125,734	115,097	121,145
Operating grants and contributions	52,805	51,845	53,206	59,179	51,289
Capital grants and contributions	189,710	141,919	119,689	90,888	69,234
Total governmental activities program revenues	355,547	305,996	298,629	265,164	241,668
<i>Business - type activities</i>					
Charge for services					
Water	58,363	65,411	62,619	70,463	79,315
Wastewater	18,609	20,704	19,775	20,284	21,360
Storm drainage	31,981	33,289	32,747	34,082	34,160
Solid waste	46,351	52,434	55,949	58,901	62,906
Community center	7,348	7,556	7,651	7,020	6,780
Child development	5,377	5,587	5,640	5,473	5,309
Marina	1,827	1,378	1,748	1,782	1,464
Parking	18,706	19,626	18,661	18,784	18,660
Total charge for services	188,562	205,985	204,790	216,789	229,954
Operating grants and contributions	1,422	1,824	2,343	2,381	2,358
Capital grants and contributions	14,728	11,661	38,094	14,148	10,417
Total business - type activities program revenues	204,712	219,470	245,227	233,318	242,729
Total primary government program revenues	\$ 560,259	\$ 525,466	\$ 543,856	\$ 498,482	\$ 484,397
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (207,880)	\$ (303,165)	\$ (294,010)	\$ (313,999)	\$ (344,952)
Business - type activities	3,797	4,949	6,565	26,536	31,396
Total primary government net expenses	\$ (204,083)	\$ (298,216)	\$ (287,445)	\$ (287,463)	\$ (313,556)

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2) (3) (4)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 5,608	\$ 6,924	\$ 7,270	\$ 6,436	\$ 7,103
Police	9,714	9,693	10,804	11,583	11,022
Fire	21,643	24,288	26,155	32,264	31,204
Public works	-	28,321	30,337	32,840	37,179
General services	10,965	3,175	1,756	1,251	-
Transportation	28,309	-	-	-	-
Economic development	8,800	8,685	8,205	7,659	7,889
Convention and cultural services	7,985	8,817	9,311	9,303	10,085
Parks and recreation	11,579	10,604	13,359	15,004	13,792
Code enforcement	-	-	-	-	-
Community development	15,459	15,423	17,141	25,069	27,025
Neighborhood services	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Library	-	33	59	29	-
Total charge for services	120,062	115,963	124,397	141,438	145,299
Operating grants and contributions	54,287	81,822	47,430	52,306	35,442
Capital grants and contributions	112,247	69,323	89,539	115,354	122,528
Total governmental activities program revenues	286,596	267,108	261,366	309,098	303,269
<i>Business - type activities</i>					
Charge for services					
Water	79,809	88,754	94,382	100,523	98,533
Wastewater	21,513	25,134	28,493	32,223	31,532
Storm drainage	34,545	35,682	38,049	37,646	40,166
Solid waste	64,055	60,295	58,561	59,095	60,253
Community center	7,521	7,130	7,718	8,748	8,782
Child development	5,232	5,426	5,632	5,553	6,073
Marina	1,359	-	-	-	-
Parking	18,769	18,823	18,643	16,595	17,646
Total charge for services	232,803	241,244	251,478	260,383	262,985
Operating grants and contributions	3,744	1,095	1,963	2,142	3,435
Capital grants and contributions	5,289	7,480	4,403	7,292	7,433
Total business - type activities program revenues	241,836	249,819	257,844	269,817	273,853
Total primary government program revenues	\$ 528,432	\$ 516,927	\$ 519,210	\$ 578,915	\$ 577,122
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (281,706)	\$ (330,323)	\$ (329,686)	\$ (318,426)	\$ (353,609)
Business - type activities	21,363	33,126	41,127	48,433	49,434
Total primary government net expenses	\$ (260,343)	\$ (297,197)	\$ (288,559)	\$ (269,993)	\$ (304,175)

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2) (3) (4)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 127,454	\$ 137,782	\$ 135,806	\$ 123,681	\$ 118,801
Utility user taxes	55,619	57,561	57,775	58,693	58,907
Other taxes	28,379	23,865	20,358	18,591	18,327
Sales taxes shared state revenue	55,846	54,821	48,905	46,769	47,680
In-lieu sales tax	18,197	16,344	15,745	14,332	14,548
Grants and other intergovernmental revenue not restricted to specific programs	-	-	4,224	4,591	2,610
Investment earnings	39,867	34,343	14,896	11,508	6,260
Miscellaneous	12,544	12,142	10,368	12,743	12,464
Contributions to permanent fund	1	7	-	-	4
Gain (loss) on disposition of capital assets	-	-	2,912	-	2,336
Special items, net	-	18,791	(929)	-	-
Transfers	13,698	12,898	8,348	19,365	28,229
<b>Total Governmental activities</b>	<b>351,605</b>	<b>368,554</b>	<b>318,408</b>	<b>310,273</b>	<b>310,166</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	17,258	17,538	15,852	14,233	15,403
Investment earnings	8,227	6,898	5,746	4,964	3,449
Miscellaneous	1	353	-	-	-
Gain (loss) on disposition of capital assets	-	5,645	-	17	-
Special items, net	-	-	-	-	-
Transfers	(13,698)	(12,898)	(8,348)	(19,365)	(28,229)
<b>Total business-type activities</b>	<b>11,788</b>	<b>17,536</b>	<b>13,250</b>	<b>(151)</b>	<b>(9,377)</b>
<b>Total primary government</b>	<b>\$ 363,393</b>	<b>\$ 386,090</b>	<b>\$ 331,658</b>	<b>\$ 310,122</b>	<b>\$ 300,789</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 143,725	\$ 65,389	\$ 24,398	\$ (3,726)	\$ (34,786)
Business-type activities	15,585	22,485	19,815	26,385	22,019
<b>Total primary government</b>	<b>\$ 159,310</b>	<b>\$ 87,874</b>	<b>\$ 44,213</b>	<b>\$ 22,659</b>	<b>\$ (12,767)</b>

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.

Source: City of Sacramento Comprehensive Annual Financial Reports



**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2) (3) (4)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 114,874	\$ 114,451	\$ 122,477	\$ 129,714	\$ 138,354
Utility user taxes	58,787	59,066	59,613	59,947	61,404
Other taxes	17,403	27,943	61,584	66,205	70,761
Sales taxes shared state revenue	50,683	52,300	56,575	58,476	67,983
In-lieu sales tax	14,081	16,113	16,823	16,632	14,387
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	-	-
Investment earnings	10,953	10,101	10,136	8,769	11,328
Miscellaneous	11,005	9,749	8,853	11,060	12,954
Contributions to permanent fund	1	1	1	1	-
Gain (loss) on disposition of capital assets	-	-	4,567	5,340	-
Special items, net	-	26,208	(2,500)	-	(8,830)
Transfers	22,722	19,002	28,571	32,148	14,773
<b>Total Governmental activities</b>	<b>300,509</b>	<b>334,934</b>	<b>366,700</b>	<b>388,292</b>	<b>383,114</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	15,781	16,555	17,943	20,108	21,800
Investment earnings	2,957	1,299	3,294	1,567	4,428
Miscellaneous	-	-	3	5	20
Gain (loss) on disposition of capital assets	7	-	-	-	-
Special items, net	-	-	18,527	4,554	-
Transfers	(22,722)	(19,002)	(28,571)	(32,148)	(14,773)
<b>Total business-type activities</b>	<b>(3,977)</b>	<b>(1,148)</b>	<b>11,196</b>	<b>(5,914)</b>	<b>11,475</b>
<b>Total primary government</b>	<b>\$ 296,532</b>	<b>\$ 333,786</b>	<b>\$ 377,896</b>	<b>\$ 382,378</b>	<b>\$ 394,589</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 18,803	\$ 4,611	\$ 37,014	\$ 69,866	\$ 29,505
Business-type activities	17,386	31,978	52,323	42,519	60,909
<b>Total primary government</b>	<b>\$ 36,189</b>	<b>\$ 36,589</b>	<b>\$ 89,337</b>	<b>\$ 112,385</b>	<b>\$ 90,414</b>

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Fund Balances, Governmental Funds** <sup>(1) (2)</sup>

**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>General Fund</b>					
Reserved for:					
Noncurrent assets	\$ 987	\$ 1,604	\$ 969	\$ 514	\$ -
Encumbrances	17,070	8,947	5,189	6,301	-
Inventories and prepaids	-	449	316	304	-
Unreserved	113,421	87,962	65,614	47,988	-
Nonspendable:					
Prepaid items	-	-	-	-	63
Noncurrent assets	-	-	-	-	245
Restricted:					
Capital projects	-	-	-	-	-
Ambulance service	-	-	-	-	-
Other programs	-	-	-	-	86
Committed:					
Economic uncertainty	-	-	-	-	14,340
Capital projects	-	-	-	-	19,612
Community center theater renovation	-	-	-	-	-
B Street Theater project	-	-	-	-	-
Fire program	-	-	-	-	-
OPEB trust fund	-	-	-	-	-
Homeless programs	-	-	-	-	-
Other programs	-	-	-	-	12,468
Assigned:					
Unrealized investment gains	-	-	-	-	972
Next year's budget	-	-	-	-	5,138
Unassigned	-	-	-	-	-
<b>Total general fund</b>	<b>\$ 131,478</b>	<b>\$ 98,962</b>	<b>\$ 72,088</b>	<b>\$ 55,107</b>	<b>\$ 52,924</b>
<b>All Other Governmental Funds</b>					
Reserved for:					
Noncurrent assets	\$ 935	\$ 875	\$ 746	\$ 1,149	\$ -
Encumbrances	33,855	113,669	78,390	30,000	-
Debt service	22,568	22,634	20,517	20,269	-
Inventories and prepaids	-	1,344	35	35	-
Trust obligations	1,927	1,934	1,934	1,934	-
Capital projects	-	-	-	2,210	-
Unreserved, reported in:					
Special revenue funds	34,125	79,289	73,626	93,583	-
Capital projects funds	276,582	131,595	104,824	100,308	-
Debt service funds	7,651	9,200	9,868	10,047	-
Permanent funds	3,855	3,700	2,567	2,798	-
Nonspendable:					
Prepaid items	-	-	-	-	30
Noncurrent assets	-	-	-	-	1,577
Permanent fund principal	-	-	-	-	1,934
Restricted:					
Capital projects	-	-	-	-	161,365
Debt service	-	-	-	-	20,870
Public works programs	-	-	-	-	-
Ambulance service	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	50,264
Committed:					
Capital projects	-	-	-	-	606
Grant retention	-	-	-	-	-
Debt service	-	-	-	-	2,278
B Street Theater project	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	646
Assigned:					
Debt service	-	-	-	-	2,878
Unrealized investment gains	-	-	-	-	120
Other programs	-	-	-	-	2,281
Unassigned	-	-	-	-	(31,287)
<b>Total all other governmental funds</b>	<b>\$ 381,498</b>	<b>\$ 364,240</b>	<b>\$ 292,507</b>	<b>\$ 262,333</b>	<b>\$ 213,562</b>

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Fund Balances, Governmental Funds** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>General Fund</b>					
Reserved for:					
Noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	-	-
Inventories and prepaids	-	-	-	-	-
Unreserved	-	-	-	-	-
Nonspendable:					
Prepaid items	23	24	66	7	2
Noncurrent assets	71	48	-	4	-
Restricted:					
Capital projects	-	-	3,401	2,562	1,860
Ambulance service	-	-	-	1,085	1,085
Other programs	64	40	21	7	17
Committed:					
Economic uncertainty	20,263	27,765	33,714	38,967	46,950
Capital projects	21,542	21,789	21,728	32,987	37,526
Community center theater renovation	-	8,500	8,500	8,500	8,500
B Street Theater project	-	-	-	2,500	-
Fire program	-	-	-	4,420	5,720
OPEB trust fund	-	2,000	-	6,717	6,752
Homeless programs	-	-	1,000	750	250
Other programs	9,349	9,347	12,909	8,860	13,953
Assigned:					
Unrealized investment gains	402	-	173	50	732
Next year's budget	9,354	10,446	-	-	-
Unassigned	-	-	17,395	16,028	26,649
<b>Total general fund</b>	<b>\$ 61,068</b>	<b>\$ 79,959</b>	<b>\$ 98,907</b>	<b>\$ 123,444</b>	<b>\$ 149,996</b>
<b>All Other Governmental Funds</b>					
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	29	44	24	24	-
Noncurrent assets	605	530	451	369	283
Permanent fund principal	878	878	878	878	878
Restricted:					
Capital projects	150,475	135,069	126,262	124,790	138,562
Debt service	18,230	17,472	17,548	20,218	51,691
Public works programs	-	13,781	11,830	-	14,522
Ambulance service	-	-	-	13,842	-
Economic development programs	-	23,970	22,484	17,271	16,887
Other programs	50,026	31,115	29,924	27,029	27,793
Committed:					
Capital projects	469	3,666	4,024	3,355	7,017
Grant retention	-	-	4,049	500	-
Debt service	2,278	2,278	6,583	5,660	8,733
B Street Theater project	-	-	-	16,391	21,360
Economic development programs	-	-	5,125	-	-
Other programs	2,096	6,266	25,486	50,001	51,024
Assigned:					
Debt service	2,068	1,805	973	717	2,547
Unrealized investment gains	42	100	47	15	40
Other programs	4,093	3,758	4,047	2,344	60
Unassigned	(48,094)	(29,711)	(22,121)	(26,554)	(19,657)
<b>Total all other governmental funds</b>	<b>\$ 183,195</b>	<b>\$ 211,021</b>	<b>\$ 237,614</b>	<b>\$ 256,850</b>	<b>\$ 321,740</b>

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds** <sup>(1) (2)</sup>

**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Revenues</b>					
Taxes	\$ 287,254	\$ 286,498	\$ 277,370	\$ 260,749	\$ 254,705
Intergovernmental	148,521	137,341	161,418	174,214	125,758
Charges for services	64,902	63,285	70,403	62,962	67,831
Fines, forfeits and penalties	8,285	9,916	12,213	12,118	11,093
Interest, rents, and concessions	34,398	28,430	15,414	10,928	9,627
Community service fees	40,386	16,831	13,297	7,875	3,647
Assessment levies	21,424	25,894	33,204	31,970	33,482
Contributions from property owners	44,099	31,753	8,132	7,972	9,440
Miscellaneous	395	296	212	196	411
<b>Total revenues</b>	<b>649,664</b>	<b>600,244</b>	<b>591,663</b>	<b>568,984</b>	<b>515,994</b>
<b>Expenditures</b>					
General Government	31,172	33,778	31,938	27,471	26,049
Police	149,159	148,392	145,148	147,059	144,081
Fire	91,965	94,284	99,613	102,430	97,573
General Services	14,348	23,198	23,396	21,025	19,353
Transportation	37,598	30,235	32,902	31,023	29,708
Neighborhood Services	1,815	1,547	1,363	1,007	-
Convention and cultural services	15,074	16,080	15,116	13,196	13,291
Economic Development	5,882	8,035	9,472	9,136	9,819
Parks and Recreation	47,884	53,499	45,845	40,312	36,650
Code enforcement	9,713	9,595	10,605	10,279	-
Community Development	-	-	-	15,873	23,307
Library	8,868	9,366	13,406	12,366	12,398
Utilities	109	83	67	67	137
Nondepartmental	18,526	27,373	26,028	26,818	33,407
Citywide and community support	-	-	-	-	-
Public Works	-	-	-	-	-
Development Services	32,600	28,261	21,881	-	-
Planning	8,079	5,626	2,709	-	-
Housing and Redevelopment	-	-	-	-	-
Planning and Building	-	-	-	-	-
Capital Outlay	193,954	153,507	180,125	156,146	91,902
Debt Service					
City					
Principal	17,253	19,529	45,789	18,577	44,189
Interest and fiscal charges	30,216	30,689	30,468	29,697	25,209
Bond issuance costs	1,519	607	-	-	-
Payment to refunded bond escrow	213	-	-	-	-
Subtotal - debt service	49,201	50,825	76,257	48,274	69,398
<b>Total Expenditures</b>	<b>715,947</b>	<b>693,684</b>	<b>735,871</b>	<b>662,482</b>	<b>607,073</b>
Excess (deficiency) of revenues over (under) expenditures	(66,283)	(93,440)	(144,208)	(93,498)	(91,079)
<b>Other Financing Sources (uses)</b>					
Transfers in	56,203	58,989	65,076	53,621	58,006
Transfers out	(37,441)	(39,780)	(33,695)	(30,241)	(27,025)
Issuance of long-term debt	147,281	5,666	10,981	22,963	6,808
Premium on long term debt	14,857	-	-	-	-
Proceeds from sale of property	-	-	2,992	-	2,336
Proceeds of long-term capital-related debt	-	-	-	-	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	(92,151)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>88,749</b>	<b>24,875</b>	<b>45,354</b>	<b>46,343</b>	<b>40,125</b>
<b>Special items, net</b>	<b>-</b>	<b>18,791</b>	<b>(929)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 22,466</b>	<b>\$ (49,774)</b>	<b>\$ (99,783)</b>	<b>\$ (47,155)</b>	<b>\$ (50,954)</b>
Debt services as a percentage of noncapital expenditures	9.43%	9.41%	13.72%	9.35%	13.06%

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds** <sup>(1) (2)</sup>

**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Revenues</b>					
Taxes	\$ 256,564	\$ 265,605	\$ 320,832	\$ 334,649	\$ 365,482
Intergovernmental	154,937	154,556	105,172	111,017	128,190
Charges for services	62,760	66,369	71,889	86,061	89,765
Fines, forfeits and penalties	11,891	9,892	11,221	11,403	12,720
Interest, rents, and concessions	15,494	13,909	14,417	12,681	15,221
Community service fees	3,058	7,136	4,693	7,869	16,460
Assessment levies	35,294	37,621	38,668	41,884	43,475
Contributions from property owners	6,170	14,269	43,018	45,177	35,820
Miscellaneous	2,090	3,441	570	501	2,761
<b>Total revenues</b>	<b>548,258</b>	<b>572,798</b>	<b>610,480</b>	<b>651,242</b>	<b>709,894</b>
<b>Expenditures</b>					
General Government	24,610	22,712	26,170	28,491	34,197
Police	142,204	138,779	138,653	149,448	152,245
Fire	98,749	99,630	107,538	110,585	119,814
General Services	19,388	10,306	9,564	10,058	-
Transportation	33,183	-	-	-	-
Neighborhood Services	-	-	-	-	-
Convention, Culture & Leisure	10,670	9,804	10,481	10,978	11,738
Economic Development	9,396	10,221	12,418	10,797	9,871
Parks and Recreation	30,393	32,257	35,632	38,894	37,801
Code enforcement	-	-	-	-	-
Community Development	21,819	23,568	23,902	26,819	34,110
Library	11,739	12,362	12,482	14,496	14,771
Utilities	97	979	607	522	701
Nondepartmental	32,269	-	-	-	-
Citywide and community support	-	33,105	36,965	37,216	47,961
Public Works	-	34,995	34,706	35,502	42,194
Development Services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and Redevelopment	-	-	-	-	-
Planning and Building	-	-	-	-	-
Capital Outlay	118,259	116,705	106,840	128,805	337,817
Debt Service					
City					
Principal	21,595	19,470	26,218	23,699	16,481
Interest and fiscal charges	24,028	22,949	22,772	33,493	24,822
Bond issuance costs	-	-	-	-	5,483
Payment to refunded bond escrow	-	-	-	-	38,052
Subtotal - debt service	45,623	42,419	48,990	57,192	84,838
<b>Total Expenditures</b>	<b>598,399</b>	<b>587,842</b>	<b>604,948</b>	<b>659,803</b>	<b>928,058</b>
Excess (deficiency) of revenues over (under) expenditures	(50,141)	(15,044)	5,532	(8,561)	(218,164)
<b>Other Financing Sources (uses)</b>					
Transfers in	55,435	55,166	63,584	69,117	306,810
Transfers out	(27,590)	(27,450)	(34,527)	(33,267)	(270,358)
Issuance of long-term debt	73	-	6,050	3,984	401,943
Premium on long term debt	-	-	-	-	13,972
Proceeds from sale of property	-	-	4,902	12,500	-
Proceeds of long-term capital-related debt	-	2,837	-	-	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	(133,931)
<b>Total other financing sources (uses)</b>	<b>27,918</b>	<b>30,553</b>	<b>40,009</b>	<b>52,334</b>	<b>318,436</b>
<b>Special items, net</b>	<b>-</b>	<b>31,208</b>	<b>-</b>	<b>-</b>	<b>(8,830)</b>
<b>Net change in fund balances</b>	<b>\$ (22,223)</b>	<b>\$ 46,717</b>	<b>\$ 45,541</b>	<b>\$ 43,773</b>	<b>\$ 91,442</b>
Debt services as a percentage of noncapital expenditures	9.41%	8.35%	9.49%	10.46%	13.58%

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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

<b>Fiscal Year</b>	<b>Property</b>	<b>Tax Increment</b>	<b>Sales &amp; Use</b>	<b>Utility Users</b>	<b>Others</b>	<b>Total</b>
2007	\$ 145,376 <sup>(1)</sup>	-	\$ 56,441	\$ 55,618	\$ 29,819	\$ 287,254
2008	150,901	-	54,821	57,561	23,215	286,498
2009	151,551	-	48,905	57,775	19,139	277,370
2010	140,013	-	45,670	58,700	16,366	260,749
2011	133,099	-	47,680	58,887	15,039	254,705
2012	130,287	-	50,683	58,787	16,807	256,564
2013	130,864 <sup>(2)</sup>	-	57,121 <sup>(3)</sup>	59,066	18,554	265,605
2014	140,690 <sup>(2)</sup>	-	99,615 <sup>(3)</sup>	59,613	20,914	320,832
2015	147,415 <sup>(2)</sup>	-	102,596 <sup>(3)</sup>	59,948	24,690	334,649
2016	164,719 <sup>(2)</sup>	-	110,212 <sup>(3)</sup>	61,404	29,147	365,482

Notes: (1) In lieu sales tax is reported as property tax in fiscal year 2007 and subsequent fiscal years.

(2) Includes residual property tax from redevelopment agency dissolution.

(3) Includes Measure U local sales and use tax.

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Sources: (A) City of Sacramento Comprehensive Annual Financial Reports  
(B) Finance Department, City of Sacramento

**City of Sacramento**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(in thousands)

Fiscal Year End June 30	Gross Assessed Value <sup>(1)</sup>				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate <sup>(2)</sup>
	Real Property	Personal Property	Public Utility	Total			
2007	\$ 35,687,712	\$ 1,441,042	\$ 54,611	\$ 37,183,365	\$ 509,257	\$ 36,674,108	1.00
2008	39,286,839	1,548,914	15,371 <sup>(3)</sup>	40,851,124	505,519	40,345,605	1.00
2009	40,360,550	1,691,096	11,948	42,063,594	503,159	41,560,435	1.00
2010	37,446,222	1,819,726	11,937	39,277,885	499,878	38,778,007	1.00
2011	36,388,660	1,742,824	11,977	38,143,461	496,459	37,647,002	1.00
2012	35,267,406	1,711,462	12,132	36,991,000	488,888	36,502,112	1.00
2013	34,332,037	1,626,943	13,157	35,972,137	477,326	35,494,811	1.00
2014	35,829,529	1,546,891	12,381	37,388,801	464,546	36,924,255	1.00
2015	37,918,666	1,585,876	18,173	39,522,715	455,212	39,067,503	1.00
2016	39,823,777	1,513,519	9,267	41,346,563	448,779	40,897,784	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:

- a) annual inflation up to 2%
- b) current market value at time of ownership change
- c) market value for new construction.

Estimated actual value of taxable property cannot easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

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

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Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Direct and Overlapping Property Tax Rates <sup>(1)</sup>**  
**Per \$100 of Assessed Value**  
**Last Ten Fiscal Years**

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<b>Fiscal Year End June 30</b>	<b>Basic County, City, and School Levy <sup>(2)</sup></b>	<b>County of Sacramento</b>	<b>Schools</b>	<b>Special Districts</b>	<b>Total</b>
2007	1.0000	—	0.0922	—	1.0922
2008	1.0000	—	0.0956	—	1.0956
2009	1.0000	—	0.1012	—	1.1012
2010	1.0000	—	0.1035	—	1.1035
2011	1.0000	—	0.1069	—	1.1069
2012	1.0000	—	0.1174	—	1.1174
2013	1.0000	—	0.1192	—	1.1192
2014	1.0000	—	0.1406	—	1.1406
2015	1.0000	—	0.1325	—	1.1325
2016	1.0000	—	0.1426	—	1.1426

Notes : (1) Data is stated at full value as required under Article XIII-A of the Constitution of the State of California.

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.



**City of Sacramento  
Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago**

(in thousands)

Taxpayer	2016			2007		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Hines VAF II Sacramento	\$ 289,139	1	0.71 %	\$ -	-	- %
CIM Sacramento LP	198,501	2	0.49	-	-	-
Arden Fair Associates	144,415	3	0.35	122,589	4	0.33
621 Capitol Mall LLC	127,878	4	0.31	-	-	-
500 Capitol Mall LLC	123,978	5	0.30	-	-	-
300 Capitol Association NF LP	102,000	6	0.25	-	-	-
HP Hood LLC	94,529	7	0.23	-	-	-
Dignity Health	86,008	8	0.21	-	-	-
Target Corp	81,626	9	0.20	-	-	-
Homecoming at Creekside LLC	75,712	10	0.19	-	-	-
Teachers Ins. Annuity	-	-	-	159,095	1	0.43
400 Capital Mall Venture	-	-	-	146,285	2	0.40
Downtown Plaza	-	-	-	136,350	3	0.37
M H Realty Partners VI LP	-	-	-	102,000	5	0.28
VV USA City LP	-	-	-	88,256	6	0.24
RT Sacramento Funding Co.	-	-	-	79,350	7	0.22
Sacramento Hotel Corp.	-	-	-	73,592	8	0.20
Verizon Data Services Inc.	-	-	-	72,081	9	0.20
Valley View Investors LLC	-	-	-	71,400	10	0.19
	<u>1,323,786</u>		<u>3.24</u>	<u>1,050,998</u>		<u>2.86</u>
All other taxpayers	<u>39,573,998</u>		<u>96.76</u>	<u>35,623,110</u>		<u>97.14</u>
Total	<u>\$ 40,897,784</u>		<u>100.00 %</u>	<u>\$ 36,674,108</u>		<u>100.00 %</u>

Source: County of Sacramento, Office of Auditor/Controller

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**City of Sacramento**  
**Property Tax Levies and Collections** <sup>(1)</sup>  
**Last Ten Fiscal Years**  
(in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 146,844	\$ 142,771	97.23%	\$ 4,073	\$ 146,844	100.00%
2008	151,667	146,828	96.81%	4,839	151,667	100.00%
2009	151,480	147,780	97.56%	3,700	151,480	100.00%
2010	138,701	136,313	98.28%	2,388	138,701	100.00%
2011	132,440	130,711	98.69%	1,729	132,440	100.00%
2012	129,123	127,914	99.06%	1,209	129,123	100.00%
2013	130,755 <sup>(2) (3)</sup>	129,655	99.16%	1,100	130,755	100.00%
2014	140,273 <sup>(2) (3)</sup>	139,651	99.56%	622	140,273	100.00%
2015	147,483 <sup>(2) (3)</sup>	146,374	99.25%	1,109	147,483	100.00%
2016	155,024 <sup>(2) (3)</sup>	153,563	99.06%	1,461	155,024	100.00%

Notes: (1) Property taxes in 2007 and subsequent years include revenue reported in 2006 as in lieu sales tax.  
(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.

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

(in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases
2007 <sup>(1)</sup>	\$ 548,175	-	-	\$ 25,935	\$ 8,062
2008	532,354	-	-	25,875	8,806
2009	514,431	-	-	812	7,354
2010	496,641	-	-	746	11,203
2011	477,588	-	-	677	9,910
2012	457,324	-	-	605	8,439
2013 <sup>(2)</sup>	435,962	-	-	530	9,446
2014 <sup>(3)</sup>	419,477	-	-	16,053	13,562
2015	398,544	-	-	15,680	10,456
2016 <sup>(4)</sup>	627,351	-	-	15,290	7,294

Notes:

- 1) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
  - 2) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
  - 3) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
  - 4) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.
- 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	Business-Type Activities				Total Primary Government	Percentage of Personal Income	Population	Per Capita
	Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases				
2007 <sup>(1)</sup>	\$ 331,024	-	\$ 46,540	\$ 1,760	\$ 961,496	NA	467,343	\$ 2,057
2008	322,965	-	49,977	2,710	942,687	NA	475,743	1,982
2009	312,967	-	49,103	6,487	891,154	NA	481,097	1,852
2010	302,064	-	56,307	8,295	875,256	NA	486,189	1,800
2011	289,950	-	56,388	7,066	841,579	NA	469,566	1,792
2012	277,241	-	55,131	11,693	810,433	NA	470,956	1,721
2013 <sup>(2)</sup>	542,347	-	52,536	9,466	1,050,287	NA	473,509	2,218
2014 <sup>(3)</sup>	540,117	-	33,288	6,098	1,028,595	NA	475,122	2,165
2015	519,869	-	29,844	4,075	978,468	NA	480,105	2,038
2016	493,406	-	26,340	8,654	1,178,335	NA	485,683	2,426

Notes:

- 1) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
  - 2) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
  - 3) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
  - 4) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.
- NA) Personal income data was not available.

**City of Sacramento**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

(in thousands, except Population and Per Capita)

<b>Fiscal Year</b>	<b>Total Gross General Obligation Bonds</b>	<b>Amounts Restricted for Principal Repayments</b>	<b>Total Net General Obligation Bonds</b>	<b>Actual Taxable Value of Property</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Population</b>	<b>Net Bonded Debt Per Capita</b>
2007	-	-	-	\$ 36,674,108	0.00%	467,343	-
2008	-	-	-	40,345,605	0.00%	475,743	-
2009	-	-	-	41,560,435	0.00%	481,097	-
2010	-	-	-	38,778,007	0.00%	486,189	-
2011	-	-	-	37,647,002	0.00%	469,566	-
2012	-	-	-	36,502,112	0.00%	470,956	-
2013	-	-	-	35,494,811	0.00%	473,509	-
2014	-	-	-	36,924,255	0.00%	475,122	-
2015	-	-	-	39,067,503	0.00%	480,105	-
2016	-	-	-	40,897,784	0.00%	485,683	-

Source: City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.

**City of Sacramento**  
**Direct and Overlapping Governmental Activities Debt <sup>(1)</sup>**  
**As of June 30, 2016**

(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	\$ 350,740	25.227 %	\$ 88,481
Natomas Unified School District	227,264	88.095	200,208
Sacramento Unified School District	432,238	84.168	363,806
San Juan Unified School District	374,302	2.943	11,016
Twin Rivers Unified School District	78,244	47.595	37,240
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	184,736	46.963	86,758
Robla School District	40,821	50.453	20,595
City of Sacramento Community Facilities Districts	136,525	100.000	136,525
Elk Grove Unified School District Community Facilities District No. 1	207,920	10.921	22,707
City of Sacramento 1915 Act Bonds	5,455	100.000	5,455
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	200,045	83.303	166,643
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	2,910	63.308	1,842
Sacramento Area Flood Control Agency Natomas Local Assessment District	34,785	84.065	29,242
Subtotal - Overlapping Tax and Assessment debt			1,170,519
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	253,646	30.720	77,920
Sacramento County Pension Obligations	960,058	30.720	294,930
Sacramento County Board of Education Certificates of Participation	6,480	30.720	1,991
Los Rios Community College District Certificates of Participation	950	25.227	240
Natomas Unified School District Certificates of Participation	8,995	88.095	7,924
Sacramento Unified School District Certificates of Participation	70,185	84.168	59,073
Sacramento Unified School District Pension Obligations	615	84.168	518
San Juan Unified School District Certificates of Participation	498	2.943	15
Twin Rivers Unified School District Certificates of Participation	129,825	46.963	60,970
Sacramento Metropolitan Fire District General Fund Obligations	9,515	0.001	0
Sacramento Metropolitan Fire District General Pension Obligations	55,004	0.010	6
Subtotal - Lease Obligation Debt			503,585
Total Overlapping Debt			1,674,104
City of Sacramento Direct Debt			649,935
Total Direct and Overlapping Debt			\$ 2,324,039

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		
2007	\$ 36,674,108	\$ 5,501,116	-	-	-	\$ 5,501,116	0.00%
2008	40,345,605	6,051,841	-	-	-	6,051,841	0.00%
2009	41,560,435	6,234,065	-	-	-	6,234,065	0.00%
2010	38,778,007	5,816,701	-	-	-	5,816,701	0.00%
2011	37,647,002	5,647,050	-	-	-	5,647,050	0.00%
2012	36,502,112	5,475,317	-	-	-	5,475,317	0.00%
2013	35,494,811	5,324,222	-	-	-	5,324,222	0.00%
2014	36,924,255	5,538,638	-	-	-	5,538,638	0.00%
2015	39,067,503	5,860,125	-	-	-	5,860,125	0.00%
2016	40,897,784	6,134,668	-	-	-	6,134,668	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**

<b>Year</b>	<b>Population (A)</b>	<b>Personal Income (in millions of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment (B)</b>	<b>Unemployment Rate (C)</b>
2007	1,406,804	NA	NA	NA	NA	238,233	5.3 %
2008	1,424,415	NA	NA	NA	NA	238,522	7.0
2009	1,433,187	NA	NA	NA	NA	237,722	11.9
2010	1,445,327	NA	NA	NA	NA	237,916	12.6
2011	1,428,355	NA	NA	NA	NA	237,567	12.7
2012	1,435,153	NA	NA	NA	NA	237,362	11.1
2013	1,445,806	NA	NA	NA	NA	238,290	8.7
2014	1,454,406	NA	NA	NA	NA	240,216	7.1
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

Sources: (A) <http://www.dof.ca.gov/research/demographic/reports/estimates/e-5/2011-20/view.php> (Population estimates are as of January 1st each year)  
(B) California Department of Education, report on Sacramento County: <http://dq.cde.ca.gov/dataquest/>  
(C) California Employment Development Department, Report 400 C - Monthly Labor Force Data for California Counties  
<http://www.labormarketinfo.edd.ca.gov/> (as of June each year)

**City of Sacramento  
Principal Employers  
Current Fiscal Year and Nine Years Ago**

Employer (A)	2016			2007		
	Employee (A) <sup>(1)</sup>	Rank	Percentage of Total Employment (B) <sup>(2)</sup>	Employee (A) <sup>(1)</sup>	Rank	Percentage of Total Employment (B)
State of California	73,676	1	11.22%	60,045	1	9.10%
Sacramento County	11,950	2	1.82%	14,488	2	2.20%
UC Davis Health System	10,145	3	1.55%	7,901	3	1.20%
U.S. Government	10,007	4	1.52%	-	-	-
Sutter Health	8,905	5	1.36%	7,140	4	1.08%
Kaiser Permanente	8,885	6	1.35%	6,905	6	1.05%
Dignity Health	7,853	7	1.20%	-	-	-
Intel Corporation	6,000	8	0.91%	-	-	-
Elk Grove Unified School District	5,863	9	0.89%	-	-	-
City of Sacramento	4,300	10	0.66%	5,230	8	0.79%
Sacramento City Unified School District	4,213	11	0.64%	7,000	5	1.06%
A T & T California	-	-	-	4,765	9	0.72%
Los Rios Community College	-	-	-	6,000	7	0.91%
Wells Fargo & Co.	-	-	-	2,536	10	0.38%
California State University, Sacramento	-	-	-	2,455	11	0.37%

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 656,400 (per Employment Development Department website) in June 2016.

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**<sup>(1) (2)</sup>  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2007	2008	2009	2010	2011
Merged Downtown					
Secured	\$ 2,095,806	\$ 2,203,787	\$ 2,549,340	\$ 2,656,453	\$ 2,504,312
Unsecured	141,829	146,071	174,529	172,285	160,110
Utility	5,274	4,107	997	997	997
Total	<u>\$ 2,242,909</u>	<u>\$ 2,353,965</u>	<u>\$ 2,724,866</u>	<u>\$ 2,829,735</u>	<u>\$ 2,665,419</u>
Del Paso Heights					
Secured	\$ 338,413	\$ 393,968	\$ 414,673	\$ 317,546	\$ 305,405
Unsecured	10,930	11,076	14,272	37,627	17,112
Utility	-	-	1	1	1
Total	<u>\$ 349,343</u>	<u>\$ 405,044</u>	<u>\$ 428,946</u>	<u>\$ 355,174</u>	<u>\$ 322,518</u>
Alkali Flat					
Secured	\$ 104,672	\$ 122,660	\$ 126,892	\$ 132,387	\$ 128,304
Unsecured	15,521	4,701	4,273	4,759	3,740
Utility	37	-	-	-	-
Total	<u>\$ 120,230</u>	<u>\$ 127,361</u>	<u>\$ 131,165</u>	<u>\$ 137,146</u>	<u>\$ 132,044</u>
Oak Park					
Secured	\$ 549,470	\$ 618,602	\$ 611,302	\$ 460,439	\$ 438,987
Unsecured	10,970	10,363	11,361	13,418	10,613
Utility	-	-	-	-	-
Total	<u>\$ 560,440</u>	<u>\$ 628,965</u>	<u>\$ 622,663</u>	<u>\$ 473,857</u>	<u>\$ 449,600</u>
River District (formerly Richards Blvd)					
Secured	\$ 396,256	\$ 404,185	\$ 434,882	\$ 454,256	\$ 405,518
Unsecured	31,005	34,967	44,693	45,813	41,732
Utility	2,759	4,120	4,120	4,200	4,200
Total	<u>\$ 430,020</u>	<u>\$ 443,272</u>	<u>\$ 483,695</u>	<u>\$ 504,269</u>	<u>\$ 451,450</u>
North Sacramento					
Secured	\$ 533,114	\$ 581,880	\$ 613,238	\$ 563,978	\$ 555,744
Unsecured	29,494	30,238	37,027	33,239	36,014
Utility	-	-	-	-	-
Total	<u>\$ 562,608</u>	<u>\$ 612,118</u>	<u>\$ 650,265</u>	<u>\$ 597,217</u>	<u>\$ 591,758</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property<sup>(1) (2)</sup>**  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2012	2013	2014	2015	2016
Merged Downtown					
Secured	\$ 2,427,850	\$ 2,366,130	\$ 2,300,993	\$ 2,344,213	\$ 2,461,341
Unsecured	145,125	137,567	132,581	138,662	124,172
Utility	997	770	770	770	748
Total	<u>\$ 2,573,972</u>	<u>\$ 2,504,467</u>	<u>\$ 2,434,344</u>	<u>\$ 2,483,645</u>	<u>\$ 2,586,261</u>
Del Paso Heights					
Secured	\$ 286,172	\$ 276,998	\$ 289,856	\$ 311,285	\$ 317,886
Unsecured	10,267	9,550	12,659	14,464	13,621
Utility	1	1	1	1	1
Total	<u>\$ 296,440</u>	<u>\$ 286,549</u>	<u>\$ 302,516</u>	<u>\$ 325,750</u>	<u>\$ 331,508</u>
Alkali Flat					
Secured	\$ 121,651	\$ 119,184	\$ 112,883	\$ 120,103	\$ 123,251
Unsecured	2,962	4,982	3,224	3,504	2,963
Utility	-	-	-	-	-
Total	<u>\$ 124,613</u>	<u>\$ 124,166</u>	<u>\$ 116,107</u>	<u>\$ 123,607</u>	<u>\$ 126,214</u>
Oak Park					
Secured	\$ 428,226	\$ 427,642	\$ 466,006	\$ 476,624	\$ 501,132
Unsecured	8,973	9,898	9,763	9,483	24,938
Utility	-	-	-	-	-
Total	<u>\$ 437,199</u>	<u>\$ 437,540</u>	<u>\$ 475,769</u>	<u>\$ 486,107</u>	<u>\$ 526,070</u>
River District (formerly Richards Blvd)					
Secured	\$ 403,771	\$ 396,061	\$ 375,825	\$ 403,452	\$ 393,540
Unsecured	31,661	33,655	29,486	35,352	37,314
Utility	4,264	4,779	4,779	4,779	2,591
Total	<u>\$ 439,696</u>	<u>\$ 434,495</u>	<u>\$ 410,090</u>	<u>\$ 443,583</u>	<u>\$ 433,445</u>
North Sacramento					
Secured	\$ 526,139	\$ 506,029	\$ 498,272	\$ 509,637	\$ 523,526
Unsecured	35,675	39,802	36,413	40,115	36,778
Utility	-	-	-	-	-
Total	<u>\$ 561,814</u>	<u>\$ 545,831</u>	<u>\$ 534,685</u>	<u>\$ 549,752</u>	<u>\$ 560,304</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property<sup>(1) (2)</sup>**  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2007	2008	2009	2010	2011
Franklin Boulevard					
Secured	\$ 566,043	\$ 595,198	\$ 615,732	\$ 571,385	\$ 571,094
Unsecured	42,667	45,819	47,150	44,573	41,821
Utility	-	-	-	-	-
Total	<u>\$ 608,710</u>	<u>\$ 641,017</u>	<u>\$ 662,882</u>	<u>\$ 615,958</u>	<u>\$ 612,915</u>
Stockton Boulevard					
Secured	\$ 417,045	\$ 463,344	\$ 476,809	\$ 390,475	\$ 372,566
Unsecured	12,071	15,416	16,399	16,598	17,048
Utility	-	-	-	-	-
Total	<u>\$ 429,116</u>	<u>\$ 478,760</u>	<u>\$ 493,208</u>	<u>\$ 407,073</u>	<u>\$ 389,614</u>
Army Depot					
Secured	\$ 896,449	\$ 995,435	\$ 1,011,483	\$ 835,497	\$ 826,480
Unsecured	104,420	145,115	118,889	120,863	119,918
Utility	841	578	578	578	578
Total	<u>\$ 1,001,710</u>	<u>\$ 1,141,128</u>	<u>\$ 1,130,950</u>	<u>\$ 956,938</u>	<u>\$ 946,976</u>
65th Street					
Secured	\$ 224,504	\$ 243,734	\$ 240,544	\$ 224,753	\$ 242,905
Unsecured	26,401	22,673	29,115	25,010	25,040
Utility	611	-	-	-	-
Total	<u>\$ 251,516</u>	<u>\$ 266,407</u>	<u>\$ 269,659</u>	<u>\$ 249,763</u>	<u>\$ 267,945</u>
Railyards					
Secured	\$ -	\$ -	\$ -	\$ 49,467	\$ 71,772
Unsecured	-	-	-	-	251
Utility	-	-	-	641	680
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,108</u>	<u>\$ 72,703</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2012	2013	2014	2015	2016
Franklin Boulevard					
Secured	\$ 554,662	\$ 553,114	\$ 556,190	\$ 482,823	\$ 474,370
Unsecured	38,551	39,862	37,903	32,000	31,565
Utility	-	-	-	-	-
Total	<u>\$ 593,213</u>	<u>\$ 592,976</u>	<u>\$ 594,093</u>	<u>\$ 514,823</u>	<u>\$ 505,935</u>
Stockton Boulevard					
Secured	\$ 355,452	\$ 334,059	\$ 345,330	\$ 364,463	\$ 384,262
Unsecured	17,468	17,101	17,293	17,731	16,742
Utility	-	-	-	-	-
Total	<u>\$ 372,920</u>	<u>\$ 351,160</u>	<u>\$ 362,623</u>	<u>\$ 382,194</u>	<u>\$ 401,004</u>
Army Depot					
Secured	\$ 810,113	\$ 790,956	\$ 826,125	\$ 864,133	\$ 928,249
Unsecured	116,198	116,489	149,382	139,964	110,209
Utility	579	943	943	943	1,072
Total	<u>\$ 926,890</u>	<u>\$ 908,388</u>	<u>\$ 976,450</u>	<u>\$ 1,005,040</u>	<u>\$ 1,039,530</u>
65th Street					
Secured	\$ 230,618	\$ 229,458	\$ 228,785	\$ 231,632	\$ 243,684
Unsecured	25,808	17,346	14,536	17,543	14,033
Utility	-	-	-	-	-
Total	<u>\$ 256,426</u>	<u>\$ 246,804</u>	<u>\$ 243,321</u>	<u>\$ 249,175</u>	<u>\$ 257,717</u>
Railyards					
Secured	\$ 80,928	\$ 84,191	\$ 80,200	\$ 75,245	\$ 68,288
Unsecured	3,521	4,548	4,454	5,973	10,940
Utility	768	771	-	-	-
Total	<u>\$ 85,217</u>	<u>\$ 89,510</u>	<u>\$ 84,654</u>	<u>\$ 81,218</u>	<u>\$ 79,228</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Merged Downtown**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
HINES SAC WELLS FARGO LP	\$ 172,000	\$ 160,000	\$ (12,000)	0.46%
CIM GROUP	97,103	91,700	(5,403)	0.21%
KW CAPTOWERS LLC	37,412	20,000	(17,412)	0.67%
HILTON HOTELS	29,059	3,230	(25,830)	1.00%
COMCAST OF SACRAMENTO	20,820	16,647	(4,173)	0.16%
CIM GROUP	17,897	12,000	(5,897)	0.23%
KW CAPTOWERS LLC	16,042	8,000	(8,042)	0.31%
KW CAPTOWERS LLC	12,854	6,000	(6,854)	0.27%
FUND IX-PARLK PLAZA LLC	12,356	10,000	(2,356)	0.09%
1415 MERIDIAN PLAZA LP	6,600	6,000	(600)	0.02%
Sub Total	422,145	333,577	(88,568)	3.42%
All Other Taxpayers	2,164,116	-	-	-
Total	<u>\$ 2,586,261</u>	<u>\$ 333,577</u>	<u>\$ (88,568)</u>	<u>3.42%</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 May 1, 2016.

Source: Sacramento County Assessor



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Del Paso Heights**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
UNITED RENTALS	\$ 2,280	\$ 1,000	\$ (1,280)	0.39%
DIRECTV LLC	410	25	(385)	0.12%
DANIEL R LOURIM	385	212	(173)	0.05%
MARY ANN ROBERTS	257	175	(82)	0.02%
DISH NETWORK LLC	227	127	(100)	0.03%
VIJAY KUMAR	165	100	(65)	0.02%
MONA SUE AYERS	120	52	(68)	0.02%
HIGH TRUST #3409	90	28	(62)	0.02%
MARILYNN LITTLEJOHN	29	179	150	-0.05%
PROG LEASING LLC	22	0	(22)	0.01%
Sub Total	3,985	1,897	(2,088)	0.63%
All Other Taxpayers	327,523	-	-	-
Total	\$ 331,508	\$ 1,897	\$ (2,088)	0.63%

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 May 1, 2016.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Alkali Flat**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
HEARST ARGYLE STATIONS, INC	\$ 19,664	\$ 8,960	\$ (1,280)	1.01%
ALDON BOLANOS	375	100	(275)	0.22%
Sub Total	20,039	9,060	(1,555)	1.23%
All Other Taxpayers	106,175	-	-	-
Total	<u>\$ 126,214</u>	<u>\$ 9,060</u>	<u>\$ (1,555)</u>	<u>1.23%</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 May 1, 2016.

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Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Oak Park**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
BIMBO BAKERIES USA INC	\$ 16,065	\$ 8,032	\$ (8,032)	1.53%
DB/S LLC	810	527	(284)	0.05%
WALGREEN CO	240	165	(75)	0.01%
33RD TRUST 3441	209	80	(129)	0.02%
SAN CARLOS TRUST 3832	127	110	(17)	0.00%
BROADWAY TRUST 3975	115	65	(50)	0.01%
ACE OF FADES	17	2	(15)	0.00%
Sub Total	17,582	8,981	(8,602)	1.64%
All Other Taxpayers	508,488	-	-	-
Total	<u>\$ 526,070</u>	<u>\$ 8,981</u>	<u>\$ (8,602)</u>	<u>1.64%</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 May 1, 2016.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>**  
**River District**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
JUNO COMM REAL EST	\$ 9,462	\$ 4,731	\$ (4,731)	1.09%
CLEAR CHANNEL OUTDOOR	1,574	800	(774)	0.18%
NAKASH ENTERPRISES LLC	1,294	878	(416)	0.10%
REALTY ADVISORS INC	741	371	(370)	0.09%
Sub Total	13,072	6,780	(6,292)	1.45%
All Other Taxpayers	420,373	-	-	-
Total	<u>\$ 433,445</u>	<u>\$ 6,780</u>	<u>\$ (6,292)</u>	<u>1.45%</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 May 1, 2016.

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Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**North Sacramento**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
SEVEN UP BOTTLING CO OF SF	\$ 32,859	\$ 21,000	\$ (11,859)	2.12%
SEVEN UP BOTTLING CO OF SF	31,737	20,000	(11,737)	2.09%
COSTCO WHOLESALE GROUP	21,729	15,000	(6,729)	1.20%
RECREATIONAL EQUIPMENT INC	7,758	3,418	(4,340)	0.77%
SENT EXPO POINTE LLC & SENT INV	7,485	4,865	(2,620)	0.47%
TCHERKOYAN FAMILY TRUST	5,845	3,507	(2,338)	0.42%
CAL TEX PROPERTIES	1,796	1,077	(719)	0.13%
JB COMPANY MANAGEMENT LP	1,261	1,128	(132)	0.02%
JERRY IVY SEPARATE PROP TRUST	1,183	710	(473)	0.08%
WELLS FARGO BANK	360	180	(180)	0.03%
Sub Total	112,013	70,886	(41,128)	7.34%
All Other Taxpayers	448,291	-	-	-
Total	<u>\$ 560,304</u>	<u>\$ 70,886</u>	<u>\$ (41,128)</u>	<u>7.34%</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 May 1, 2016.

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Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>**  
**Franklin Boulevard**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
CHATEAU LANG APARTMENTS LLC	\$ 3,257	\$ 2,856	\$ (401)	0.08%
NAKASH ENTERPRISES	1,048	600	(448)	0.09%
GHODRATOLLAH SOLTANI	918	500	(418)	0.08%
AJAZ ALI	403	250	(153)	0.03%
GHODRATOLLAH SOLTANI	253	100	(153)	0.03%
JOURBEE KHANG	240	225	(15)	0.00%
28TH TRUST 2475	215	165	(51)	0.01%
FERNANDO F GUZMAN	201	125	(76)	0.02%
AJAZ ALI	153	125	(28)	0.01%
AJAZ ALI	120	115	(5)	0.00%
Sub Total	6,808	5,061	(1,747)	0.35%
All Other Taxpayers	499,127	-	-	-
Total	<u>\$ 505,935</u>	<u>\$ 5,061</u>	<u>\$ (1,747)</u>	<u>0.35%</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 May 1, 2016.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Stockton Boulevard**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
LITTLE SAIGON PLAZA SAC LLC	\$ 7,675	\$ 3,970	\$ (3,705)	0.92%
THINH T DO	2,892	1,878	(1,014)	0.25%
AARONS INC	1,520	0	(1,520)	0.38%
N M S PROPERTIES	1,379	827	(552)	0.14%
MONUMENT PROP - SAC LLC	1,263	650	(613)	0.15%
AMAL B AHRAM	599	350	(249)	0.06%
GARY M. CARMAGNOLA	407	225	(182)	0.05%
GARY M. CARMAGNOLA	403	225	(178)	0.04%
TAM THANH NGUYEN	239	162	(77)	0.02%
BOBBIWOOD TRUST #6237	130	52	(78)	0.02%
Sub Total	16,507	8,339	(8,168)	2.04%
All Other Taxpayers	384,497	-	-	-
Total	<u>\$ 401,004</u>	<u>\$ 8,339</u>	<u>\$ (8,168)</u>	<u>2.04%</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 May 1, 2016.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Army Depot**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
SOUTHDOWN CA CEMENT, LLC I \$	5,896	\$ 1,000	\$ (4,896)	0.47%
AFP POWER INN ROAD LLC	3,708	2,000	(1,708)	0.16%
JOHN R NGO	357	350	(7)	0.00%
AHMAD SHAMS	330	250	(81)	0.01%
ELDERGLEN TRUST	199	130	(69)	0.01%
BRADFORD TRUST #5020	153	107	(46)	0.00%
ALIREZA JAY ALAEI	141	100	(41)	0.00%
ALPINE HOLDINGS INC.	87	64	(24)	0.00%
CBIP LLC	66	31	(36)	0.00%
Sub Total	10,938	4,031	(6,907)	0.66%
All Other Taxpayers	1,028,592	-	-	-
<b>Total</b>	<b>\$ 1,039,530</b>	<b>\$ 4,031</b>	<b>\$ (6,907)</b>	<b>0.66%</b>

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 May 1, 2016.

Source: Sacramento County Assessor



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**65th Street**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
TARGET CORPORATION	\$ 26,726	\$ 1,380	\$ (25,346)	9.83%
TONY GONZALES	2,495	1,497	(998)	0.39%
LYNARD Z KHAN PROP TRUST	217	100	(117)	0.05%
Sub Total	29,439	2,977	(26,462)	10.27%
All Other Taxpayers	228,278	-	-	-
<b>Total</b>	<b>\$ 257,717</b>	<b>\$ 2,977</b>	<b>\$ (26,462)</b>	<b>10.27%</b>

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 May 1, 2016.

---

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Railyards**  
**As of June 30, 2016**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
PETER C THOMPSON	\$ 12,000	\$ 7,144	\$ (4,856)	6.13%
COMCAST OF SACRAMENTO	2,219	1,259	(960)	1.21%
CHET TEMPLETON	11	1	(10)	0.01%
Sub Total	14,229	8,404	(5,825)	7.35%
All Other Taxpayers	64,999	-	-	-
<b>Total</b>	<b>\$ 79,228</b>	<b>\$ 8,404</b>	<b>\$ (5,825)</b>	<b>7.35%</b>

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 May 1, 2016.

---

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	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Hines Sacramento Wells Fargo Center	\$ 192,500	1	7.75%	\$ -	-	-
500 Capitol Mall LLC	133,482	2	5.37%	-	-	-
621 Capitol Mall LLC	129,788	3	5.23%	-	-	-
CIM/980 9th St Sacramento LP	119,086	4	4.79%	-	-	-
300 Capitol Associates NF LP	114,000	5	4.59%	-	-	-
CIM/J Street Hotel Sacramento LP	94,519	6	3.81%	-	-	-
GSA Sacramento CA LLC	91,373	7	3.68%	-	-	-
1415 Meridian Plaza Investors LP	83,100	8	3.35%	-	-	-
GPT Props Trust	79,000	9	3.18%	-	-	-
Capitol Regency LLC	75,202	10	3.03%	-	-	-
Teachers Insurance/Annuity Assn of America	-	-	-	159,095	1	7.09%
EOP-400 Capital Mall LLC	-	-	-	146,285	2	6.52%
VV USA City LP	-	-	-	88,256	3	3.93%
RT Sacramento Funding Company Inc.	-	-	-	79,350	4	3.54%
Sacramento Hotel Corporation	-	-	-	73,592	5	3.28%
Rubicon NGP Sacramento CA LLP	-	-	-	67,320	6	3.00%
Teachers Insurance/Annuity Assn of America	-	-	-	40,576	7	1.81%
CA Assn Hosp/Hlth Sym (Tsakopoulos Family)	-	-	-	38,308	8	1.71%
Mart Family LLC/Senator Building LLC/ETA	-	-	-	35,505	9	1.58%
Health Property Associates	-	-	-	35,326	10	1.58%
Sub Total	1,112,050		44.77%	763,613		34.05%
All Other Taxpayers	1,371,595		55.23%	1,479,290		65.95%
Total	\$ 2,483,645		100.00%	\$ 2,242,903		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.

(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Del Paso Heights**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Research Properties	\$ 5,460	1	1.68%	\$ 4,729	1	1.35%
BM Ventures LLC	4,700	2	1.44%	-	-	-
Ramon Canyon Associates LP	2,969	3	0.91%	-	-	-
John A/Leta K Nichols 1994 Rev Trust	2,875	4	0.88%	2,491	4	0.71%
Garin Elisa R/Etal	2,658	5	0.82%	-	-	-
US Rentals Inc	2,564	6	0.79%	2,221	5	0.64%
Proffutt Limited Partnership	2,227	7	0.68%	-	-	-
23002 Moulton Parkway LLC	1,842	8	0.57%	-	-	-
Terkensha/Associates	1,778	9	0.55%	1,440	9	0.41%
Lundbom Sacramento Realty Invs LP	1,562	10	0.48%	-	-	-
Woodhaven Senior Residence	-	-	-	3,990	2	1.14%
Lundblom Family Trust	-	-	-	3,818	3	1.09%
Lenore Wyatt Living Trust	-	-	-	1,965	6	0.56%
Maki Stephen	-	-	-	1,923	7	0.55%
Harry G & Mariann Brix 1993 Family Trust	-	-	-	1,665	8	0.48%
1980 Tyler Family Trust	-	-	-	1,325	10	0.38%
Sub Total	28,635		8.79%	25,567		7.32%
All Other Taxpayers	297,115		91.21%	323,775		92.68%
Total	<u>\$ 325,750</u>		<u>100.00%</u>	<u>\$ 349,342</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 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Alkali Flat**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Hearst-Argyle Stations Inc	\$ 16,212	1	13.12%	\$ 9,242	2	7.69%
City PK LLC	12,359	2	10.00%	-	-	-
Blackpine City Flats LLC	23,473	3	18.99%	-	-	-
Realty Advisors Inc	7,480	4	6.05%	8,911	3	7.41%
1220 E State LLC	2,800	5	2.27%	-	-	-
520 Ninth St	2,244	6	1.82%	1,944	5	1.62%
John Dailey Trust/Charles D Deloney	2,029	7	1.64%	1,757	7	1.46%
GMA Investors LP	1,765	8	1.43%	-	-	-
700 E Street Building Partnership	1,760	9	1.42%	1,785	6	1.48%
1001 G State Rehabilitation LP	1,520	10	1.23%	-	-	-
Crystal Cream/Butter Co.	-	-	-	11,540	1	9.60%
US Housing Partners II LP	-	-	-	3,709	4	3.08%
James Fortino Trust/Court on G Inc.	-	-	-	1,755	8	1.46%
Washington Square III	-	-	-	1,595	9	1.33%
Samuel Tarpin	-	-	-	1,358	10	1.13%
Sub Total	71,642		57.96%	43,596		36.26%
All Other Taxpayers	51,965		42.04%	76,633		63.74%
Total	\$ 123,607		100.00%	\$ 120,229		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Oak Park**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
University of the Pacific	\$ 14,184	1	2.92%	\$ -	-	-
Rainbow Baking Co of Sac Valley	12,202	2	2.51%	19,059	1	3.40%
Regents University CA	10,936	3	2.25%	9,051	2	1.61%
Broadway/Stockton Food Source Inv LLC	5,340	4	1.10%	-	-	-
CP Howe/Arden LLC/Stockton Blvd Partners LLC	4,647	5	0.96%	-	-	-
Crestwood-Medical Center Hospital	4,492	6	0.92%	3,895	5	0.69%
Security Public Storage-Sacramento	3,907	7	0.80%	3,358	6	0.60%
Edmar Invs LLC	3,310	8	0.68%	2,867	7	0.51%
Broadway Triangle LLC	2,966	9	0.61%	-	-	-
University of the Pacific McGeorge School of Law	2,091	10	0.43%	-	-	-
Shiloh Arms LTD	-	-	-	5,657	3	1.01%
Sotiris/Matina Kolokotronis Family Trust	-	-	-	4,469	4	0.80%
Donald and Virginia Compton Family Trust	-	-	-	2,772	8	0.49%
Quattrin Gary L/E Victor/etal	-	-	-	2,208	9	0.39%
St. Hope Development Company	-	-	-	2,103	10	0.38%
Sub Total	64,074		13.18%	55,439		9.89%
All Other Taxpayers	422,033		86.82%	504,999		90.11%
Total	\$ 486,107		100.00%	\$ 560,438		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - River District**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
California Almond Growers Exchange	\$ 78,438	1	17.68%	\$ 26,026	2	5.60%
Grove River District LLC	35,393	2	7.98%	-	-	-
Mendell Allan/Etal	9,462	3	2.13%	-	-	-
Capitol Stn 65 LLC	8,557	4	1.93%	8,689	9	1.87%
New Sac Arena Props LLC	7,320	5	1.65%	-	-	-
Dos Rios Venture	6,434	6	1.45%	-	-	-
JMDH Real Estate Sacramento LLC	6,027	7	1.36%	-	-	-
BA Hotel LLC	5,892	8	1.33%	-	-	-
Bre/LQ Props LLC	5,624	9	1.27%	10,122	7	2.18%
Vida N Anello Revocable Living Trust	5,455	10	1.23%	-	-	-
Grove Investment Company	-	-	-	27,939	1	6.01%
Sunstone OP Properties LLC	-	-	-	18,460	3	3.97%
Richard Blvd. Partners	-	-	-	17,628	4	3.79%
CCAA Partners LLC/Bruce W. Bell/et al	-	-	-	13,975	5	3.01%
Ice Bear Inc. (Sequoia Pacific)	-	-	-	10,574	6	2.27%
CTF4-American River LLC	-	-	-	9,404	8	2.02%
HKM	-	-	-	6,593	10	1.42%
Sub Total	168,602		38.01%	149,410		32.14%
All Other Taxpayers	274,981		61.99%	315,399		67.86%
Total	<u>\$ 443,583</u>		<u>100.00%</u>	<u>\$ 464,809</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 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - North Sacramento**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Westcore West Sac LP	\$ 36,077	1	6.56%	\$ -	-	-
Seven Up Bottling Company of San Francisco	33,618	2	6.12%	19,975	3	3.55%
Price Company	22,234	3	4.04%	17,582	4	3.13%
North Sacramento Land Co	12,687	4	2.31%	9,773	7	1.74%
McCuen Acoma Street Investors	12,284	5	2.23%	10,641	6	1.89%
Meriliz Incorporated	7,959	6	1.45%	14,522	5	2.58%
Columbia Woodlake LLC	7,868	7	1.43%	-	-	-
Sent Expo Pointe LLC	7,800	8	1.42%	-	-	-
Recreational Equipment Inc	7,765	9	1.41%	-	-	-
Sutter Medical Foundation	6,213	10	1.13%	9,773	7	1.74%
PD Hotel Associates LLC	-	-	-	25,530	2	4.54%
JB Management LP	-	-	-	27,170	1	4.83%
SVN Sacramento LLC	-	-	-	9,260	8	1.65%
Radiological Associates	-	-	-	7,127	9	1.27%
Dos Robles Limited Partnership	-	-	-	6,633	10	1.18%
Sub Total	154,505		28.10%	157,986		28.08%
All Other Taxpayers	395,247		71.90%	404,621		71.92%
Total	\$ 549,752		100.00%	\$ 562,607		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Franklin Boulevard**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
6200 Franklin LLC	\$ 15,404	1	2.99%	\$ -	-	-
United States Cold Storage Calif	10,413	2	2.02%	8,555	2	1.41%
Rosedown Associates LLC	6,199	3	1.20%	6,843	3	1.12%
Western Village LP	4,697	4	0.91%	-	-	-
Extra Space Props Ninety Four Limited Partnership	4,452	5	0.86%	-	-	-
SEI/PSP VI Joint Ventures	4,374	6	0.85%	3,795	5	0.62%
Bowling Green Associates	4,220	7	0.82%	3,655	6	0.60%
Sacto Childrens Home	4,044	8	0.79%	-	-	-
Con-Way Western Express Inc	3,881	9	0.75%	3,432	8	0.56%
47th Street Associates LLC	3,789	10	0.74%	-	-	-
Campbell Soup	-	-	-	129,964	1	21.35%
Patrician Michael W/ Martha R	-	-	-	4,244	4	0.70%
MH Southgate Investors	-	-	-	3,584	7	0.59%
Chateau Lang Apartments LLC	-	-	-	2,864	9	0.47%
CTC Investors LLC	-	-	-	2,652	10	0.44%
Sub Total	61,472		11.94%	169,588		27.86%
All Other Taxpayers	453,351		88.06%	439,121		72.14%
Total	\$ 514,823		100.00%	\$ 608,709		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Stockton Boulevard**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Stockton Plaza Partners LLC	\$ 14,299	1	3.74%	\$ -	-	-
EKG Investors LLC/Sct Investors LLC/Etal	9,336	2	2.44%	-	-	-
Little Saigon Plaza Sacramento	8,000	3	2.09%	7,293	5	1.70%
John M/Nancy M Kehriotis Living Trust	7,846	4	2.05%	6,797	6	1.58%
NT Stockton Invs LLC	6,950	5	1.82%	-	-	-
ESS Prisa II LLC	5,937	6	1.55%	5,249	9	1.22%
Brittany Arms LLC	5,648	7	-	5,202	10	1.21%
SF Florin LP	4,893	8	1.28%	-	-	-
Ralphs Grocery Co	4,853	9	1.27%	5,617	8	1.31%
Sustained Invs LLC	4,590	10	1.20%	-	-	-
Azure Park Apartments LLC	-	-	-	11,534	1	2.69%
Gonzalez Jaime/Gloria	-	-	-	8,670	2	2.02%
CCI Stockridge SAC LLC	-	-	-	7,907	3	1.84%
Western Investment Real Estate	-	-	-	7,454	4	1.74%
Shiloh Arms LTD	-	-	-	5,657	7	1.32%
Sub Total	72,353		18.93%	71,380		16.63%
All Other Taxpayers	309,841		81.07%	357,736		83.37%
Total	\$ 382,194		100.00%	\$ 429,116		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Army Depot**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
RI Florin Perkins LLC	\$ 33,338	1	3.32%	\$ -	-	-
US National Leasing LLC	27,081	2	2.69%	-	-	-
Engineered Polymer Solutions Inc	14,172	3	1.41%	11,889	5	1.19%
Central Valley Industrial Core Holdings	11,407	4	1.13%	-	-	-
Elder Creek Transfer/Recovery Inc	10,366	5	1.03%	10,369	6	1.04%
Air Products Manufacturing Corporation	9,720	6	0.97%	-	-	-
A/W Investments LLC	9,170	7	0.91%	-	-	-
AFP Inv Partners LLC	7,926	8	0.79%	-	-	-
C/S Logistics Sacramento/Tracy LLC	7,567	9	0.75%	7,335	7	0.73%
Massie/Co	7,200	10	0.72%	-	-	-
R/G Hayward LLC	-	-	-	15,198	4	1.52%
Proctor/Gamble Manufacturing Co.	-	-	-	70,733	1	7.06%
Crystal Cream/Butter Company	-	-	-	39,138	2	3.91%
Fedex Ground Package Systems Inc.	-	-	-	18,340	3	1.83%
Ballantyne Diana S/Mark C/Jan W L	-	-	-	7,260	8	0.72%
Marvin L. Oates Trust	-	-	-	7,072	9	0.71%
Air Products/Chemicals Inc.	-	-	-	6,699	10	0.67%
Sub Total	137,947		13.73%	194,033		19.37%
All Other Taxpayers	867,093		86.27%	807,673		80.63%
Total	\$ 1,005,040		100.00%	\$ 1,001,706		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - 65th Street**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2016			2007		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Element Sacramento LLC	\$ 59,000	1	23.68%	\$ -	-	-
Target Corporation	27,114	2	10.88%	14,025	3	5.58%
CAV Core Sacramento LLC	13,474	3	5.41%	-	-	-
65th St Village LLC	11,098	4	4.45%	-	-	-
CPCA 7716 Folsom Blvd LLC	7,885	5	3.16%	-	-	-
Dimenstion Properties LLC	6,104	6	2.45%	3,442	10	1.37%
American River Self Storage LP	5,054	7	2.03%	4,266	8	1.70%
STU Health Revocable Trust/Etal	4,791	8	1.92%	-	-	-
2800 PICO Associates LLC	4,395	9	1.76%	3,807	9	1.51%
Jackson IV LLC	4,315	10	1.73%	-	-	-
Atlas Disposal Industries LLC	-	-	-	4,989	5	1.98%
Sacramento Fourth Ave Assoc LLC	-	-	-	52,464	1	20.86%
Home Depot USA Inc.	-	-	-	14,354	2	5.71%
KCMKC Properties, LP/Paul E. Fong/MAE Etal	-	-	-	7,277	4	2.89%
Commercial Net Lease Realty	-	-	-	4,801	6	1.91%
Kenneth/Susan Cathchot Family 2005 Revocable Trust	-	-	-	4,314	7	1.72%
Sub Total	143,231		57.48%	113,739		45.22%
All Other Taxpayers	105,944		42.52%	137,775		54.78%
Total	\$ 249,175		100.00%	\$ 251,514		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Railyards**  
**Current Fiscal Year and Six Years Ago**  
(in thousands)

Assessee	2016			2010 <sup>(1)</sup>		
	Taxable Value <sup>(2)</sup>	Rank	Percentage of Total Taxable Value <sup>(3)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Downtown Railyard Venture LLC	\$ 24,203	1	29.80%	\$ -	-	-
906 NEWCO LLC	12,240	2	15.07%	-	-	-
REA Limited Partnership	5,250	3	6.46%	5,378	4	6.91%
Sacramento Co Emp Credit Union	4,437	4	5.46%	4,068	5	5.23%
PDRA/Company LLC	3,848	5	4.74%	3,537	6	4.54%
Sutter HOJ LP	3,676	6	4.53%	-	-	-
PLF Bldg LLC	3,624	7	4.46%	-	-	-
Strumwasser Michael J/Silvia M	3,181	8	3.92%	2,924	7	3.76%
Bowman/Bay Building Joint Venture	2,301	9	2.83%	2,115	8	2.72%
Legacy Ventures LLC	1,354	10	1.67%	1,245	10	1.60%
CCAA Partners LLC/Bruce W. Bell/Etal	-	-	-	14,843	2	19.07%
New Baytree LLC	-	-	-	14,826	3	19.05%
S Thomas Enterprises of Sacramento	-	-	-	17,224	1	22.13%
John Morgan/Nelly B Patino/Eddie Cuevas	-	-	-	1,556	9	2.00%
Sub Total	64,114		78.94%	67,716		87.00%
All Other Taxpayers	17,104		21.06%	10,117		13.00%
Total	\$ 81,218		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 ownership of locally-assessed secured and unsecured real property net of exemptions.  
(3) Based on total adjusted 2015-16 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**RDA - All Project Areas**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2006-07	\$ 40,781	\$ 292	\$ 1,772	\$ 38,716	\$ 21,468	1.80	NA	NA	NA
2007-08	44,436	456	1,851	42,129	22,119	1.90	NA	NA	NA
2008-09	48,016	600	2,295	45,121	21,836	2.07	NA	NA	NA
2009-10	42,876	438	3,050	39,388	21,790	1.81	NA	NA	NA
2010-11	35,280	580	2,684	32,016	21,776	1.47	NA	NA	NA
2011-12	42,334	726	2,911	38,698	22,120	1.75	6,008	28,128	1.38 (1)
2012-13	41,304	745	2,556	38,003	22,087	1.72	6,619	28,706	1.32
2013-14	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)

**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
2006-07	\$ 24,217	\$ 167	\$ 496	\$ 23,554	\$ 16,162	1.46	NA	NA	NA
2007-08	26,259	277	502	25,480	16,541	1.54	NA	NA	NA
2008-09	30,213	380	484	29,349	16,090	1.82	NA	NA	NA
2009-10	29,144	282	1,606	27,256	16,072	1.70	NA	NA	NA
2010-11	23,069	387	1,454	21,228	16,051	1.32	NA	NA	NA
2011-12	23,750	406	807	22,537	16,254	1.39	2,608	18,862	1.19 (1)
2012-13	23,260	419	652	22,189	16,298	1.36	2,655	18,953	1.17
2013-14	23,042	372	580	22,090	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)

**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
2006-07	\$ 3,837	\$ 29	\$ 307	\$ 3,501	\$ 1,290	2.71	NA	NA	NA
2007-08	4,181	27	357	3,796	1,606	2.36	NA	NA	NA
2008-09	4,079	51	169	3,859	1,625	2.37	NA	NA	NA
2009-10	3,222	33	377	2,812	1,627	1.73	NA	NA	NA
2010-11	2,901	45	322	2,534	1,626	1.56	NA	NA	NA
2011-12	2,551	44	199	2,307	1,769	1.30	100	1,869	1.23 (1)
2012-13	2,549	46	194	2,309	1,644	1.40	240	1,884	1.23
2013-14	2,853	44	245	2,564	1,618	1.58	230	1,848	1.39
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)

## Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

(2) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.

(3) Revised to correct total tax increment received.

(4) Various senior and subordinate debts were refunded in 2015.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**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
2006-07	\$ 1,168	\$ 9	\$ 33	\$ 1,126	\$ 618	1.82	NA	NA	NA
2007-08	1,270	14	34	1,222	619	1.98	NA	NA	NA
2008-09	1,234	17	14	1,203	618	1.95	NA	NA	NA
2009-10	1,253	15	54	1,185	616	1.92	NA	NA	NA
2010-11	1,106	18	68	1,020	619	1.65	NA	NA	NA
2011-12	1,077	18	19	1,039	622	1.67	463	1,085	0.96 (1)
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 (4)

**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
2006-07	\$ 5,939	\$ 45	\$ 404	\$ 5,490	\$ 2,846	1.93	NA	NA	NA
2007-08	6,255	69	409	5,777	2,769	2.09	NA	NA	NA
2008-09	5,854	73	381	5,400	2,767	1.95	NA	NA	NA
2009-10	4,213	49	372	3,792	2,757	1.38	NA	NA	NA
2010-11	3,871	60	314	3,498	2,761	1.27	NA	NA	NA
2011-12	3,772	63	150	3,559	2,756	1.29	103	2,859	1.24 (1)
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 (2)
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 (4)

**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
2006-07	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,372	25	246	1,100	-	-	494	494	2.23 (1)
2012-13	1,294	26	227	1,041	-	-	654	654	1.59
2013-14	1,025	20	259	746	-	-	646	646	1.15 (3)
2014-15	1,542	23	280	1,239	-	-	642	642	1.93
2015-16	1,544	22	288	1,234	-	-	229	229	5.39 (4)

## 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 Oak Park ML Refunding from senior to subordinate debt.

(3) Revised to correct total tax increment received.

(4) Various senior and subordinate debts were refunded in 2015.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**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
2006-07	\$ 3,063	\$ 24	\$ 194	\$ 2,845	\$ 436	6.53	NA	NA	NA
2007-08	3,542	38	198	3,305	468	7.06	NA	NA	NA
2008-09	3,787	46	291	3,450	528	6.53	NA	NA	NA
2009-10	3,087	36	237	2,814	530	5.30	NA	NA	NA
2010-11	2,722	45	209	2,468	528	4.68	NA	NA	NA
2011-12	2,439	44	187	2,208	539	4.10	629	1,168	1.89 (1)
2012-13	2,323	44	165	2,114	537	3.94	779	1,316	1.61
2013-14	2,303	38	247	2,018	524	3.85	778	1,302	1.55 (2)
2014-15	2,689	37	262	2,390	530	4.51	772	1,302	1.84
2015-16	2,819	40	282	2,497	218	11.45	375	593	4.21 (4)

**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
2006-07	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,225	39	184	2,002	-	-	100	100	20.02 (1)
2012-13	2,354	41	195	2,118	-	-	109	109	19.43
2013-14	2,414	38	189	2,187	-	-	99	99	22.09
2014-15	952	24	117	811	-	-	99	99	8.19 (3)
2015-16	1,640	23	116	1,501	-	-	41	41	36.61

**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
2006-07	\$ 2,557	\$ 19	\$ 338	\$ 2,200	\$ 115	19.16	NA	NA	NA
2007-08	2,930	31	350	2,548	115	22.20	NA	NA	NA
2008-09	2,849	33	957	1,860	208	8.92	NA	NA	NA
2009-10	1,957	22	405	1,529	187	8.19	NA	NA	NA
2010-11	1,611	26	317	1,268	191	6.63	NA	NA	NA
2011-12	1,496	26	387	1,083	180	6.02	250	430	2.52 (1)
2012-13	1,369	24	329	1,016	191	5.32	261	452	2.25
2013-14	1,420	24	377	1,019	180	5.66	245	425	2.40
2014-15	1,755	24	446	1,285	180	7.14	246	426	3.02
2015-16	1,933	28	526	1,379	180	7.66	149	329	4.19 (4)

## 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 2006 North Sac TE and TX ML Series A & B from senior to subordinate debts.

(3) Reduction in total tax increment is a result of appeal refunds.

(4) Various senior and subordinate debts were refunded in 2015.



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**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
2006-07	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,617	44	523	2,050	-	-	737	737	2.78 (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)

**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
2006-07	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,035	17	207	811	-	-	524	524	1.55 (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)

## 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) Various senior and subordinate 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Citywide and Community Support	-	-	-	-	-	-	23	23	21	5
Code Enforcement	94	92	107	90	-	-	-	-	-	-
Community Development	-	-	-	107	170	166	159	163	166	219 <sup>(1)</sup>
Convention and Cultural Services	208	213	214	206	196	194	133	138	126	120
Development Services	243	246	222	-	-	-	-	-	-	-
Economic Development	17	24	27	22	18	14	11	11	11	11
Fire	651	651	655	582	611	589	527	642	657	674
General Government	408	419	400	329	319	312	305	320	325	370 <sup>(1)</sup>
General Services	264	287	307	257	247	225	368	367	372	- <sup>(1)</sup>
Neighborhood Services	16	15	15	9	-	-	-	-	-	-
Parks and Recreation	930	925	872	680	648	579	553	577	568	599
Planning	38	33	34	-	-	-	-	-	-	-
Police	1,265	1,272	1,271	1,091	1,060	900	847	940	973	1,033
Public Works	-	-	-	-	-	-	395	406	415	732 <sup>(1)</sup>
Transportation	350	356	437	424	409	409	-	-	-	-
Utilities	732	741	741	752	698	698	505	510	522	538
<b>Total</b>	<b>5,213</b>	<b>5,273</b>	<b>5,300</b>	<b>4,549</b>	<b>4,374</b>	<b>4,083</b>	<b>3,825</b>	<b>4,095</b>	<b>4,157</b>	<b>4,300</b>

Notes: (1) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works.

**City of Sacramento  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Police</b>										
Adult arrests	24,703	22,783	21,230	20,555	19,885	17,058	18,650	19,570	18,113	16,778
Citizen initiated calls for service with officer responses	181,793	181,873	173,045	176,157	166,207	154,193	154,233	118,975	141,181	149,275
<b>Fire <sup>(1)</sup></b>										
Number of incidents	66,284	70,609	64,525	59,608 <sup>(2)</sup>	71,111	73,343	74,427	75,000	80,596	85,742
Number of structure fires	500	414	401	359 <sup>(2)</sup>	606	652	680	586	784	756
Number of construction inspection/reviews	NA	NA	NA	2,790	NA	1,895	4,568 <sup>(12)</sup>	4,761	3,234	4,181
<b>General Services</b>										
Number of animal licenses issued	14,944	18,812	18,732	17,094	17,132	17,318	15,810 <sup>(13)</sup>	15,057	8,995	12,016 <sup>(21)</sup>
Number of animal outplacements	4,352	4,252	4,025	3,300	2,901	3,750	5,521 <sup>(14)</sup>	6,167	7,447	8,789
<b>Public Works</b>										
Number of traffic investigations completed	1,123	1,019	1,028	903	712 <sup>(4)</sup>	717	821	936	678	896
Number of parking citations issued	194,193	233,901	236,103	240,248	184,215 <sup>(5)</sup>	164,492	165,700	171,066	196,586	192,708
<b>Convention and Cultural Services</b>										
Number of Community Convention Center events	664	568	528	453	417	389	378	378	358	408
Community Convention Center event attendance	849,000	863,759	862,000	780,000	873,577	796,000	645,000 <sup>(15)</sup>	881,253	775,253	744,145
Number of Zoo attendance	529,734	482,072	467,446	481,452	498,518	526,959	508,061	512,758	549,407	533,368
<b>Parks and Recreation</b>										
Number of students enrolled in START	8,845	8,364	8,695	8,563	7,437	5,755 <sup>(7)</sup>	5,330	5,603	6,897	4,534 <sup>(22)</sup>
Number of students enrolled in 4th R <sup>(8)</sup>	3,000	3,500	2,675	2,600	2,142	1,899	1,949	1,955	2,007	1,863
Number of lunches served through food programs	160,900	156,916	197,020	120,726 <sup>(3)</sup>	133,687	42,848 <sup>(8)</sup>	- <sup>(16)</sup>	-	-	-
<b>Community Development <sup>(18)</sup></b>										
Number of building permits issued	16,930	14,349	13,182	11,786	11,474	11,545	12,146	13,950	14,002	17,041
Building permit valuation (in million of dollars)	1,005	862	557	543	387	281	391	362	544	778
Vehicles abated by City	2,572	1,538	898	694	429	254 <sup>(10)</sup>	282	343	356	772
Notice and orders issued on housing and dangerous buildings	445	378	360	305	250	188 <sup>(11)</sup>	253	154	279	239
<b>Water</b>										
Number of accounts	151,459	135,665	137,029	136,600	136,812	137,148	135,353	135,590	134,971	136,130
Amount distributed/pumped (million of gallons)	49,463	NA	42,726	38,453	37,393	38,692	40,034	34,896	29,557	27,324
<b>Wastewater</b>										
Number of accounts	79,620	76,253	76,802	76,385	76,394	76,477	76,484	76,657	76,471	76,849
Amount distributed/pumped (million of gallons)	19,185	NA	15,889	14,302	NA	10,695	6,805 <sup>(17)</sup>	10,603	10,605	10,605
<b>Storm Drainage</b>										
Number of accounts	132,376	131,801	132,727	132,556	133,188	133,814	134,651	135,834	136,850	137,754
Amount distributed/pumped (million of gallons)	53,444	NA	27,936	27,288	NA	28,445	17,602	14,585 <sup>(19)</sup>	24,179	20,225
<b>Solid Waste</b>										
Residential garbage disposed (in Tons)	128,802	128,060	104,542	112,203	110,103	106,085	109,141	109,060	111,140	112,497
Commercial garbage collected (in Tons)	NA	24,804	18,937	17,688	12,918 <sup>(6)</sup>	12,251	1,222	- <sup>(20)</sup>	-	-

Notes: (1) The threshold for investigation of a fire was raised from \$10,000 or \$30,000 in fiscal year 2005.

(2) Due to a system problem in October 2009, only 11 months of data are available.

(3) In FY10, the decrease in number of lunches served through food programs was due to decrease in number of sites in operation from 112 to 43.

The sites were scaled back to better manage the program and reduce waste.

(4) In FY11, the reason for the significant drop in the number of traffic investigations completed was due to the decrease in calls from the General Public.

In addition, FY11 onwards, Maintenance Calls were excluded.

(5) In FY11, the reasons for the significant drop in the number of citations written were due to a) the depressed economy;

(b) there were 4 fewer parking enforcement officers; and c) the staff were furloughed.

(6) In FY11, the reason for the significant drop in the commercial garbage collected was primarily due to loss of two major accounts,

i.e. Sacramento City Unified School District to Atlas Disposal and California State University, Sacramento to Allied Waste.

(7) In FY12, the number of school sites the City of Sacramento served under START program were reduced from 57 to 46, thus reducing the total number of students enrolled.

(8) In FY12, the number of lunches served through food programs decreased significantly because the federal grant for this program ended in September 2011.

(9) The number of students enrolled in 4th R program has been declining since FY09 due to substantial decline in the subsidy-side of enrollees.

Due to the recession many parents/guardians lost their employment and were not pursuing post secondary education/skill training which make them

ineligible to receive these subsidies because the requirement for eligibility is either employment or post secondary education/skill training.

In addition, there was also some decline in fee based enrollment.

(10) In FY12, the number of vehicles abated by City decreased significantly due to the slow economic conditions which led to people holding onto their vehicles longer as well as

turning in vehicles for the cost of parts or scrap metal.

(11) In FY12, the number of complaints for housing and dangerous buildings declined largely due to proactive inspections performed under the City's Rental Housing Inspection

Program which led to decrease in notice and orders issued on housing and dangerous buildings.

(12) Fire Prevention has been working diligently to improve the way they track inspection data. Therefore, current year data is more accurate than prior years data.

(13) In FY13, the number of animal licenses issued declined largely due to economic down turn as pet owners make tough choices licensing suffered.

(14) Partnership with outside agencies in California and other states resulted in an increase in the number of animal outplacements in FY13.

(15) In FY13, the number of entertainment events at Memorial Auditorium declined largely due to a major stage extension maintenance/replacement project that limited its use for

approximately four months, no sold-out and extended-run performances. FY12 included sold out extended run performances of Wicked.

(16) In FY13, the summer food program is terminated.

(17) The reduction in flows have occurred due to water conservation efforts and reduced system infiltration caused by the below normal rainfall influence on the water table. There was

less rainfall in FY13 than in FY12.

(18) Prior to FY13, reported as Development and Code Enforcement Departments.

(19) Amount of storm drain pumped/distributed is dependent on rainfall. There was less rainfall in FY14 than in FY13 and FY12.

(20) Solid Waste commercial garbage collection was discontinued in October 2012.

(21) Implemented web licensing.

(22) Lost Elk Grove School District students in FY16.

Source: Various City of Sacramento Departments

**City of Sacramento  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

<b>Function/program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Police</b>										
Number of stations <sup>(1)</sup>	2	4	4	4	4	4	4	4	4	4
Number of patrol units <sup>(2)</sup>	210	210	210	242	242	242	263	243	226	231
Number of aircraft	NA	NA	3	3	3	4	4	4	4	4
Number of watercraft	NA	NA	2	2	2	3	3	3	2 <sup>(12)</sup>	2
<b>Fire</b>										
Number of stations	23	23	23	23	23	24	24	24	24	24
Number of fire suppression, support or prevention vehicles	170	151	150	160	160	159	159	159	159	162
Number of watercraft	NA	NA	NA	NA	NA	NA	NA	NA	1 <sup>(12)</sup>	1
<b>Public Works</b>										
Miles of streets	3,034	3,045	3,044	3,063	3,108	3,108	3,065	3,077	3,059	3,059
Number of street lights	39,964	40,578	41,131	41,252	41,301	41,679	41,788	42,048	42,225	42,627
Number of City parking spaces <sup>(3)</sup>	8,795	8,798	8,484	8,484	8,484	8,484	8,484	8,484	4,775 <sup>(13)</sup>	4,775
Miles of off-street bikeways	67	76	78	78	82	82	83	84	57	57
<b>Parks and recreation</b>										
Number of parks	205	206	208	212	213	213	222	222	222	225
Park acreage <sup>(4)</sup>	3,125	3,126	3,167	3,171	3,171	3,150 <sup>(5)</sup>	3,161 <sup>(5)</sup>	3,161	3,161	3,183
Number of community centers <sup>(5)</sup>	17	16	13	13	13	13	13	13	13	13
Number of swimming pools (including wading pools)	23	23	26	26	26	26	26	26	26	27
<b>Water</b>										
Miles of water mains and distribution lines <sup>(6) (7)</sup>	1,873	1,859	1,720	1,724	1,596	1,599	1,599	1,597	1,727	1,599
<b>Sewers and storm drainage</b>										
Miles of sanitary sewers and storm drainage <sup>(8)</sup>	2,024	1,859	1,693	1,950	1,954	1,951	1,951	1,951	1,873	1,869
<b>Off-street parking</b>										
Number of City garages and open parking lots	12	12	10	10	10	10	10	10	7 <sup>(13)</sup>	7
<b>Golf</b>										
Number of golf courses	6	6	6	6	6	6	6	6	6	6
<b>Marina</b>										
Number of boat harbor slips	547	475 <sup>(9)</sup>	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.

Source: Various City of Sacramento Departments

# City of Sacramento

## Miscellaneous Statistics

### Current Fiscal Year and Nine Years Ago

Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
	<b>2016</b>	<b>2007</b>
Number of budgeted positions	4,300	5,213
Area in square miles	99	99
Altitude in feet	20	20
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	4	2
Number of police personnel sworn / civilian (actual)	663/286	799/465
Number of patrol units	231	210
<b>Fire</b>		
Number of stations	24	23
Number of fire personnel sworn / unsworn	620/54	587/64
Number of fire protection, support and prevention vehicles	162	170
<b>Utilities</b>		
Miles of water mains and distribution lines <sup>(1)</sup>	1,599	1,873
Annual water production in gallons	27 billion	49 billion
Miles of sanitary sewers and storm drainage <sup>(2)</sup>	1,869	2,124
<b>Public Works</b>		
Miles of streets	3,059	3,034
Number of street lights	42,627	39,964
Number of City managed parking lots / spaces	18 / 4,726	12/8,795
Miles of off-street bikeways	57	67
Boat harbor slips <sup>(3)</sup>	475	547
<b>Convention and Cultural Services</b>		
Golf courses	6	6
Zoo animals <sup>(4)</sup>	587	547
Fairytale town attendance for year	254,863	231,366
Crocker Art Museum attendance for year	277,178	171,619
Community Convention Center attendance for year	744,145	849,000
<b>Parks and Recreation</b>		
Parks	225	215
Park acreage <sup>(5)</sup>	3,183	3,980
Camp Sacramento attendance for year	2,931	2,262
Community centers	13	17
Neighborhood centers	5	N/A
Swimming pools	12	23
Baseball fields <sup>(6)</sup>	103	101
Soccer fields	131	93
Ball courts	202	59
<b>Library</b>		
Library branches	12	27 <sup>(7)</sup>
Library books and audiovisual recordings in circulation	1,937,053	1,857,549

Notes: (1) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.

(2) Non-pipe elements may have been included in years prior to FY2009.

(3) In FY2008, the marina boat slips were made larger thereby decreasing their total number.

(4) Zoo animals number is comprised of animals on-site (either owned by zoo or owned by other entity).

(5) Golf course acreage is not included from FY 2005 onwards.

(6) This includes softball, little league and adult baseball from FY2011 onwards.

(7) This includes all library branches in the Sacramento public library system.

Source: Various City of Sacramento departments and publications

KEVIN JOHNSON

Mayor

ANGELIQUE ASHBY

Councilmember, District 1

ALLEN WARREN

Councilmember, District 2

JEFF HARRIS

Councilmember, District 3

STEVE HANSEN

Councilmember, District 4

JAY SCHENIRER

Councilmember, District 5

ERIC GUERRA

Councilmember, District 6

RICK JENNINGS, II

Vice Mayor, District 7

LARRY CARR

Mayor Pro Tem, District 8

## CITY OF SACRAMENTO FACTS

The City of Sacramento was founded in 1849 and is the oldest incorporated city in California.

In 1920, city voters adopted a Charter (municipal constitution) and a City Council/City Manager form of government.

The City is divided into eight districts.

Elected members of the City Council serve a four-year term.

The Mayor is elected by all voters in the City. In 2002, voters approved a measure for the Mayor to serve full-time. All other Councilmembers are elected by district and serve part-time.

The Mayor and other Councilmembers have an equal vote in all matters.

The City of Sacramento currently encompasses approximately 100 square miles.

The current estimated population is 485,683.



CityofSacramento.org

Cover images from left to right:  
1. East Sacramento Neighborhood  
2. City Worker in Land Park  
3. Farm-to-Fork 2014

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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<sup>(1)</sup>  
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO  
AND THE STATE OF CALIFORNIA  
FOR SELECTED CALENDAR YEARS 1970 THROUGH 2017**

<b>Year</b>	<b>City of Sacramento</b>	<b>Average Annual % Change</b>	<b>County of Sacramento</b>	<b>Average Annual % Change</b>	<b>State of California</b>	<b>Average Annual % Change</b>
1970	257,105		634,373		19,935,134	
1980	275,741	0.72%	783,381	2.35%	23,782,000	1.87%
1990	369,365	3.40	1,046,870	3.36	29,828,496	2.57
1995	384,300	0.81	1,120,733	1.41	31,910,000	1.45
2000	407,018	0.81	1,233,599	2.01	34,095,209	1.27
2005	453,592	1.85	1,378,538	1.46	36,899,392	1.32
2010 <sup>(2)</sup>	466,488	-3.09	1,420,434	-1.61	37,309,382	-3.26
2015 <sup>(2)</sup>	482,714	0.68	1,482,542	0.85	38,915,880	0.84
2016 <sup>(2)</sup>	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

<sup>(1)</sup> Totals are estimates and may not add due to rounding.

<sup>(2)</sup> The population estimates for 2010 forward 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 may not necessarily accurately reflect employment trends in the City.

**SACRAMENTO METROPOLITAN STATISTICAL AREA  
CIVILIAN LABOR FORCE, EMPLOYMENT, AND  
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY  
FOR YEARS 2012 THROUGH 2016**

<b>LABOR FORCE:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Labor force <sup>(1)</sup>	1,047,900	1,046,500	1,046,700	1,055,800	1,073,300
Employment	939,900	955,900	972,200	994,200	1,017,300
Unemployment	108,700	90,600	74,500	61,600	56,000
Unemployment Rate	10.3%	8.7%	7.1%	5.8%	5.2%
<b>EMPLOYMENT INDUSTRY:</b>					
Total All Industries <sup>(2)</sup>	855,300	878,200	898,800	927,200	958,700
Total Farm	8,600	8,900	9,200	9,400	9,200
Total Non-farm	846,700	869,300	889,600	917,800	949,600
Mining & Logging	400	400	400	500	500
Construction	38,400	43,300	45,500	50,200	54,500
Manufacturing	33,900	34,100	35,400	36,400	36,200
Trade, Transportation & Utilities	138,900	141,700	143,400	147,200	151,900
Information	15,600	14,800	13,900	14,100	13,800
Financial Activities	48,200	49,400	48,900	50,800	51,900
Professional & Business Services	111,100	114,600	118,200	120,200	128,600
Education & Health Services	125,600	130,700	134,300	140,100	145,900
Leisure & Hospitality	84,500	88,700	91,800	95,400	99,800
Other Services	28,600	29,000	30,200	30,900	31,200
Total Government	221,500	222,600	227,800	231,900	235,200
Federal Government	13,700	13,500	13,600	13,700	14,100
State and Local Government	207,800	209,100	214,200	218,200	221,100

<sup>(1)</sup> Labor-force data are by place of residence and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work and excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: Labor Market Information Division of the California State Employment Development Department.

The two tables below identify 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 is through December 2016 and may not reflect subsequent changes in work force.

**SACRAMENTO COUNTY  
MAJOR PRIVATE SECTOR EMPLOYERS IN 2016**

<b>Company</b>	<b>Type of Business</b>	<b>No. of Full-Time Employees</b>
Sutter Health	Healthcare	8,905
Kaiser Permanente	Healthcare	8,885
Dignity Health	Healthcare	7,853
Intel Corp.	Semiconductor Manufacturer	6,000
Apple Inc.	Research, development, customer service and distribution of digital consumer products	4,000 <sup>(1)</sup>
Raley's	Grocery Stores	3,149
VSP Global	Vision Healthcare	2,906
Health Net of California Inc.	Healthcare	2,706
Wells Fargo & Co.	Financial Services	2,015
Safeway Inc.	Grocery Stores	1,711

<sup>(1)</sup> Includes contract employees.

Source: Sacramento Business Journal, 2016 Book of Lists, December, 2016.

**SACRAMENTO COUNTY  
MAJOR PUBLIC SECTOR EMPLOYERS IN 2016**

<b>Company</b>	<b>Type of Business</b>	<b>No. of Full-Time Employees</b>
State of California*	Government	73,676 <sup>(1)</sup>
Sacramento County	County Government	11,950
UC Davis Health System	Health Care	10,145
U.S. Government	Government	10,007
Elk Grove Unified School District	School District	5,863
City of Sacramento	Government	4,300
Sacramento City Unified School District	School District	4,213
San Juan Unified School District	School District	3,958
Los Rios Community College District	Community College District	3,113
California State University, Sacramento	University	2,105

<sup>(1)</sup> Includes full-time and intermittent employees.

Source: Sacramento Business Journal, 2016 Book of Lists, December, 2016.

## Commercial Activity

The following table summarizes taxable sales within the City during calendar years 2011 through 2015.

**CITY OF SACRAMENTO  
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS  
FOR YEARS 2011 THROUGH 2015  
(\$ in Thousands)**

<b>Type of Business</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Motor Vehicle and Parts Dealers	282,738	338,082	388,898	397,302	494,138
Home Furnishings & Appliance Stores	223,797	203,543	203,675	254,332	319,599
Building Materials	304,603	258,469	303,311	296,075	321,595
Food & Beverage	291,616	295,149	299,456	320,301	330,704
Gasoline Stations	574,763	612,199	599,365	578,764	500,134
Clothing & Accessories	331,037	339,108	340,610	329,495	349,842
General Merchandise	500,631	504,732	513,841	505,521	468,938
Food & Drinking	718,749	762,531	796,733	848,980	934,198
Other Retail	475,042	487,314	506,059	505,414	531,045
Total Retail & Food Services	3,702,978	3,801,126	3,951,948	4,036,184	4,250,197
All Other Outlets	1,588,997	1,670,192	1,752,173	1,827,038	1,933,227
<b>TOTAL:</b>	<b>5,291,975</b>	<b>5,471,319</b>	<b>5,704,121</b>	<b>5,863,222</b>	<b>6,183,425</b>

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 March 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 March 1, 2013 (the “First Supplemental Indenture”), and as further supplemented by the Second Supplemental Indenture, dated as of June 1, 2017 (the “Second Supplemental Indenture” and, together with the Original Indenture, as supplemented, and the First Supplemental Indenture, the “Indenture”), each 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.

“ARRA Loan” means the loan disbursed under Funding Agreement Number AR09FP22, dated September 8, 2009, and designated as City Agreement No. 2009-0850, between the City and the State of California Department of Public Health.

“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 Water 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.

“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 March 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 Water 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 Water 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 Water 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 Water 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 ARRA Loan, (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 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 Water Revenue Bonds, Series 2013 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.

“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 Water System determined in accordance with generally accepted accounting principles, consistently applied, including (1) all income, rents, rates, fees, connection fees, water system development fees, charges, standby charges, capacity charges, or other moneys derived by the City from the water 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 Water System, and including investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water 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 Water System; (3) allocations from the Rate Stabilization Fund to the Water 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 Water 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 Water 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.

"Water Fund" means the existing fund by that name established and maintained by the City on its books.

"Water Service" means the water services made available or provided by the Water System.

"Water System" means the whole and each and every part of the properties, works, and facilities of the water 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.

### **Water 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 Water 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 Water Fund shall be applied and used only as provided herein and the Water 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 Water Fund to the Rate Stabilization Fund or allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund. From amounts accounted for within the Water 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 Water 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 Obligation 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.

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. Subsequent to the issuance of the Series 2013 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 the Series 2013 Bonds, 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, with respect to each additional Series of Bonds issued subsequent to the Series 2013 Bonds issued under the Indenture, 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 Water 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 Water 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 Water 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 Water System anticipated to be served by any additions or improvements to or replacements or extensions of the Water 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 Water 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 Water 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 Water 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 \$3,250,000.00 of amounts then accounted for in the Water 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 shall 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 Water 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 Water 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 Water System. The City will cause the Water System to be maintained in good repair, working order, and condition at all times and will continuously operate the Water 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 Water 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 Water 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 Water 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 Water 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 water services similar to those provided by the City through the Water 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 Water System. The Water 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 Water 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 Water 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 Water 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 Water System for water 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.

Use of System Net Revenues for General Fund Lease Obligations. For so long as any Bonds remain Outstanding or any Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations remain outstanding, the City shall not use System Net Revenues to pay, or reimburse the City's General Fund for the payment of, any existing or future General Fund lease obligation of the City unless (1) (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; or (2) such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

Encumbrance of Water System Components By General Fund Lease Obligations. The City shall not encumber any components of the Water System under a City General Fund lease except for the components of the Water 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 Water 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 Water 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.

### **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 Water Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to an Indenture, dated as of March 1, 2013, as supplemented by the Second Supplemental Indenture dated as of June 1, 2017 (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 2017 Bonds and in order to assist the Participating Underwriters 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 Bonds (including persons holding 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.

“Listed Event” means any of the events listed in Section 5(a) of the Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriters” means underwriters of the Series 2017 Bonds listed on the cover page of the Official Statement required to comply with the Rule in connection with offering of the Series 2017 Bonds.

“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.

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 2016-17 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 the CUSIP numbers of the Series 2017 Bonds and include by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If, however, the City's audited financial statements are not available by the time the Annual Report is required to be filed 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) An annual report updating the following tables contained in the Official Statement for the Series 2017 Bonds, dated June 8, 2017, to reflect actual results of the most recently completed fiscal year (projections need not be updated):

(1) Table 2 – Average Water Production for Fiscal Years 2011-12 to 2015-16 (to be updated to show value for most recently completed fiscal year; the average over multiple years need not be calculated)

(2) Table 4 – Number of Connections by User Type

(3) Table 5 – Largest Users by Service Charge Revenues

(4) Table 7 – Selected Monthly Rates

(5) Table 8 – Uncollected Water System Charges

(6) Table 11 – Summary of Projected Operating Results (to be updated to show actual results of most recently completed fiscal year; projections of future fiscal years do not have to be updated or included in Annual Report)

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 2017 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 obligated person.

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 an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) 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 2017 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 2017 Bonds or other material events affecting the tax status of the Series 2017 Bonds;
- (2) Modifications to rights of holders of the Series 2017 Bonds;
- (3) Optional, unscheduled or contingent bond calls;
- (4) Release, substitution, or sale of property securing repayment of the Series 2017 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; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall as soon as possible determine if such event would be material under applicable federal securities laws. If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than 10 business days after the event.

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 2017 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 2017 Bonds, or the Series 2017 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Series 2017 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 2017 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 2017 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 2017 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 2017 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, any Participating Underwriter or any Holder or Beneficial Owner of the Series 2017 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 Participating Underwriters, and the Holders and Beneficial Owners from time to time of the Series 2017 Bonds, and it creates no rights in any other person or entity.

Dated: June 22, 2017

CITY OF SACRAMENTO, CALIFORNIA

By: \_\_\_\_\_  
John P. Colville Jr., City Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento, California

Name of Issue: \$52,610,000 Water Revenue Bonds, Series 2017 (the "Series 2017 Bonds")

Date of Issuance: June 22, 2017

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 March 1, 2013, as supplemented by the First Supplemental Indenture dated as of June 1, 2017 (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

[Closing Date]

City of Sacramento  
Sacramento, California

City of Sacramento  
Water Revenue Bonds, Series 2017  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with the issuance of \$52,610,000 aggregate principal amount of City of Sacramento Water Revenue Bonds, Series 2017 (the “Bonds”), issued pursuant to an Indenture, dated as of March 1, 2013 (the “Original Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented to the date hereof, including as supplemented by a Second Supplemental Indenture, dated as of June 1, 2017. 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 June 8, 2017 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 individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City and the Underwriters take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the Series 2017 Bonds. The Series 2017 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 2017 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](http://www.dtcc.com).

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 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 2017 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

2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 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 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 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 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2017 Bond documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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 2017 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2017 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 2017 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 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017 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 2017 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 2017 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 2017 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 Underwriters believe to be reliable, but the City and the Underwriters do not take any responsibility for the accuracy thereof.

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