

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, interest on the Series 2020 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2020 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. 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 2020 Bonds. See "TAX MATTERS" herein.*



\$188,390,000

## CITY OF SACRAMENTO

## WATER REVENUE REFUNDING BONDS, SERIES 2020 (FEDERALLY TAXABLE)

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

The City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the "**Series 2020 Bonds**") are being issued by the City of Sacramento (the "**City**") to defease and refund a portion of the outstanding City of Sacramento Water Revenue Bonds, Series 2013 (the "**Series 2013 Bonds**"; such portion to be refunded is referred to herein as the "**Refunded Bonds**").

The Series 2020 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 2020 Bonds will not receive physical certificates representing the Series 2020 Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. The Series 2020 Bonds will be issued in fully registered form in denominations of \$1,000 or any integral multiple thereof.

Interest on the Series 2020 Bonds will be payable semiannually on March 1 and September 1, commencing September 1, 2020. Payments of interest on and principal of the Series 2020 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 2020 Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The Series 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to their respective stated maturities, as described herein. See "THE SERIES 2020 BONDS – Redemption Provisions" herein.

The Series 2020 Bonds are being issued pursuant to an Indenture, dated as of March 1, 2013, as supplemented, including as supplemented by the Third Supplemental Indenture, dated as of May 1, 2020 (as supplemented, the "**Indenture**"), between the City and U.S. Bank National Association, as trustee (the "**Trustee**"). The Series 2020 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 provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. "**System Net Revenues**" means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable. "**System Revenues**" consist primarily of all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System excluding certain moneys as described herein.

The Series 2020 Bonds are payable from System Net Revenues on a parity with (i) the Series 2013 Bonds; (ii) the City of Sacramento Water Revenue Bonds, Series 2017 (the "**Series 2017 Bonds**"); (iii) a Funding Agreement with the State of California Department of Public Health ("**State Funding Agreement**"); and (iv) a loan through the State Water Resources Control Board (the "**SRF Loan**"). 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, Series 2017 Bonds and Series 2020 Bonds, the "**Bonds**") and incur other obligations (together with the State Funding Agreement and the SRF Loan, the "**Parity Obligations**") secured by the pledge of and payable from the Trust Estate on a parity basis with the outstanding Bonds, the State Funding Agreement and the SRF Loan 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 Bonds and Parity Obligations, subject to the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

**The Series 2020 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 2020 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 2020 Bonds or the interest or premium, if any, thereon. The Series 2020 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 2020 Bonds.**

The Series 2020 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of validity of the Series 2020 Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the 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 2020 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about May 6, 2020.

Goldman Sachs &amp; Co. LLC

BofA Securities

Citi

Siebert Williams Shank &amp; Co., LLC

Dated: April 23, 2020

**\$188,390,000**  
**CITY OF SACRAMENTO**  
**WATER REVENUE REFUNDING BONDS, SERIES 2020 (FEDERALLY TAXABLE)**

**MATURITY SCHEDULE**

**BASE CUSIP NO. †: 786089**

<b>Maturity (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP†</b>
2020	\$2,890,000	1.417%	100.00	HZ8
2021	2,015,000	1.467	100.00	JA1
2022	2,050,000	1.517	100.00	JB9
2023	2,080,000	1.611	100.00	JC7
2024	2,115,000	1.714	100.00	JD5
2025	7,925,000	1.814	100.00	JE3
2026	8,075,000	1.953	100.00	JF0
2027	8,240,000	2.103	100.00	JG8
2028	8,420,000	2.147	100.00	JH6
2029	8,600,000	2.197	100.00	JJ2
2030	8,800,000	2.297	100.00	JK9
2031	9,010,000	2.447	100.00	JL7
2032	9,235,000	2.547	100.00	JM5
2033	9,480,000	2.647	100.00	JN3
2034	9,740,000	2.747	100.00	JP8
2035	10,020,000	2.897	100.00	JQ6

\$79,695,000 3.180% Term Bonds due September 1, 2042; Price: 100.00; CUSIP† 786089JR4

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriters and are included solely for the convenience of the registered owners of the Series 2020 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 2020 Bonds or as included herein. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2020 Bonds as a result of various subsequent actions.

**CITY OF SACRAMENTO, CALIFORNIA**

Darrel Steinberg  
*Mayor*

**CITY COUNCIL MEMBERS**

Angelique Ashby  
*District 1*

Jay Schenirer  
*District 5*

Allen Wayne Warren  
*District 2*

Eric Guerra  
*District 6*

Jeff Harris  
*District 3*

Rick Jennings, II  
*District 7*

Steve Hansen  
*District 4*

Larry Carr  
*District 8*

**CHIEF CITY ADMINISTRATIVE PERSONNEL**

Howard Chan  
*City Manager*

John P. Colville Jr.  
*City Treasurer*

Susana Alcala Wood  
*City Attorney*

Dawn Holm  
*Finance Director*

Mindy Cuppy  
*City Clerk*

Brian Wong  
*Debt Manager*

Bill Busath  
*Director of Utilities*

Anthony Bertrand  
*Engineering Services Division Manager*

Pravani Vandeyar  
*Water Division Manager*

Chuong (Ryan) Pham  
*Business Services Division Manager*

**Special Services**

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP

**Disclosure Counsel**

Stradling Yocca Carlson & Rauth,  
A Professional Corporation

**Trustee and Escrow Agent**

U.S. Bank National Association

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.

**Verification Agent**

Causey Demgen & Moore P.C.

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 2020 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 2020 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 Market Access (“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 2020 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 2020 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

**\$188,390,000**

**CITY OF SACRAMENTO**

**WATER REVENUE REFUNDING BONDS, SERIES 2020 (FEDERALLY TAXABLE)**

### INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “**Series 2020 Bonds**”) being offered and a brief description of the Official Statement (which includes the cover page and Appendices hereto). All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “**State**”) and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Indenture (defined below). 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, Series 2020 Bonds in the aggregate principal amount of \$188,390,000 pursuant to an Indenture, dated as of March 1, 2013, as supplemented, including as supplemented by the Third Supplemental Indenture, dated as of May 1, 2020 (as so supplemented, the “**Indenture**”), between the City of Sacramento (the “**City**”) and U.S. Bank National Association, as trustee (the “**Trustee**”). The Series 2020 Bonds are being issued by the City to defease and refund a portion of the outstanding City of Sacramento Water Revenue Bonds, Series 2013 (such portion to be refunded is referred to herein as the “**Refunded Bonds**”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.”

#### **The City of Sacramento**

The City is at the confluence of the Sacramento and American Rivers in the Northern part of California’s Central Valley (the “**Central Valley**”), approximately 75 air miles northeast of San Francisco. As of January 1, 2019, the City had an estimated population of 508,172. See APPENDIX B — “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO.”

#### **The Water System**

The City’s water system (the “**Water System**”) is owned and operated by the City under the administration of the City’s 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 2020 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 2020 Bonds are payable from System Net Revenues on a parity with (i) the Series 2013 Bonds; (ii) the City of Sacramento Water Revenue Bonds, Series 2017 (the “**Series 2017 Bonds**”); (iii) a Funding Agreement with the State of California Department of Public Health (“**State Funding Agreement**”); and (iv) a loan through the State Waste Resources Control Board (the “**SRF Loan**”). 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, Series 2017 Bonds and Series 2020 Bonds, the “**Bonds**”) and incur other obligations (together with the State Funding Agreement and the SRF Loan, the “**Parity Obligations**”) secured by the pledge of and payable from the Trust Estate on a parity basis with the Bonds, the State Funding Agreement and the SRF Loan 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 Bonds and Parity Obligations, subject to the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

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 2020 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 2020 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 2020 Bonds or the interest or premium thereon. The Series 2020 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 the 2017 Bonds and (ii) entered into the State Funding Agreement and the SRF Loan. The City's obligations with respect to the State Funding Agreement and the SRF Loan constitute Parity Obligations pursuant to the Indenture. As of April 1, 2020, the outstanding principal amount of the Series 2013 Bonds is \$191,760,000 (including the Refunded Bonds); the outstanding principal amount of the Series 2017 Bonds is \$51,000,000; the outstanding principal amount owed by the City pursuant to the State Funding Agreement is \$6,817,914; and the outstanding principal amount of the SRF Loan is \$173,141,875. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Obligations." See also "CERTAIN RISK FACTORS – Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds."

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 \$105 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 2020 Bonds**

No bond reserve fund is being established with respect to the Series 2020 Bonds. The Series 2020 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 2020 Bonds."

### **Rate Stabilization Fund**

Pursuant to the Indenture, the City has established and maintains a Rate Stabilization Fund. As of the date of issuance of the Series 2020 Bonds, approximately \$10.3 million will be on deposit in the Rate Stabilization Fund. Upon compliance with the terms of the Indenture, from time to time the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City 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.”

**Continuing Disclosure**

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2020 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 2019-20, 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 (as defined herein) 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 2020 Bonds, including the potential impact of the COVID-19 pandemic on the operations and finances of the Water System.

**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 2020 Bonds are as follows:

<b>Sources:</b>	
Principal Amount	\$188,390,000.00
City Contribution <sup>(1)</sup>	1,004,571.19
Available Amounts from accounts related to Refunded Bonds	4,248,265.60
Total Sources	\$193,642,836.79
 <b>Uses:</b>	
Escrow Fund	\$192,635,498.34
Costs of issuance <sup>(2)</sup>	1,007,338.45
Total Use	\$193,642,836.79

<sup>(1)</sup> Used to pay costs of issuance and underwriters’ discount.

<sup>(2)</sup> Includes fees of Bond Counsel, Disclosure Counsel, Municipal Advisor, the Trustee, the Verification Agent and the Escrow Agent, Underwriters’ discount, rating agency fees, printing costs, and certain miscellaneous expenses.

## PLAN OF REFUNDING

A portion of the proceeds of the Series 2020 Bonds, together with other available moneys, will be used to advance refund and defease the Refunded Bonds.

The Refunded Bonds are described below.

Maturity Date (September 1)	Principal Amount	CUSIP† Number	Redemption Date	Redemption Price
2025	\$5,865,000	786089GH9	9/1/2023	100%
2026	1,600,000	786089GJ5	9/1/2023	100
2026	4,555,000	786089HA3	9/1/2023	100
2027	6,460,000	786089GK2	9/1/2023	100
2028	6,790,000	786089GL0	9/1/2023	100
2029	7,135,000	786089GM8	9/1/2023	100
2030	7,505,000	786089GN6	9/1/2023	100
2031	7,890,000	786089GP1	9/1/2023	100
2032	8,290,000	786089GQ9	9/1/2023	100
2033	8,720,000	786089GR7	9/1/2023	100
2038 Term	50,775,000	786089GS5	9/1/2023	100
2042 Term	50,820,000	786089GT3	9/1/2023	100

† 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 applicable bonds. Neither the City nor the Underwriters are responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the applicable bonds or as included in this Official Statement.

A portion of the proceeds of Series 2020 Bonds, together with certain available moneys of the City, will be deposited into an escrow fund for the Refunded Bonds (the “**Escrow Fund**”) to be established under the terms of an escrow agreement to be entered into by the City and the Trustee, as trustee and escrow agent. Certain amounts deposited into the Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury or federal agencies (the “**Escrow Securities**”) and all remaining amounts deposited into the Escrow Fund will be held uninvested in cash. Amounts on deposit in the Escrow Fund will be used to pay principal of and interest on the Refunded Bonds becoming due on and prior to September 1, 2023 and to pay on September 1, 2023, the redemption price equal to 100% of the principal amount of the Refunded Bonds maturing after such date.

Causey Demgen & Moore P.C., a firm of independent certified public accountants, has verified that the Escrow Securities and the earnings thereon and the uninvested cash to be held in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Bonds becoming due on and prior to September 1, 2023 and to pay on September 1, 2023, the redemption price equal to 100% of the principal amount of the Refunded Bonds maturing after such date. See “**VERIFICATION OF MATHEMATICAL COMPUTATIONS.**”

## THE SERIES 2020 BONDS

### General

The Series 2020 Bonds will be issued in fully registered form, without coupons, in denominations of \$1,000 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, 2020 (each, an “**Interest Payment Date**”). Interest on the Series 2020 Bonds will be computed on the basis of a 360-day year, composed of twelve 30-day months.

The Series 2020 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 2020 Bonds. Individual purchases will be made in book-entry form. Purchasers will not receive a bond certificate representing their beneficial ownership interest in Series 2020 Bonds. So long as Cede & Co. as nominee of DTC, is the registered owner of the Series 2020 Bonds, references herein to Bondholders, Holders or Owners of the Series 2020 Bonds shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of Series 2020 Bonds.

So long as Cede & Co. is the registered owner of the Series 2020 Bonds, principal of and interest on the Series 2020 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 2020 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 2020 Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the Series 2020 Bonds will be paid by check mailed by first-class mail on each Interest Payment Date to the person in whose name each Series 2020 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 2020 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 2020 Bonds maturing on and after September 1, 2031, are subject to optional redemption before their stated maturities, at the City’s option, from any source of available funds, on any date on or after September 1, 2030 as a whole or in part by such maturity or maturities as may be specified by the City and on a pro rata pass-through distribution of principal basis within any 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.

Make-Whole Optional Redemption. The Series 2020 Bonds are subject to optional redemption before their stated maturities, at the City’s option, from any source of available funds, on any date prior to September 1, 2030, as a whole or in part by such maturity or maturities as may be specified by the City and on a pro rata pass-through distribution of principal basis within any maturity, at a redemption price (the “**Make-Whole Redemption Price**”) equal to the greater of:

- (1) the issue price of 100% of the principal amount of the Series 2020 Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2020 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020 Bonds are to be redeemed, discounted to the date on which the Series 2020 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus the make-whole call spread corresponding with each maturity, as set forth below:

### Make-Whole Call Spread by Maturity

<u>Maturity (September 1)</u>	<u>Basis Points</u>
2020	20
2021	20
2022	20
2023	25
2024	25
2025	25
2026	25
2027	25
2028	25
2029	25
2030	30
2031	30
2032	30
2033	35
2034	35
2035	35
2042	30

plus, in each case, accrued interest on the Series 2020 Bonds to be redeemed to the redemption date.

“**Treasury Rate**” means, with respect to any redemption date for a particular Series 2020 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date selected by the City that is at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2020 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

On and after September 1, 2030, the Series 2020 Bonds will be subject to redemption as described under “Optional Redemption” above and will no longer be subject to Make-Whole Optional Redemption.

At the request of the Trustee, the redemption price of the Series 2020 Bonds to be redeemed at the option of the City as described under “Make-Whole Optional Redemption” shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Trustee at the City’s expense to calculate such redemption price. The Trustee and the City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and shall not be liable for such reliance.

Mandatory Sinking Fund Redemption. The Series 2020 Bonds maturing on September 1, 2042, are also subject to mandatory redemption from Mandatory Sinking Account Payments for those Series 2020 Bonds on each September 1 on and after September 1, 2036, at a redemption price equal to the principal amount of the Series 2020 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 2020 Bonds on the dates set forth below (except that if any such Series 2020 Bonds are optionally redeemed as described above, the amounts of the remaining Mandatory Sinking Fund Account Payments for those Series 2020 Bonds will be revised as directed in writing by the City):

<b>Mandatory Sinking Account Payment Date (September 1)</b>	<b>Mandatory Sinking Account Payment</b>
2036	10,330,000
2037	10,665,000
2038	11,005,000
2039	11,365,000
2040	11,725,000
2041	12,105,000
2042*	12,500,000

\* Final Maturity

***Pro Rata Pass-Through Distribution of Principal.*** If less than all of the Series 2020 Bonds of a maturity are to be redeemed prior to maturity as described above, then

(1) If the Series 2020 Bonds are registered in book-entry only form and so long as the Securities Depository is the sole registered owner of the Series 2020 Bonds, the particular Series 2020 Bonds shall be redeemed on a “Pro-Rata Pass-Through Distribution of Principal” basis in accordance with the Securities Depository’s procedures, provided further, that such redemption is made in accordance with the operational arrangements of the Securities Depository then in effect. The City intends that the Series 2020 Bonds will be made eligible for partial redemption to be treated by the Securities Depository in accordance with its rules and procedures, as a “pro rata pass-through distribution of principal.” The Trustee will send notice to the Securities Depository in accordance with such rules and procedures to effect a pro rata reduction of principal of all applicable Series 2020 Bonds to accomplish the optional redemptions described above through a pass-through distribution of principal. In connection with each such redemption, the Trustee will include in the written notice of redemption described above the dollar amount per \$1,000 principal amount payable on account of principal and accrued interest to effect a pro rata reduction through a pass-through distribution of principal on the related redemption date. The Securities Depository will be responsible for distributing the principal and accrued interest among its direct participants, as applicable, pro rata in accordance with its rules and procedures for a pro rata pass-through distribution of principal based upon the beneficial interest in the Series 2020 Bonds being redeemed that the Securities Depository records list as owned by each Securities Depository direct participant as of the record date for such payment. Any failure of the Trustee to make such selection or of the Securities Depository or its participants or any other intermediary to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of the Series 2020 Bonds.

(2) If the Securities Depository’s operational arrangements do not allow for allocation of such redemption on a pro rata pass-through distribution of principal basis, the portion of the Series 2020 Bonds to be redeemed on such dates will be selected in accordance with the Securities Depository’s then existing rules and procedures and may be by lot. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

(3) If the Series 2020 Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Trustee may select the Series 2020 Bonds for redemption pro rata within a maturity. The Trustee will select such portions of Series 2020 Bonds to be redeemed in such manner as the Trustee may deem to be fair and appropriate.

None of the City, the Trustee or the Underwriters can provide any assurance that DTC, DTC participants, or other intermediaries will allocate the redemption payments on this basis. If DTC’s operational arrangements do not allow for allocation of such redemption on a pro rata pass-through distribution of principal basis, the portion of the Series 2020 Bonds to be redeemed on such dates will be selected in

accordance with DTC's then existing rules and procedures and may be by lot. See APPENDIX F -"BOOK-ENTRY ONLY SYSTEM."

***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 2020 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 2020 Bonds.

With respect to any notice of optional redemption of Series 2020 Bonds, unless, upon the giving of such notice, such Series 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds or the interest or premium thereon. The Series 2020 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 \$105 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 2020 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 2020 Bonds. The Series 2020 Bonds do not constitute Participating Bonds and are 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 \$191,760,000 (including the Refunded Bonds), and the Series 2017 Bonds, which are currently outstanding in the principal amount of \$51,000,000.

In addition, in order to fund certain improvements to the Water System, the City has previously entered into (i) the State Funding Agreement with the California Department of Public Health (“CDPH”) and (ii) the SRF Loan. The City’s obligations with respect to the State Funding Agreement and the SRF Loan constitute Parity Obligations pursuant to the Indenture. The current outstanding principal amount owed by the City pursuant to the State Funding Agreement is \$6,817,914 and the current outstanding principal amount of the SRF Loan is \$173,141,875. The State Funding Agreement and the SRF Loan both provide 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, the Series 2017 Bonds, the Series 2020 Bonds, the State Funding Agreement and the SRF Loan is set forth below in “DEBT SERVICE SCHEDULE.”

Upon project completion, which is expected to occur in Fiscal Year 2020-21, the City will be required to establish a debt service reserve fund with respect to the SRF Loan. The City has previously established a debt service reserve fund in connection with the State Funding Agreement. Amounts in such debt service reserve funds are not available for the payment of any Bonds (including the Series 2020 Bonds) or other Parity Obligations.

### **Other Outstanding Obligations**

In addition to the State Funding Agreement and the SRF Loan, 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 \$105 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, Subordinate Obligations and Fee and Expense Obligations**

**Additional Bonds.** The City may, by Supplemental Indenture, issue one or more additional Series of Bonds that, subject to the provision of the Indenture permitting the application thereof for the purposes of 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 Outstanding 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 2020 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 Outstanding Bonds, subject to the provisions of the Indenture, provided that certain conditions precedent to the issuance or incurrence of such Parity Obligations, as set forth in the Indenture, are satisfied.

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

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

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

(A) Such Parity Obligations are being issued or incurred for purposes of refunding and the City has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance or incurrence of such Parity Obligations is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance or incurrence of such Parity Obligations; 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 any 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.**” As of the date of issuance of the Series 2020 Bonds, approximately \$10.3 million will be 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.



## DEBT SERVICE SCHEDULE

Debt Service with respect to the State Funding Agreement, the SRF Loan, the Series 2013 Bonds (after the refunding of the Refunded Bonds), the Series 2017 Bonds and the Series 2020 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		SRF Loan		Series 2013 Bonds		Series 2017 Bonds		Series 2020 Bonds		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2021	\$470,892	\$167,637		\$2,821,444	\$4,580,000	\$1,137,250	\$870,000	\$2,508,163	\$2,890,000	\$4,090,465	\$8,810,892	\$10,724,958
2022	482,746	155,783	\$7,347,547	2,900,170	4,815,000	902,375	915,000	2,463,538	2,015,000	4,961,009	15,575,293	11,382,874	26,958,168
2023	494,899	143,631	7,460,787	2,786,929	5,065,000	655,375	960,000	2,416,663	2,050,000	4,930,680	16,030,686	10,933,277	26,963,963
2024	507,357	131,172	7,588,160	2,659,557	5,315,000	403,875	1,010,000	2,367,413	2,080,000	4,898,376	16,500,517	10,460,393	26,960,910
2025	520,129	118,400	7,717,706	2,530,010	5,580,000	139,500	1,060,000	2,315,663	2,115,000	4,863,496	16,992,835	9,967,069	26,959,905
2026	533,222	105,307	7,849,465	2,398,251			1,115,000	2,261,288	7,925,000	4,773,491	17,422,687	9,538,337	26,961,024
2027	546,645	91,884	7,983,473	2,264,243			1,175,000	2,204,038	8,075,000	4,622,759	17,780,119	9,182,924	26,963,042
2028	560,406	78,123	8,119,769	2,127,948			1,235,000	2,143,788	8,240,000	4,457,263	18,155,175	8,807,121	26,962,296
2029	574,514	64,016	8,258,392	1,989,325			1,295,000	2,080,538	8,420,000	4,280,231	18,547,905	8,414,109	26,962,014
2030	588,976	49,553	8,399,381	1,848,336			1,365,000	2,014,038	8,600,000	4,095,371	18,953,357	8,007,297	26,960,654
2031	603,803	34,726	8,542,777	1,704,939			1,435,000	1,944,038	8,800,000	3,899,832	19,381,580	7,583,535	26,965,115
2032	619,003	19,527	8,688,622	1,559,095			1,505,000	1,870,538	9,010,000	3,688,527	19,822,624	7,137,685	26,960,310
2033	315,320	3,944	8,836,956	1,410,760			1,585,000	1,793,288	9,235,000	3,460,682	19,972,277	6,668,674	26,640,950
2034			8,987,823	1,259,894			1,665,000	1,712,038	9,480,000	3,217,606	20,132,823	6,189,537	26,322,360
2035			9,141,265	1,106,451			1,750,000	1,626,663	9,740,000	2,958,359	20,631,265	5,691,473	26,322,738
2036			9,297,327	950,389			1,830,000	1,546,313	10,020,000	2,679,441	21,147,327	5,176,143	26,323,470
2037			9,456,053	791,663			1,905,000	1,471,613	10,330,000	2,370,054	21,691,053	4,633,330	26,324,383
2038			9,617,490	630,227			1,985,000	1,393,813	10,665,000	2,036,234	22,267,490	4,060,273	26,327,763
2039			9,781,682	466,035			2,075,000	1,302,238	11,005,000	1,691,681	22,861,682	3,459,953	26,321,635
2040			9,948,677	299,039			2,180,000	1,195,863	11,365,000	1,335,998	23,493,677	2,830,899	26,324,577
2041			10,118,523	129,193			2,295,000	1,083,988	11,725,000	968,867	24,138,523	2,182,047	26,320,570
2042							2,410,000	966,363	12,105,000	589,970	14,515,000	1,556,332	16,071,332
2043							2,535,000	842,738	12,500,000	198,750	15,035,000	1,041,488	16,076,488
2044							2,665,000	709,406			2,665,000	709,406	3,374,406
2045							2,810,000	565,688			2,810,000	565,688	3,375,688
2046							2,960,000	414,225			2,960,000	414,225	3,374,225
2047							3,120,000	254,625			3,120,000	254,625	3,374,625
2048							3,290,000	86,363			3,290,000	86,363	3,376,363
<b>Totals</b>	<b>\$6,817,914</b>	<b>\$1,163,703</b>	<b>\$173,141,875</b>	<b>\$34,633,899</b>	<b>\$25,355,000</b>	<b>\$3,238,375</b>	<b>\$51,000,000</b>	<b>\$43,554,919</b>	<b>\$188,390,000</b>	<b>\$75,069,139</b>	<b>\$444,704,789</b>	<b>\$157,660,034</b>	<b>\$602,364,823</b>

Source: The City

## 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, the City Auditor and the City Treasurer to carry out its adopted policies. The Mayor is chairperson of the City Council and is elected in at-large City elections. Members of the City Council serve four-year terms and are elected from eight geographic council districts.

As of January 1, 2019, the City had an estimated population of 508,127 according to the State of California Department of Finance.

### 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, which was acquired by California American Water Company ("Cal Am") on January 31, 2020. The population within both of these areas is roughly equivalent.

The City wholesales water to the Cal Am, SSWD, and Sacramento County Water Agency ("SCWA") (for service to Sacramento International Airport and Metro Air Park), and wheels water to the SCWA (for South Sacramento Zone 40 service area). The differentiation between the terms "wholesale" and "wheeling" are a function of water rights accounting. In either case, the City is treating and delivering potable water through its distribution system to those customers.

### Management

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

*Anthony Bertrand, Engineering and Water Resources Services Division Manager* – Mr. Bertrand has over 24 years of experience in the design, construction, and management of water, drainage, and wastewater systems with the Department. He has held several positions in the Department including managing the

Department’s Development Review and Floodplain Management Section and the Department’s Wastewater CIP Section, and is currently the Engineering and Water Resources Division Manager. He holds a Bachelor of Science in Civil Engineering from California State University Sacramento, and has been a licensed Professional Civil Engineer for 22 years.

*Pravani Vandeyar, Water Operations and Maintenance (O&M) Division Manager* - Ms. Vandeyar has over 25 years of experience in research, analysis and reporting for regulatory compliance. Over the last 12 years her focus has been in the field of drinking water. She has held several positions within the department, starting as the Supervising Water Quality Chemist overseeing the Department’s Laboratory for 5 years, then promoted to the Water Quality Superintendent for 5 years. Ms. Vandeyar has been the Water O&M Division Manager for two years. She holds a Bachelor of Science from the University of the Witwatersrand and a Master of Science from the University of Pretoria in South Africa, along with a Water Treatment Operator II Certification and a Distribution System Operator II Certification from the State Water Resources Control Board Division of Drinking Water.

*Chuong (Ryan) Pham, Business Services Division Manager* – Mr. Pham has over 23 years of experience in state and local government with 14 years of leadership capacity. He previously served as Revenue Officer of the City of Stockton. Before his current role as the Business Services Division Manager to the Department, Mr. Pham served as the Department’s Billing Services Manager. He holds a Bachelor of Science degree in Business Administration from California State University Sacramento, and a Master of Business Administration in Organization Development from University of Phoenix, and has been an affiliate member of the International City/County Management Association and a member of the California Society of Municipal Finance Officers.

**Employees**

During Fiscal Year 2019-20, the City has assigned 574.9 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 2019-20, the Water System was allocated approximately 65% of Department employee costs. Employees assigned to the Department 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 2020.

<b>Bargaining Unit</b>	<b>Number of Employees</b>	<b>Expiration</b>
Western Council of Engineers (WCE)	22	June 18, 2021
UA Local 447 Plumbers & Pipefitters Local Union	178	June 18, 2021
Stationary Engineers Local 39	207	June 18, 2021
Sac Sierra Building and Construction Trades, rep unit 6	64	June 18, 2021
Sacramento City Exempt Employees Association (SCXEA)	103	June 19, 2020
Non-Represented	0.9	
Total Employees Assigned to Department	<u>574.9</u>	

**Water System Facilities**

The Water System includes two surface-water treatment facilities, groundwater wells, storage facilities, pumping facilities, and distribution/transmission pipelines. The City maintains seven metered wholesale/wheeling 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. The most recent major project in 2016 restored SRWTP design capacity to 160 MGD. The project included rehabilitation and replacement work on the sedimentation basins, high service pump station, filters, solid dewatering facilities, and electrical switchgear. In its current configuration, the SRWTP has four treatment trains, flow from all four treatment trains is recombined after filtration, before post-chlorination and eventual discharge from a high service pump station to the distribution system.

Operation of SRWTP at 160 MGD is limited to the period from May 15 to September 30 of each year, which includes the warmer summer months when peak treatment is needed. At other times of the year the treatment is limited to 120 MGD. The capacity of SRWTP actually available may also 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. (See “— Water Rights and Resources – Hodge Flow Criteria.”) Generally, during the time of peak demand, most often in June, July, or August, the Hodge Flow Criteria potentially limits the diversion rate at the FWTP to 100 MGD.

*Groundwater Wells.* The City currently is permitted to operate 28 municipal groundwater supply wells, a majority of which have been in service for over 50 years, with total groundwater production capacity of approximately 20 MGD. Twenty-six City wells are located in the northern portion of the City, north of the American River and two are located south of the American River. Two additional wells are currently under construction south of the American River and are expected to be completed in 2020. The City completed a groundwater masterplan in 2017 and anticipates completing CEQA for the systematic replacement of aging wells in 2020. See “—Environmental Compliance” and “—Water Rights and Resources” below for additional details)

*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. The newest storage tank will add 4 million gallons to the distribution storage capacity.

*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 1,448 miles of distribution system mains (12 inches in diameter or less) and approximately 157 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% of the two-thirds are less than 40 years old, 10% are between 40 and 50 years old, and about 44% 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 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 (as of January 1, 2020)**

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

<sup>(1)</sup> The increase from 140 MGD to 160 MGD for SRWTP was approved in 2019 by the State following plant testing. 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 of 160 MGD. Outside of that window, the peak capacity is 120 MGD.

<sup>(2)</sup> While the permitted capacity is 160 MGD for FWTP, 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 decreased 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. Since the drought order was rescinded, the City’s average daily retail demand for water has remained at approximately 80 MGD. Opinions vary regarding the drivers for ongoing reduced water demand, but the City maintains an active water efficiency outreach program and is nearing completion of its water meter program. These various programs all contribute to a system wide reduction in water demand as customers use water more efficiently. Any future increases in water demands are projected to be a function of potential growth rather than a return to past water use practices.

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 through March 31, 2020, the City currently projects that total volume for retail and wholesale demand for Fiscal Year 2019-20 will be consistent with Fiscal Year 2018-19. Based on April 2019-March 2020 levels, the City currently projects that Fiscal Year 2019-20 cumulative retail production will be between 28,000 and 30,000 MG. Fiscal Year 2019-20 projected wholesale delivery is 3,000-4,000 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)</b>	<b>Water Production to Wholesale (MG)</b>
2014-15	10,916	13,514	5,242	29,672	29,421	250
2015-16	9,226	14,502	3,957	27,685	27,378	306
2016-17	9,273	11,307	7,774	28,354	28,048	306
2017-18	9,928	11,714	9,110	30,752	29,947	805
2018-19	10,223	10,183	8,908	29,314	28,876	438
Average	9,913	12,244	6,998	29,155	28,734	421

<sup>(1)</sup> Total groundwater production includes 250 MG purchased from an adjacent water agency 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. In 2018 the City received 1,263 MG of groundwater as part of a groundwater substitution transfer program.

Source: The City

The production facilities in the Water System are interconnected and operated in a dynamic fashion. The City utilizes the various facilities to meet demands and other water resources mandates. As an example, in 2018 the City elected to reduce production at FWTP and increase groundwater production to take advantage of market opportunities for a water transfer. By shifting production sources, the City was able to bring in approximately \$1.8 million in additional revenue for that fiscal year.

**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	12,244	42	34	60
FWTP	9,913	34	27	39
Groundwater Wells	6,998	24	19	20
<b>TOTAL</b>	<b>29,155</b>	<b>100</b>	<b>80</b>	<b>119</b>

<sup>(1)</sup> For the period of Fiscal Year 2014-15 through Fiscal Year 2018-19.

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 FWTP, 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 CFS	79,833 MG <sup>(2)</sup>	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. The full maximum amount of 79,833 MG is expected to occur in 2030. In 2020, the maximum amount is expected to be 67,915 MG and increase by 1,140 MG per year thereafter.

\* 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 per year. 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. It remains in effect through 2030. (“**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.



The Water Forum Agreement is beginning an update process starting in 2020 to ensure the agreement remains relevant to current or changing conditions. This process is expected to take approximately 18 months and will likely include an extension to the 2030 termination date.

*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 MGD) 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.

*Delta Conveyance Project.* On January 15, 2020, the Department of Water Resources released a Notice of Preparation announcing the preparation of an environmental impact report for the proposed Delta Conveyance Project — a single underground tunnel that could divert as much as 6,000 cubic feet per second of water from the Sacramento – San Joaquin River Delta during high-flow events. The City will evaluate the proposed Delta Conveyance Project to determine whether it could cause operational changes that would adversely affect available water supply or water quality in the American River region or cause an adverse effect on fish and wildlife not addressed by the project proponents.

*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 26 permitted potable supply wells north of the American River, and 2 potable supply wells are located 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 21,449 acre-feet of groundwater from the North American Subbasin and 2,013 acre-feet from the South American Subbasin for potable water consumption in Fiscal Year 2018-19.

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. SGMA requires these GSAs to submit Groundwater Sustainability Plans (“GSP”) by January 1, 2022.

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 GSAs in compliance with SGMA regulations. Given the relatively recent passage of SGMA, and the ongoing creation of the GSPs, 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.

## **Environmental Compliance**

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, the City continues to be in compliance with the Stage 2 DBP Rule. However, during the 2012 to 2016 drought, lower water levels in the American and Sacramento Rivers ultimately resulted in higher DBPs in the distribution system, highlighting the potential to exceed regulatory limits, especially in the southern portion of the City’s distribution system. To mitigate the effect of future drought conditions on distribution system DBP levels, the City is in the process of constructing a groundwater treatment facility in the south area. Increasing the amount of groundwater (which is typically in DBPs) in this part of the distribution system will help maintain the City’s compliance with DBP regulations. The new facility is expected to be in service by the end of 2020.

As of April 1, 2016, water systems were to 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. The regulation also requires the prioritization of the distribution system for rehabilitation and implementation of a flushing program. The City is in compliance with the revised Total Coliform Rule.

In 2014, DDW published a Final Hexavalent Chromium Regulation which included a Maximum Contaminant Level (“MCL”) of 10ppb. Monitoring data at the time indicated 13 wells were within 50% of the MCL and therefore required more frequent monitoring. In addition, one City well was suspended from service due to levels approaching the MCL. However, on May 31, 2017, the Supervisor Court of Sacramento County issued a judgement invalidating the hexavalent Chromium MCL for drinking water. The court ordered the State Water Resources Control Board (State Water Board) to take the necessary actions to delete the hexavalent chromium MCL from the California Code of Regulations. As of September 11, 2017, the maximum contaminant level for a hexavalent chromium is no longer in effect and there is currently no MCL in place. Should DDW reestablish an MCL, such a standard might necessitate treatment at some City potable water wells or their removal from use; either approach would significantly increase the costs of operating the Water System.

The USEPA’s Lead and Copper Rule (“LCR”) was promulgated in 1997 and is projected to be updated in 2020. 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 City service connections but unfortunately, the City does not have an inventory of all such components due to the absence of specific historical records. However, as an added benefit of the Accelerated Meter Project, the City has replaced approximately 35,000 service connections since 2015, including those in neighborhoods more likely to have lead service connections. In addition, the City practices corrosion control in its surface water treatment processes and 2017 monitoring data of representative customer homes demonstrates compliance with the LCR. The City will complete an updated round of LCR monitoring in 2020. USEPA is currently accepting comments on proposed revisions, which focus on lead plumbing in customer premises, to the LCR. Modifications to the LCR will likely increase Water System costs.

In January 2017, the DDW issued a permit amendment which required water systems to test for lead in drinking water K-12 schools upon a school's request. To assist schools in this evaluation the City proactively developed a sampling plan, performed sampling, analysis and reporting at up to five locations per school campus at no cost to the school. Over 600 samples from 132 schools were tested for lead by the end of 2018. All testing results were below the LCR action level of 15 ppb. Compliance with the permit amendment increased Water System costs.

Pending regulatory activity with potential to impact Water System costs include the USEPA Contaminant Candidate List 5 ("CCL") which is in development as of December 2018. 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"). In addition, recent federal and California State regulatory developments concerning the Perfluoroalkyl substances ("PFAS") have increased Water System costs for monitoring and analysis of these compounds. As the regulatory requirements associated with PFAS continue to evolve, it is likely that Water System operational costs will also increase.

The 2018 America's Water Infrastructure Act ("AWIA") requires that water systems serving more than 3,300 people conduct a Risk and Resilience Assessment ("RRA"), prepare or revise an Emergency Response Plan ("ERP"), submit a certification letter upon completion to the USEPA, review, update, revise as necessary and, maintain records (keep copies of RRA and ERP and any updates for 5 years after certification submittal). The Department is in the process of conducting the RRA to meet established timelines. A working draft version of the RRA includes a review of climate change consequences related to drought and loss of source water. Due to the City's groundwater supplies and to recent improvements at the intake structures for both water treatment plants, drought is classified as a low-risk hazard under the AWIA. However, potential loss of source water, which includes the effects of wildfire on water quality, are classified as a high-risk hazard for the City's water treatment plants. The working draft of the RRA classifies potential loss of source water for the City's groundwater supplies as a medium-risk hazard principally due to infrastructure age.

The City currently is permitted to operate 28 municipal groundwater supply wells, a majority of which have been in service for over 50 years. Existing wells that have been out of service while awaiting rehabilitation may require the installation of additional equipment. Out-of-service wells are thoroughly tested before a return to active status to ensure compliance with regulatory requirements. Future changes to drinking water standards may also result in the need for additional treatment and associated increased costs.

In partnership with other local water agencies, the City is developing a voluntary agreement with the State of California and other local agencies on conjunctive use for surface water and groundwater supplies that will allow flexibility in meeting local water demands based on water availability while supporting regional water resources management and sustainability. Depending of the level of commitment to rely on groundwater, this could require the City to install new groundwater wells, receive groundwater from others, and/or install groundwater treatment technology not presently anticipated. This voluntary agreement process is being contemplated as part of the update to the State of California Bay-Delta Water Quality Control Plan.

As a member of the Regional Water Authority, the City participates in regional groundwater planning activities that include stakeholder participation in groundwater protection from historic contamination plumes at Aerojet and the former McClellan AFB. City staff has met with staff from the Central Valley Regional Water Quality Control Board and California Department of Toxic Substances Control to obtain the latest information on groundwater-contamination plumes north of the American River. Discussions are still occurring regarding the movement of these plumes and whether additional treatment along the edges of the plumes will be required.

The City, along with other local agencies that draw water from the Sacramento and American Rivers, participates in several efforts to preserve and protect the water quality of our surface water sources. Activities include participation in watershed management programs, tracking the latest information, and conducting

technical evaluations and public outreach. These efforts help the City anticipate and prepare for impacts to surface water due to urbanization in the watershed, climate change and other threats to water quality.

Process and equipment repairs and upgrades at the water treatment plants and wells are routine and ongoing activities in the operation of a water system. However, more extensive modifications may be necessary to address potential future changes to federal and State water quality standards. 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 19% 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	2015	2016	2017	2018	2019
Residential	126,624	126,973	127,810	129,277	131,277
Commercial/Industrial	9,118	9,157	11,428	11,458	11,554
Total All Users <sup>(1)</sup>	135,742	136,130	139,238	140,735	142,831

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

Source: The City

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 2018-19.

**Table 6**  
**City of Sacramento**  
**Water System**  
**Largest Customers by Service Charge Revenue<sup>(1)</sup>**  
**Fiscal Year 2019**

User	Service Charge Revenue	Percentage of Total Revenue <sup>(1)</sup>
City of Sacramento	\$ 4,191,957	3.28%
State of California	1,176,956	0.92
Sacramento City Unified School District	1,002,356	0.78
Procter and Gamble	728,708	0.57
Sacramento Housing and Redevelopment Agency	634,058	0.50
SMUD (Sacramento Power Authority)	502,936	0.39
HP Hood LLC	485,132	0.38
CG Woodlands Limited Partnership	401,968	0.31
Riverpoint – 714 LLC	359,691	0.28
HRA Woodlake Village LLC	332,459	0.26
Total	\$ 9,816,221	7.67%

<sup>(1)</sup> Total revenue of approximately \$127.9 million in Fiscal Year 2019.

Source: The City

The City wholesales water to Cal Am, the SSWD, and the SCWA. The City also provides wheeling services to the SCWA. 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 Utilities 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 Increases<sup>(1)</sup>**

<b><u>Fiscal Year</u></b> <b><u>(ending June 30)</u></b>	<b><u>Rate Increase %</u></b>
2011	15%
2012	0
2013	10
2014	10
2015	10
2016	0
2017	10
2018	10
2019	10
2020	10
2021	0

<sup>(1)</sup> Rate increases through Fiscal Year 2019-20 have been approved by the City Council and the requirements of Proposition 218 have been met. At this time, the City does not anticipate a rate adjustment for the Water System through the end of the projection period in Fiscal Year 2023-24.

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. No rate increase is currently planned for Fiscal Year 2020-21.

The following table shows selected monthly rates for the Water System for Fiscal Years 2017-18 through 2020-21.

**Table 8**  
**City of Sacramento**  
**Water System**  
**Selected Monthly Rates<sup>(1)</sup>**

	<u>July 1, 2017</u>	<u>July 1, 2018</u>	<u>July 1, 2019</u>	<u>July 1, 2020</u>
<b>Flat Water Use Rates (per month)</b>				
<b>Single Family Residential:</b>				
1-3 rooms	\$ 39.11	\$ 43.02	\$ 47.32	\$ 47.32
4-5 rooms	50.89	55.98	61.58	61.58
6-9 rooms	55.33	60.86	66.95	66.95
10-15 rooms	63.93	70.32	77.35	77.35
Over 15, each additional room	4.49	4.94	5.43	5.43
<b>Metered Water Use Rates</b>				
<b>Water Usage Rate (\$/CCF)</b>	\$ 1.2055	\$ 1.3261	\$ 1.4587	\$ 1.4587
<b>Service Charge (per month)</b>				
<b>Metered Size:</b>				
5/8" x 3/4"	\$ 29.52	\$ 32.47	\$ 35.72	\$ 35.72
3/4"	29.52	32.47	35.72	35.72
1"	29.52	32.47	35.72	35.72
1½"	55.61	61.17	67.29	67.29
2"	86.90	95.59	105.15	105.15

CCF = One hundred cubic feet

<sup>(1)</sup> On March 29, 2016, the City Council approved four-year rate increases for water (10% per year), that took effect on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019 respectively. At this time, the City does not anticipate a rate adjustment for the Water System through the end of the projection period in Fiscal Year 2023-24.

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.

At the end of calendar year 2019, the City was 97% metered. Approximately 500 meters will be placed into service in 2021 to bring the City to 100% metered, three years ahead of the deadline mandated by State legislation.

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.

### **Collection Procedures**

The City bills the legal owners of 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 a month. Typically, one cycle is billed each business day. Bills are due 20 days from the bill-generation date in accordance with the City Code, and late-payment penalties are automatically assessed once an account becomes 15 days past due (i.e., 35 days after the bill date). A 10% late charge is added to each service charge on the account for a single bill's current charges once it becomes 15 days past due. An additional 0.5% late penalty is added each month to the portion of the overall outstanding balance that is 45 days past due. (As a result of the COVID-19 pandemic, the City has currently waived late fees. See "CERTAIN RISK FACTORS – COVID-19 Pandemic.") A delinquency notice is generated to the legal owners once an account becomes 60 days past due. If the account is not paid current, a lien is then assessed against the parcel at 75 days past due (i.e., 95 days after the bill date).

In March 2014, the City implemented a water discontinuance process for customers who are more than 75 days past due. As a result of the water discontinuance 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. However, in February 2019 the Department made a policy decision to discontinue water terminations. The City implemented an administrative suspension of the water discontinuance program in order to comply with the deadlines required by Senate Bill 998 (SB 998) to allow the City to re-evaluate the program in its entirety, and provide time needed to evaluate the configuration of the City's new billing system configuration that was formally implemented in May 2019.

In response to COVID-19, on April 2, 2020, Governor Newsom signed Executive Order N-42-20 ("Order N-42-20"), which, among other things, (i) suspends the authority of water systems, such as the Water System, from suspending water service for non-payment, (ii) orders that residential service to occupied residences that has been discontinued for nonpayment since March 4, 2020 be restored and (iii) provides that the SWRCB will identify best practices, guidelines, or both to be implemented during the COVID-19 emergency (a) to address non-payment or reduced payments, (b) to promote and to ensure continuity of service by water systems and wastewater systems, and (c) to provide measures such as the sharing of supplies, equipment and staffing to relieve water systems under financial distress. Order N-42-20 does not eliminate the obligation of water customers to pay for water service, prevent a water system, such as the Water System, from charging a customer for such service, or reduce the amount a customer already may owe to a water system, such as the Water System.

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

From Fiscal Year 2016-17 to Fiscal Year 2018-19, an average of 10,359 liens have been recorded against properties having delinquent service charges each year, and an average of 3,927 properties have had special assessment levies placed on the property-tax bills. The number of liens and levies represent the properties that had at least one delinquent utility-service charge. Since Fiscal Year 2016-17, an annual average of \$940,711 in late fees have been assessed on utility bills for past due water service charges, and an annual



average of \$1.31 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 and late fees is an effective tool to ensure collection of delinquent accounts. If a property changes ownership and there is a lien on the property, the title companies issue a demand notice and payment is made to the utility. If a subject property is foreclosed and a trust deed is in place, the lien with respect to the utility bills is removed (without payment of the delinquent amounts). Accounts with these types of foreclosures as well as accounts that close with delinquent amounts less than 75 days past due are sent to a collection agency, which then pursues collection of the unpaid amount on the closed accounts.

The following table shows unpaid water charges which the City was unable to collect through the lien and special-assessment procedure described above. When establishing rates each year, the City takes into account projected amounts of charges that it will be unable to collect.

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

	2015	2016	2017	2018	2019
Amount	\$260,355	\$240,064	\$190,529	\$167,798	\$142,743

Source: The City

The legacy utility billing system software had been operational by the Department since 2005 and had been in an unsupported state by the software vendor since 2009. DOU successfully converted the legacy billing and Customer Information software over to the Oracle Customer Care and Billing system in mid-May 2019. The system is operational and is fully integrated with other DOU and City systems. Minor stabilization and process improvement tasks are scheduled to continue throughout Fiscal Year 2019-20.

### **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 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 sets 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 an enterprise fund 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. 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. Then, typically 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). Each night, the amounts in this account are swept into the City's primary investment account, which is part of the City's Pool A (described below). The City then identifies the amounts within Pool A that consist of utility payments (includes payments from all of the City's utilities, including the 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 regularly reviews operating finances to maintain a best practice of an operating reserve at a minimum of 120 days of working capital for 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.

*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 (the "**Program**") and a four-year rate plan, which allowed the City to begin to implement the 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 Utilities Rate Advisory Commission in 2008 to provide input to the Mayor and City Council on the City's utilities service rates. At this time, the City intends to use available revenues and unrestricted fund balance of the Water Fund to fund the Capital Improvement Program through the end of the Fiscal Year 2023-24.

### **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, including groundwater production facilities, and completing the City's Accelerated Water Meter Program ("**AWMP**").

The following table sets forth capital improvement costs identified in the CIP through Fiscal Years 2023-24, 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>
2020	\$ 0	\$ 0	\$ 14.3	\$ 14.3
2021	0	0	28.4	28.4
2022	0	0	30.0	30.0
2023	0	0	29.1	29.1
2024	0	0	36.4	36.4
Total	\$ 0	\$ 0	\$ 138.2	\$ 138.2

(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. The City needs 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 and is in the process of updating than plan by 2021. The Master Plan considered the projected impact of potential future growth in the City through 2030, in alignment with the City’s General Plan, and through 2050 using Sacramento Area Council of Governments’ estimates. The updated 2021 Water Master Plan will align with updates to the City’s General Plan. 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. Currently the City is in the early planning stages for expanding SRWTP to meet potential growth within the City. 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 sufficient water rights to meet 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. The 2020 Urban Water Management Plan will be submitted by the State deadline of July 1, 2021.

Impact of COVID-19 on Construction Activities. The Department currently has 13 active construction projects in the City. One of the Department’s largest projects is the AWMP, which contracts with four different construction contractors. Recently, one of the AWMP contractors has reported a delay in obtaining a specific item due to COVID-19. The contractor attributed the delay to the travel restrictions in the Bay Area. No other impacts have occurred and the Department will continue to proactively monitor the situation. The AWMP utilizes a dedicated project phone number and e-mail address where thousands of

customer inquiries are received. Over the last three weeks, the public outreach team has fielded fewer than 10 calls from customers concerned about construction proceeding during the COVID-19 shelter-in-place orders. The public outreach team has an established communication protocol and responds to and addresses each inquiry until it is deemed “resolved.” Additionally, the project website has been updated to explain that utility construction projects have been categorized as essential and that contractors are adhering to CDC and Sacramento County Health Services requirements for safety.

## **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 7.9% of all City employees. Retirement payments paid from System Revenues, with respect to employees assigned to the Water System, were approximately \$2.5 million in Fiscal Year 2015-16, approximately \$3.3 million in Fiscal Year 2016-17, approximately \$3.6 million in Fiscal Year 2017-18, and approximately \$4.2 million in Fiscal Year 2018-19. The City projects the required contribution for Fiscal Year 2019-20 will be approximately \$5.4 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. As of June 30, 2018, 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 \$390 million and a funded ratio 71.4%.

PERS has taken a number of actions the last several years which are expected to increase the amount the City is required to contribute. On December 21, 2016, PERS Board lowered the discount rate from 7.5% to 7% using a three-year phase-in approach ending in Fiscal Year 2019-20. Based on preliminary estimates provided by PERS, the City’s total annual pension contribution will increase from the \$119.1 million budgeted in Fiscal Year 2020-21 to almost \$152.8 million in Fiscal Year 2025-26.

As a result, required contributions from the City are expected to continue to increase. See APPENDIX A — “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2019 — Note 8 to the Basic Financial Statements” for a discussion of retirement liabilities payable by the City. The actual amount payable by the City to CalPERS will depend on a variety of factors including investment performance, and changes in actuarial assumptions and benefits.

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health-care and other post-employment benefits (“**OPEB**”) for such employees. The City’s OPEB related payments were approximately \$10.0 million in Fiscal Year 2017-18, and are projected to be approximately \$10.4 million in Fiscal Year 2018-19, and are projected to be approximately \$11.2 million in Fiscal Year 2019-20. In Fiscal Year 2015-16, the City adopted the OPEB Funding Policy and began contributing to the California Employers Retiree Benefit Trust (CERBT) to prefund OPEB obligations. This policy directed staff to continue efforts to reduce and eventually eliminate this unfunded accrued liability for retiree benefits. See APPENDIX A — “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2019 — Note 9 to the Basic Financial Statements” for additional information for a discussion of OPEB liabilities payable by the City, as well as the City’s current unfunded OPEB liability.

## **Insurance**

The City insures its assets (including assets of the Water System) through the Alliant Property Insurance Program (“**APIP**”). APIP was formed in 1993 to meet the property insurance needs faced by public entities. APIP is a joint purchase program. The total insurable property values for the City are \$1,907,936,455 for Fiscal Year 2020. The property policy contains a \$100,000 deductible with coverage limits of \$1,000,000,000. Coverage limits are shared with other APIP members in different geographical areas to reduce the risk of one large property loss affecting a high percentage of members. Earthquake insurance is not purchased due to the high cost and limited coverage.

The City purchases excess insurance coverage for the following risks: general liability, automobile liability and workers’ compensation. All coverage is on an occurrence basis. Excess liability limits are \$35,000,000 with a self-insured retention of \$2,000,000 and a \$2,000,000 loss corridor deductible. The City is currently participating in the California State Association of Counties Excess Insurance Authority (“**CSAC EIA**”) GL2 Program for the purchase of excess liability insurance. CSAC EIA provides comprehensive liability coverage to public agencies across the nation.

The City’s excess workers’ compensation limits are set at statutory coverage for Fiscal Year 2020 with a self-insured retention of \$2,000,000. Statutory coverage provides payment for claims up to the amount required by law, without limits. Excess workers’ compensation insurance is purchased through CSAC EIA. The CSAC EIA program is the largest pool in the nation and provides services to a large number of counties and cities in California. The program has a \$5,000,000 pooled limit and statutory reinsurance coverage for each accident.

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

## **Leasing of Certain Components of the 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 \$333 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, SCFA issued Master Lease Bonds in 2015 that fully refunded the 2005 issuance. Approximately \$105 million in principal of the Master Lease Bonds issued for Water System improvements 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, 2036. 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 2020 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**

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

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

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

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

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

According to the 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**  
**Summary of Historical Operating Results**  
**(Dollars in Thousands)**

	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
<b><u>Operating Revenues</u></b>					
Utility Rate Fees	\$ 99,940	\$ 97,830	\$ 108,431	\$ 118,821	\$ 127,017
Wholesale Water Sales	536	558	379	558	851
Impact Fees	1,437	3,965	4,165	6,133	5,141
Interest Earnings <sup>(1)</sup>	492	1,920	562	725	6,570
Miscellaneous Revenues <sup>(2)</sup>	3,467	17,753	2,992	1,216	2,128
<b>Subtotal Operating Revenues</b>	<b>\$ 105,872</b>	<b>\$ 122,026</b>	<b>\$ 116,529</b>	<b>\$ 127,453</b>	<b>\$ 141,707</b>
<b><u>General Fund Tax Transfer Out</u></b>					
General Fund Tax <sup>(3)</sup>	\$ (10,893)	\$ (10,540)	\$ (11,660)	\$ (12,760)	\$ (13,694)
<b>System Revenues:</b>	<b>\$ 94,979</b>	<b>\$ 111,486</b>	<b>\$ 104,869</b>	<b>\$ 114,693</b>	<b>\$ 128,013</b>
<b><u>Maintenance and Operation Costs</u></b>					
Employee Services	25,504	26,508	33,671	38,080	42,161
Services and Supplies	19,712	21,112	22,415	12,485	19,198
<b>Total Maintenance and Operation Costs</b>	<b>45,216</b>	<b>47,620</b>	<b>56,086</b>	<b>50,565</b>	<b>61,359</b>
(Deposit to)/Withdrawal From Rate Stabilization Fund <sup>(4)</sup>	2,503	1,068	-	3,514	-
<b>System Net Revenues</b>	<b>\$ 47,260</b>	<b>\$ 62,798</b>	<b>\$ 48,783</b>	<b>\$ 60,614</b>	<b>\$ 66,654</b>
<b><u>Obligations and Debt Service</u></b>					
State Funding Agreement	\$ 704	\$ 704	\$ 639	\$ 748	\$ 702
Water Revenue Bonds, Series 2013	13,970	13,938	14,016	14,017	14,083
Water Revenue Bonds, Series 2017	-	-	-	1,806	3,376
California State Water Resources Control Board Drinking Water Loan (SRF Loan)	-	-	-	-	163
<b>Subtotal Parity Obligations Debt Service</b>	<b>14,674</b>	<b>14,642</b>	<b>14,655</b>	<b>16,571</b>	<b>18,323</b>
<b><u>Subordinate Debt Service</u></b>					
2005 Master Lease Refunding Revenue Bonds <sup>(5)</sup>	\$ 7,592	\$ 0	\$ 0	\$ 0	\$ 0
2006 Master Lease Capital Improvement Bonds (Refunding)	4,844	4,845	4,845	4,845	4,844
2015 Refunding Revenue Bonds <sup>(6)</sup>	-	7,168	6,903	6,896	6,882
<b>Subtotal Unsecured Obligations Debt Service</b>	<b>12,436</b>	<b>12,013</b>	<b>11,748</b>	<b>11,741</b>	<b>11,726</b>
<b>Total Water Fund Obligations (Parity and Subordinate+Unsecured)</b>	<b>\$ 27,110</b>	<b>\$ 26,655</b>	<b>\$ 26,403</b>	<b>\$ 28,312</b>	<b>\$ 30,049</b>
<b><u>Coverage Requirement Compliance</u></b>					
Parity Obligations and Bonds (1.2x is required)	3.22 x	4.29 x	3.33 x	3.66 x	3.64 x
Parity/Bonds and Subordinate Obligations and Unsecured Obligations (1.00x is required)	1.74 x	2.36 x	1.85 x	2.14 x	2.22 x

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- (1) Includes interest earnings/revenue associated with Water Development Impact Fees Fund and the Water User Fee Fund. The large increase in interest earnings in Fiscal Year 2017-18 and Fiscal Year 2018-19 is attributable to the large increase in the fair market value of the City's Pool A investment portfolio during that timeframe. The Water Fund is a participant of the City's Pool A and realized a proportionate benefit in the favorable change in the fair market value of the City's Pool A portfolio.
  - (2) 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.
  - (3) 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. See "--General Fund Tax on Water System Revenues.
  - (4) 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).
  - (5) The 2005 Refunding Revenue Bonds were refunded with the 2015 Refunding Revenue Bonds in October 2015.

Source: The City

## **Projected Operating Results**

The following table contains a summary of certain projected operating results of the Water System, as prepared by the City. The projected operating results are based upon a variety of assumptions, calculations, and qualifications. While the City believes these assumptions to be reasonable, the assumptions may vary significantly from actual future conditions because of unanticipated events and circumstances. To the extent that actual future conditions vary from those assumed in the preparation of the projected operating results, the actual results will vary from those contained in the Table. See “CERTAIN RISK FACTORS - Rate Covenant Not a Guarantee; Failure to Meet Projections.” In particular, the City cannot predict the potential impact of the COVID-19 pandemic on the future operating results of the Water System. See “CERTAIN RISK FACTORS – COVID-19 Pandemic.”

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

The Projected Operating Results do not reflect any potential adverse impacts of the COVID-19 pandemic. The Department is not currently projecting any material increases to the Maintenance and Operation Costs of the Water System attributable to the COVID-19 pandemic. However, as described in “CERTAIN RISK FACTORS – COVID-19 Pandemic,” the COVID-19 pandemic and the resulting restrictions have resulted in volatility in the global and national stock markets (with significant losses), closure of businesses, worker layoffs and a surge in unemployment claims. As a result, the COVID-19 pandemic may result in a decreased ability of customers of the Water System to pay bills for services provided by the Water System.

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

	<u>FY2019-20<sup>(14)</sup></u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>	<u>FY2023-24</u>
<b><u>Operating Revenues</u></b>					
Utility Rate Fees <sup>(1)</sup>	\$ 138,083,839	\$ 133,941,324	\$ 134,209,206	\$ 134,477,625	\$ 134,746,580
Wholesale Water Sales	299,156	498,468	498,468	498,468	498,468
Water Impact Fees <sup>(2)</sup>	5,467,852	4,975,745	4,398,848	4,266,882	4,053,538
Interest Earnings <sup>(3)</sup>	400,000	837,133	838,808	840,485	842,166
Miscellaneous Revenues <sup>(4)</sup>	992,751	994,737	996,726	998,719	1,000,717
<b>Subtotal Operating Revenues</b>	<b>\$ 145,243,598</b>	<b>\$ 141,247,407</b>	<b>\$ 140,942,056</b>	<b>\$ 141,082,179</b>	<b>\$ 141,141,469</b>
<b><u>General Fund Tax Transfer Out</u></b>					
General Fund Tax <sup>(5)</sup>	\$ (15,132,022)	\$ (14,674,630)	\$ (14,702,329)	\$ (14,730,035)	\$ (14,757,745)
<b>System Revenues:</b>	<b>\$ 130,111,576</b>	<b>\$ 126,572,777</b>	<b>\$ 126,239,727</b>	<b>\$ 126,352,144</b>	<b>\$ 126,383,724</b>
<b><u>Maintenance and Operation Costs</u></b>					
Employee Services <sup>(6)</sup>	\$ (46,382,641)	\$ (48,701,773)	\$ (51,136,862)	\$ (53,693,705)	\$ (56,378,390)
Services and Supplies <sup>(7)</sup>	(20,070,056)	(20,813,718)	(21,604,639)	(22,425,616)	(23,277,789)
<b>Total Maintenance and Operation Costs</b>	<b>\$ (66,452,687)</b>	<b>\$ (69,515,491)</b>	<b>\$ (72,741,501)</b>	<b>\$ (76,119,321)</b>	<b>\$ 79,656,179)</b>
<b>(Deposit to)/Withdrawal From Rate Stabilization Fund <sup>(8)</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>System Net Revenues</b>	<b>\$ 63,658,879</b>	<b>\$ 57,057,285</b>	<b>\$ 53,498,226</b>	<b>\$ 50,232,824</b>	<b>\$ 46,727,545</b>
<b><u>Obligations and Debt Service</u></b>					
<b><u>Parity Obligations</u></b>					
California Department of Public Health Loan (ARRA Loan)	\$ (638,529)	\$ (638,529)	\$ (638,529)	\$ (638,529)	\$ (638,529)
Water Revenue Bonds, Series 2013 <sup>(9)</sup>	(14,017,000)	(5,717,250)	(5,717,375)	(5,720,375)	(5,718,875)
Revenue Bonds, Series 2017	(3,375,538)	(3,378,163)	(3,378,538)	(3,376,663)	(3,377,413)
Drinking Water State Revolving Fund Loan <sup>(10)</sup>	(2,431,519)	(2,821,444)	(10,247,717)	(10,247,717)	(10,247,717)
Water Revenue Refunding Bonds, Series 2020 <sup>1</sup>		(6,980,465)	(6,976,009)	(6,980,680)	(6,978,376)
<b>Subtotal Parity Obligations Debt Service</b>	<b>\$ (20,462,586)</b>	<b>\$ (19,535,851)</b>	<b>\$ (26,958,168)</b>	<b>\$ (26,963,963)</b>	<b>\$ (26,960,910)</b>
<b><u>Unsecured Obligations<sup>(11)</sup></u></b>					
2006 Master Lease Capital Improvement Bonds (Refunding)	\$ (4,844,584)	\$ (4,844,584)	\$ (4,884,584)	\$ (11,087,408)	\$ (11,081,159)
2015 Master Lease Refunding Revenue Bonds	(6,877,775)	(6,863,825)	(6,854,375)	-	-
<b>Subtotal Unsecured Obligations Debt Service</b>	<b>\$ (11,722,359)</b>	<b>\$ (11,708,409)</b>	<b>\$ (11,698,959)</b>	<b>\$ (11,087,408)</b>	<b>\$ (11,081,159)</b>
<b>Total Water Fund Obligations (Parity+Subordinate+Unsecured)</b>	<b>\$ (32,184,945)</b>	<b>\$ (31,244,260)</b>	<b>\$ (38,657,127)</b>	<b>\$ (38,051,371)</b>	<b>\$ (38,042,068)</b>
<b><u>Coverage Requirement Compliance</u></b>					
Parity Obligations and Bonds (Requirement is 1.2 times)	3.11x	2.92x	1.98x	1.86x	1.73x
<b><u>Capital Outlay</u></b>					
Capital Outlay (Pay Go & Use of Water Fund Capital Reserve) <sup>(12)</sup>	\$ (9,725,941)	\$ (26,001,000)	\$ (23,754,632)	\$ (25,440,632)	\$ (25,278,611)
<b>Net Change to Unrestricted Fund Balance</b>	<b>\$ 21,747,993</b>	<b>\$ (187,974)</b>	<b>\$ (8,913,533)</b>	<b>\$ (13,259,179)</b>	<b>\$ (16,593,134)</b>
Beginning Unrestricted Water Fund Balance <sup>(13)</sup>	\$ 103,029,000	\$ 124,776,993	\$ 114,344,301	\$ 105,430,769	\$ 92,171,589
Ending Unrestricted Water Fund Balance <sup>(14)</sup>	\$ 124,776,993	\$ 114,344,301	\$ 105,430,769	\$ 92,171,589	\$ 75,578,455

## NOTES

1. There are no approved rate increases for the Water Fund beyond Fiscal Year 2019-20. Revenue growth is assumed at 0.2% annually thereafter. Projected Utility Rate Fees in Fiscal Year 2020-21 are expected to be about 3% lower than the amount of Utility Rate Fees budgeted in Fiscal Year 2019-20 due to the expectation that the City will become fully metered.
2. Impact fees are projected to decrease starting in Fiscal Year 2020-21 per the Sacramento County Economic Forecast and the Sacramento Area Council Of Governments Summary of Growth Report.
3. Interest earnings are estimated at 1.25% on half of the Water Fund Utility Rate Fees collected, with the exception of Fiscal Year 2019-20, which reflects a budgeted amount.
4. Miscellaneous revenues include water tap sales, hydrant use fees and other miscellaneous service revenue. Revenue growth is assumed at 0.2% per year between Fiscal Year 2020-21 through Fiscal Year 2023-24.
5. The voter approved General Fund tax is equal to 11% of the collected Water Fund revenue. See “General Fund Tax on Water System Revenues.”
6. Employee Services cost increases are subject to approval by the City Council. Growth is assumed at 5% annually.
7. Services and Supplies costs assume annual increases of 3% for utilities, 4 % for fuel and 4.5% for chemicals. All other Services and Supplies are expected to increase 3.5% annually.
8. Deposits to 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).
9. Reflects the refunding of the Refunded Bonds.
10. The estimated SRF Loan debt service figures 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 could decrease beginning in Fiscal Year 2021-22.
11. 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.
12. Capital Outlay for Fiscal Year 2019-20 includes adjustments from the midyear review.
13. 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.
14. All Fiscal Year 2019-20 revenues and expenditures are based on the Fiscal Year 2019-20 Midyear Budget approved by City Council, except as otherwise noted. The projected Ending Unrestricted Water Fund Balance in Fiscal Year 2020-21 assumes the funding of the reserve account in the amount of \$10.24 million associated with the SRF Loan.

Source: The City.

## **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 2020 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 2020 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 2020 Bonds.

### **Increased Costs**

The actual cost of operating and maintaining the Water System and implementing necessary capital improvements 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 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.

### **Reliance on Projections**

Table 12 in this Official Statement contains certain assumptions and forecasts. The notes following Table 12 should be read for a discussion of certain assumptions and rationale underlying the forecasts. Any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in Table 12 and elsewhere in the Official Statement, and any projections that may be contained in any future certificate of the City or a consultant, are not necessarily indicative of future performance, and the City does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2020 Bonds are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected, or if the assumptions used in preparing such projections prove to be incorrect, then the amount of System Net Revenues may be materially less than expected. Consequently, the ability of the City to make timely payments of the principal of and interest on the Series 2020 Bonds may be materially adversely affected.

Neither the City's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to any forecasts or projection contained in the Official

Statement. The City’s independent auditors assume no responsibility for, and disclaim any association with, the System Net Revenues forecast; they have not expressed any opinion or any form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the System Net Revenue forecast. See “THE WATER SYSTEM—Projected Operating Results.”

### **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 2020 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 2020 Bonds.

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

There are a variety of factors that can adversely affect the supply of water available to the City. 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. The Department plans for and manages its operations to account for normal occurrences of drought conditions. Between 2014 and 2017 the State experienced one of the worst droughts in recorded State history, which resulted in significant limitations on water use by residences and commercial establishment throughout the State. The City met all terms and conditions put in place by the State. Droughts can also result in low levels on the Sacramento River, which can also adversely impact the ability of the City to utilize Sacramento River supplies. Additional declines in water consumption, whether due to future potential drought-related usage restrictions or otherwise, could result in further declines in Net System Revenues and materially adversely affect the financial condition of the Water System. In addition, on January 15, 2020, the Department of Water Resources released a Notice of Preparation announcing the preparation of an environmental impact report for the proposed Delta Conveyance Project — a single underground tunnel that could divert as much as 6,000 cubic feet per second of water from the Sacramento – San Joaquin River Delta during high-flow events. See “THE WATER SYSTEM – Water Rights and Resources”.

### **COVID-19 Pandemic**

The spread of COVID-19 is having significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including the County. The purposes behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been a number of confirmed cases of COVID-19 in the State, including the City, and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. The United States is restricting certain non-United States citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant declines attributed to COVID-19 concerns.

Potential impacts to the Department associated with the COVID-19 outbreak include, but are not limited to, efforts to quarantine individuals in order to reduce the spread of the virus. As such, the United States, the State, the County, and the City have each declared a “state of emergency” or equivalent. Additionally, the State, the County, and the City have all issued “stay at home” or “shelter in place” orders, which severely restrict the movements of residents and generally mandate residents to remain in their home and, in effect, prohibit non-essential workers from working outside their homes. This has caused the disruption of daily life in all jurisdictions, including the closure of, among others, bars, dine-in restaurants, retail stores, schools, gyms, movie theatres, certain government buildings and religious institutions, and generally outlawing of gatherings. Restrictions on movement may be expanded as the crisis continues. Due to these orders, the Department has implemented a telecommuting plan to reduce the number of Department employees in office workplaces. The COVID-19 pandemic and the resulting restrictions have resulted in volatility in the global and national stock markets (with significant losses), closure of businesses, worker layoffs and a surge in unemployment claims. As a result, the COVID-19 pandemic may result in a decreased ability of customers of the Water System to pay bills for services provided by the Water System.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the Water System is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the Water System’s ability to pay the Series 2020 Bonds.

The Department is analyzing the effects the COVID-19 outbreak will have on the Department, the Water System, and the water utility industry, generally. In response to the COVID-19 outbreak, the Department has been implementing a number of temporary measures intended to mitigate operational and financial impacts, including offering extended payment plans. Although the Department had previously discontinued water shut-offs for nonpayment, on April 2, 2020, Governor Newsom signed Executive Order N-42-20 which enacts immediate statewide water moratorium and requires reconnection for households who had their water shutoff since March 4, 2020. (See “THE WATER SYSTEM – Collection Procedures.”) The measures taken by the Department to date, and additional measures that may be taken in the future, may lead to the increase of uncollected accounts and the decrease of timely payments from Water System customers.

The Department cannot predict (i) the duration or extent of the COVID-19 outbreak; (ii) whether and to what extent COVID-19 may have on the operations of the Water System and the revenues of the Water System; (iii) whether and to what extent the economic impacts of the COVID-19 pandemic will result in a significant increase in late payment or non-payment by customers of bills for services provided by the Water System; (iv) whether and to what extent COVID-19 may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Water System-related construction, the cost, sources of funds, schedule or implementation of the Water System’s capital improvement program, or other Water System operations; (v) whether or to what extent the Department may provide additional deferrals, forbearances, adjustments or other changes to its customers or its billing and collection procedures; or (vi) whether any of the foregoing may have a material adverse effect on the finances and operations of the Water System.



## **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 and in 2017 entered into the SRF Loan. The City’s obligations with respect to the State Funding Agreement constitute a Parity Obligation under the Indenture. The State Funding Agreement and the SRF Loan each provide that all payments under the respective agreements may be immediately due and payable in the event of material breach by the City (and failure to cure). The Bonds (including the Series 2020 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 and the SRF Loan, 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 2020 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, Wildfire 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, wildfire 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, wildfire 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.

## **Climate Change**

The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is, among other things, expected to increase the frequency and severity of extreme weather events and cause substantial flooding. The City cannot predict the timing, extent, or severity of climate change or its effect on the City’s operations and finances (including the Water System) or economies, and there can be no assurances such effects will not be material and adverse.

## **Cybersecurity**

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

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

### **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 2020 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 2020 Bonds.

### **Effect of City Bankruptcy**

The City is authorized to file a bankruptcy proceeding under Chapter 9 of the U.S. Bankruptcy Code in certain circumstances. Should the City file for such bankruptcy relief, there could be adverse effects on the Holders or Beneficial Owners of the Series 2020 Bonds.

If the System Net Revenues are "special revenues" under the Bankruptcy Code, then System Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the System Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would hold that the System Net Revenues are special revenues or are otherwise subject to the lien of the Indenture post-bankruptcy. In addition, the determination of whether or not particular revenues are "special revenues," and (if they are special revenues) the parallel determination of whether the Bankruptcy Code mandates that such revenues continue to be used to pay obligations to Holders or Beneficial Owners post-bankruptcy, are subject to broad judicial discretion, and may evolve over time as decisions are rendered in various Chapter 9 bankruptcy cases throughout the United States. If the System Net Revenues are determined not to be "special revenues," then System Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The Holders or Beneficial Owners of the Series 2020 Bonds may not be able to assert a claim against any property of the City other than the System Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the Holders or Beneficial Owners of the Series 2020 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 2020 Bonds. It is not clear precisely which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, the City's creditors (including the holders of the Series 2020 Bonds) may be prohibited from taking any action to collect any amount from the City (including but not limited to the System Net Revenues constituting "special revenues") or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2020 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 2020 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 files for bankruptcy relief, 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 2020 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 2020 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 2020 Bonds will be adequately protected. The City may also 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds.

There may be delays in payments on the Series 2020 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 2020 Bonds, or result in losses to the holders of the Series 2020 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 2020 Bonds.

## **Effect of Losses in City Investment Pool**

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 2020 Bonds.

## **Limitation on Remedies**

If an Event of Default should occur, the Trustee and the holders of the Series 2020 Bonds have no ability to accelerate the maturity of the Series 2020 Bonds. This means that even after an Event of Default occurs, the Series 2020 Bonds may be paid according to the regularly scheduled due dates. This may result in delays or reductions in payments on the Series 2020 Bonds compared to what would happen if the Trustee could accelerate the maturity of the Series 2020 Bonds, and could cause the market value of the Series 2020 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 XIII C 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 XIII C 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 XIII C 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 XIII C and Article XIII D (“**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 XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C. 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 XIII C.

In the *Bighorn Decision*, the Supreme Court stated that nothing in Section 3 of Article XIII C 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 XIIC 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 XIID. 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 2020 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 2020 Bonds or in any way contesting or affecting the validity of the Series 2020 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 2020 Bonds.

#### **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the Series 2020 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 2019-20 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 underwriters of the Series 2020 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5). (the “**Rule**”).

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City’s annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City’s annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees’ Retirement System and the City’s Public Employees’ Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

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

#### **TAX MATTERS**

In the opinion of Bond Counsel, interest on the Series 2020 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2020 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”). Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership

or disposition of, or the amount, accrual, or receipt of interest on, the Series 2020 Bonds. The proposed form of opinion of Bond Counsel is set forth in Exhibit E.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2020 Bonds that acquire their Series 2020 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2020 Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2020 Bonds pursuant to this offering for the issue price that is applicable to such Series 2020 Bonds (i.e., the price at which a substantial amount of the Series 2020 Bonds are sold to the public) and who will hold their Series 2020 Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Series 2020 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2020 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2020 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2020 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2020 Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2020 Bonds in light of their particular circumstances.

### **U.S. Holders**

*Interest.* Interest on the Series 2020 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2020 Bonds is less than the amount to be paid at maturity of such Series 2020 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2020 Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“**OID**”). U.S. Holders of Series 2020 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2020 Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2020 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2020 Bond.

*Sale or Other Taxable Disposition of the Series 2020 Bonds.* Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition of a Series 2020 Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2020 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2020 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Series 2020 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2020 Bond, decreased by any amortized premium and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2020 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2020 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Series 2020 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance of the Series 2020 Bonds.* If the City defeases any Series 2020 Bond, the Series 2020 Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder’s adjusted tax basis in the Series 2020 Bond.

*Information Reporting and Backup Withholding.* Payments on the Series 2020 Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2020 Bonds may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the Series 2020 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2020 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“**TIN**”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.



## **Non-U.S. Holders**

*Interest.* Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” payments of principal of, and interest on, any Series 2020 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the City through stock ownership and (2) a bank which acquires such Series 2020 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2020 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

*Disposition of the Series 2020 Bonds.* Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the City or a deemed retirement due to defeasance of the Series 2020 Bond) or other disposition of a Series 2020 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A Series 2020 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such Series 2020 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* Subject to the discussion below under the heading “Foreign Account Tax Compliance Act,” under current U.S. Treasury Regulations, payments of principal and interest on any Series 2020 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2020 Bond or a financial institution holding the Series 2020 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

## **Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders**

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Series 2020 Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under

current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2020 Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2020 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

### **APPROVAL OF LEGALITY**

The validity of the Series 2020 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 2020 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 2020 Bonds.

### **UNDERWRITING**

The underwriters listed on the cover of this Official Statement (the “**Underwriters**”) have agreed, subject to certain conditions, to purchase the Series 2020 Bonds at the aggregate purchase price of \$188,390,000 (consisting of the principal amount of the Series 2020 Bonds). In addition, the City will pay the Underwriters \$608,571.19 as an Underwriters’ discount. The Purchase Contract relating to the Series 2020 Bonds provides that the Underwriters will purchase all of the Series 2020 Bonds if any are purchased.

The Series 2020 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as it deems necessary in connection with the marketing of the Series 2020 Bonds. The Underwriters may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing the Series 2020 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2020 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2020 Bonds is subject to the terms and conditions set forth in the Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2020 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

The Underwriters and their 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. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their 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.

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

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020 Bonds.

### **MUNICIPAL ADVISOR**

The City has retained Fieldman, Rolapp & Associates, Inc., as municipal advisor in connection with the issuance and sale of the Series 2020 Bonds. Although Fieldman, Rolapp & Associates, Inc. has assisted in the preparation of the Official Statement, Fieldman, Rolapp & Associates, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further Fieldman, Rolapp & Associates, Inc. does not assume any responsibility for the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore P.C., a firm of independent certified public accountants, will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the Escrow Securities and the earnings thereon and the uninvested cash to be held in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Bonds becoming due on and prior to September 1, 2023 and to pay on September 1, 2023, the redemption price equal to 100% of the principal amount of the Refunded Bonds maturing after such date.

## INDEPENDENT AUDITOR

Audited financial statements of the City (including the Water Fund) for the Fiscal Year ended June 30, 2019, are attached hereto as Appendix A. The City's financial statements were audited by the independent accounting firm of Macias Gini & O'Connell LLP of Sacramento, California (the "**Auditors**"). The Auditors have not reviewed or audited this Official Statement and the City has not sought the consent of the Auditors to the inclusion of the Auditor's report in this Official Statement. The audited financial statements include information concerning the City's General Fund and other funds, including the Water Fund and the other enterprise funds relating to, the City's wastewater system, solid waste system and storm water drainage system. The Series 2020 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 2020 Bonds.



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**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE CITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2020 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 2020 Bonds.

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# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

City of Sacramento, California

**City of Sacramento**

**California**

## Comprehensive Annual Financial Report

**Fiscal Year Ended June 30, 2019**

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

**Dawn Holm, Finance Director  
Osvaldo Lopez, Finance Manager**

### Principal/Senior Accountant Auditors

<b>Sharina Bali</b>	<b>Jennifer Gilbertson</b>	<b>Rona Mao</b>
<b>Doreen Chia</b>	<b>Emily Hsia</b>	<b>Ray Tang</b>
<b>Svetlana Donkova</b>	<b>Clark Johnson</b>	<b>Juliana Wong</b>
<b>Marian Fahy</b>	<b>Thomas Keegan</b>	

# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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# Introductory Section

Howard Chan  
City Manager

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

December 26, 2019

Honorable Mayor and City Council  
City of Sacramento, California:

Dear Mayor and Members of the City Council:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Sacramento, California (City) for the fiscal year ended June 30, 2019. 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. Macias Gini & O'Connell LLP, a statewide certified public accounting firm, performed the audit for the fiscal year ended June 30, 2019. Their unmodified ("clean") opinion has been included as the first component of the financial section of the CAFR.

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

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

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

The City of Sacramento, capital of the State of California, was established in 1849. The sixth largest city in California based on population, Sacramento also serves as the seat of Sacramento County government. The State of California Department of Finance estimated the population on January 1, 2019, at 508,172 for the City and 1,546,174 for the County. Encompassing approximately 100 square miles, the City is located in the northern section of California's Central Valley at the confluence of the American and Sacramento 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 (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 Council at least 60 days prior to the start of each fiscal year. Once approved by Council, the annual budget serves as the foundation for the City's financial planning, control and reporting. Budgetary control is maintained at the department level by fund. Budgetary control for multi-year projects is maintained at the individual project level by fund. Additional budgetary information can be found in Note 1 to the financial statements and on the City's website.

#### **LOCAL ECONOMY**

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

While the local government and healthcare-based economy has not grown as quickly as other areas, Sacramento is still benefiting from its economic recovery in 2019 with continued growth projections for 2020. As of June 2019, unemployment for the Sacramento metropolitan area was 3.7% compared to 4.1% a year earlier. According to the latest forecast from the Center for Business and Policy Research at the University of the Pacific, slow and steady growth in employment in California is expected to continue in 2020.

Construction and investment in the downtown urban core continued to grow with new retailers entering the region. The new Golden 1 Center is continuing to transform the former Downtown Plaza area, now known as Downtown Commons, into a center of entertainment and activity providing Sacramento with a first-class venue for sports, entertainment and cultural events. 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, the Delta Shores Shopping Center in South Sacramento, and other development projects underway throughout the city.

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

The City continues to benefit from the economic recovery with revenues growing at a substantial rate. The original Measure U, approved by Sacramento voters in 2012, was a temporary 1/2 cent sales and use tax which expired in March 2019. Its revenues were used to restore essential City services that had been cut or scaled back in 2009, especially those provided by the Fire, Police, and Youth, Parks and Community Enrichment Departments, as well as the Sacramento Public Library. On November 6, 2018, Sacramento voters approved a new version of the City's Measure U sales and use tax, eliminating the sunset provision and raising it from 1/2 cent to 1 cent. The new 1 cent sales and use tax took effect on April 1, 2019.

**RELEVANT FINANCIAL POLICIES**

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

The Council policy also directs unbudgeted one-time General Fund revenues received in a fiscal year, not required to balance the budget as part of the midyear review or year-end close, be added to the EUR. The EUR balance is estimated to be \$55.2 million as of July 1, 2019, which is approximately 11.2% of estimated FY2019/20 General Fund revenues. However, on February 5, 2019, the council directed the City Manager to amend the EUR policy to include Measure U resources in determining the amount to be set aside in reserves. The amended policy was adopted on June 11, 2019 with the FY2019/20 budget. To maintain the minimum reserve level of 1% of budgeted G/MU revenues, the reserve would need to be increased by \$5 million. The budget includes a recommendation to transfer \$3.018 million to the reserve at year-end, provided these resources are not needed during the year. The EUR is reported in the CAFR as committed fund balance in the General Fund.

**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2018. This marks the 31<sup>st</sup> consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Respectfully submitted,



Howard Chan  
City Manager

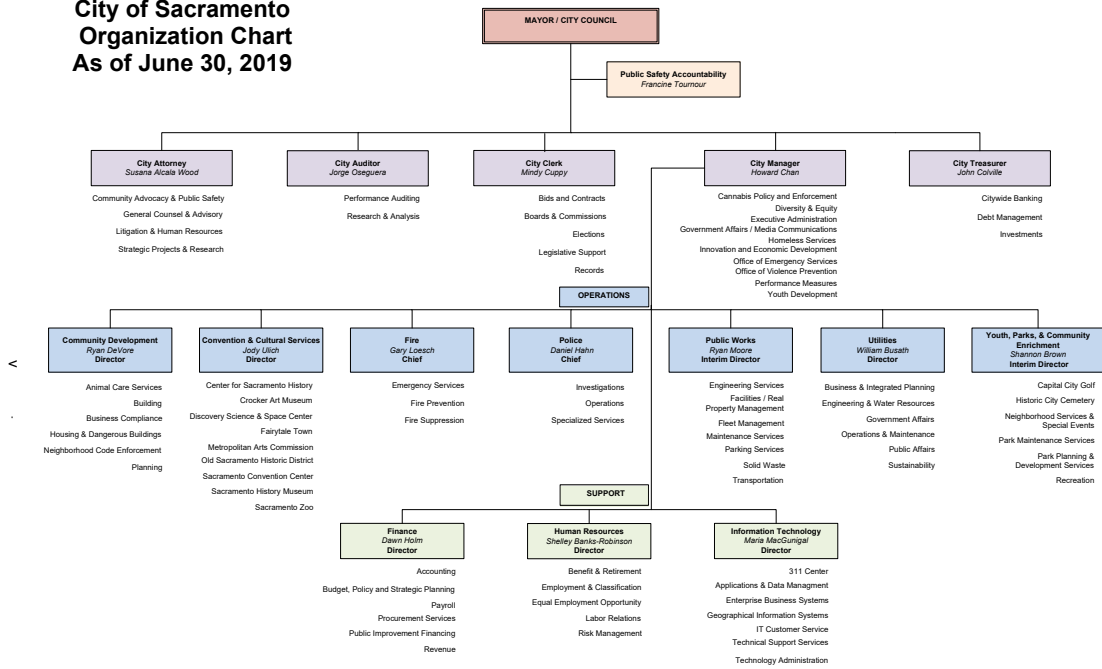


Dawn Holm  
Finance Director



Osvaldo Lopez  
Finance Manager

# City of Sacramento Organization Chart As of June 30, 2019



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**City of Sacramento  
Directory of City Officials  
June 30, 2019**

---

**Darrell Steinberg**  
Mayor

**Angelique Ashby**  
Mayor Pro Tempore, District 1

**Jay Schenirer**  
Councilmember, District 5

**Allen Warren**  
Councilmember, District 2

**Eric Guerra**  
Vice Mayor, District 6

**Jeff Harris**  
Councilmember, District 3

**Rick Jennings, II**  
Councilmember, District 7

**Steve Hansen**  
Councilmember, District 4

**Larry Carr**  
Councilmember, District 8

---

**Howard Chan**  
City Manager

**Susana Alcalá Wood**  
City Attorney

**Mindy Cuppy**  
City Clerk

**John Colville**  
City Treasurer

---



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to  
**City of Sacramento  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*  
Executive Director/CEO

# Financial Section

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### Independent Auditor's Report

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the fiscal year ended June 30, 2019, 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.

#### Auditor's 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, 2019, 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 fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in net pension liability and related ratios – CalPERS Miscellaneous Plan, the schedule of contributions – CalPERS Miscellaneous Plan, the schedule of changes in net pension liability and related ratios – CalPERS Safety Plan, the schedule of contributions – CalPERS Safety Plan, the schedule of changes in net pension liability and related ratios – SCERS, the schedule of contributions – SCERS, the schedule of changes in net OPEB liability and related ratios, and the schedule of contributions – OPEB, 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 combining and individual fund financial statements and schedules, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California  
December 26, 2019

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**City of Sacramento**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

---

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, 2019. City management recommends this information be read in conjunction with the transmittal letter located in the introductory section, and with the City's financial statements which follow this discussion.

**FINANCIAL HIGHLIGHTS**

- The City issued the Transient Occupancy Tax Revenue Bonds ("TOT revenue bonds"), Series A, B, and C, in the amount of \$316 million including the original issue premium. Project funds of \$305 million will be used to finance costs of renovating the City's Convention Center, Memorial Auditorium, and Community Center Theater, as well as other transient occupancy tax eligible projects.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$38 million in fiscal year 2019. This is primarily attributable to tax and service fees revenues in excess of expectation for the year. In addition, a special item in the amount of \$7 million was recognized for a settlement payment received related to construction litigation for repairs to the Sacramento Valley Station Intermodal Transportation Facility.
- The City issued the Wastewater Revenue Bonds, Series 2019, in the amount of \$32 million including the original issue premium. Project funds of \$32 million will be used to finance costs of certain improvements to its Wastewater System.
- The City's total government-wide net position increased by \$116 million in fiscal year 2019, a 6 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 Changes in Net Other Post-Employment Benefits (OPEB) Liability and Related Ratios and Schedule of Contributions for the City's OPEB plan, which are required supplementary information. In addition to these required elements, we have included combining statements and schedules that provide details about the City's other governmental funds, other enterprise funds, the Water enterprise fund, the Wastewater enterprise fund, the Community Center enterprise fund, internal service funds, investment trust funds, and agency funds, each of which is presented in a column in the basic financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

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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, youth, parks, and community enrichment, and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Certain services provided by the City are funded by customer fees. Among these are the City's utility services, convention center, and off-street parking facilities.

**Fund Financial Statements**

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

The City has three types of fund financial statements:

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

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

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

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

<b>City of Sacramento</b>							
<b>Summary of Net Position</b>							
As of June 30, 2019 and 2018							
(in millions)							
	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>Percent</b>
							<b>Change</b>
Current and other assets	\$ 994	\$ 955	\$ 732	\$ 437	\$ 1,726	\$ 1,392	24.0%
Capital assets	1,767	1,790	1,476	1,353	3,243	3,143	3.2%
Total assets	<u>2,761</u>	<u>2,745</u>	<u>2,208</u>	<u>1,790</u>	<u>4,969</u>	<u>4,535</u>	9.6%
Deferred outflows of resources	199	244	25	34	224	278	-19.4%
Long-term liabilities	1,844	1,927	1,052	727	2,896	2,654	9.1%
Other liabilities	85	102	63	58	148	160	-7.5%
Total Liabilities	<u>1,929</u>	<u>2,029</u>	<u>1,115</u>	<u>785</u>	<u>3,044</u>	<u>2,814</u>	8.2%
Deferred inflows of resources	76	48	11	5	87	53	64.2%
Net position							
Net investment in							
capital assets	1,267	1,336	925	869	2,192	2,205	-0.6%
Restricted	294	243	43	41	337	284	18.7%
Unrestricted	(606)	(667)	139	124	(467)	(543)	-14.0%
Total net position	<u>\$ 955</u>	<u>\$ 912</u>	<u>\$ 1,107</u>	<u>\$ 1,034</u>	<u>\$ 2,062</u>	<u>\$ 1,946</u>	6.0%

**Analysis of net position**

As noted in the financial highlights, total net position of the primary government increased by \$116 million in fiscal year 2019. Total assets increased \$434 million and total liabilities increased \$230 million. Deferred outflows of resources decreased \$54 million and deferred inflows of resources increased \$34 million.

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

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

**Governmental activities**

Current and other assets increased \$39 million primarily due to an increase in cash in the governmental funds from higher than expected sales and property tax revenue.

Capital assets of governmental activities decreased \$23 million primarily due to current year capital assets depreciation, offset by capital assets additions. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Deferred outflows of resources decreased \$45 million primarily due to a \$43 million decrease in deferred outflows related to pensions. The decrease in deferred outflows related to pensions was mainly driven by decreases in deferred outflows for changes in assumptions and net differences between projected and actual earnings, offset slightly by an increase in deferred outflows for contributions subsequent to measurement date and differences in experience. More detailed information about pension plans is presented in Note 8 to the financial statements.

Long-term liabilities decreased \$83 million primarily due to \$53 million of principal payments on existing debt obligations and net amortization of bond discounts and premiums, a \$23 million decrease in net OPEB liability, and a \$12 million decrease in net pension liability. These decreases were offset by a \$7 million increase in accrued claims and judgments. More detailed information about long-term liabilities is presented in Note 7 to the financial statements.

Deferred inflows of resources increased \$28 million primarily due to a \$10 million increase in deferred inflows related to pensions and a \$18 million increase in deferred inflows related to OPEB. The increase in deferred inflows related to pensions and OPEB were both mainly driven by increases in deferred inflows for changes in assumptions. More detailed information about pension and OPEB plans is presented in Notes 8 and 9 to the financial statements.

Restricted net position, representing amounts that must be used in accordance with external restrictions, increased \$51 million primarily due to increases in restrictions for capital projects.

**Business-type activities**

Current and other assets of business-type activities increased \$295 million primarily due to the large cash inflows related to the TOT revenue bonds and the wastewater revenue bonds, series 2019.

Capital assets increased \$123 million due to capital asset additions including the convention center expansion, community center theater renovation, memorial auditorium upgrades, water transmission lines, water mains and meter installation, new wastewater infrastructure, offset by current year depreciation. More detailed capital asset information is presented in Note 4 to the financial statements.

Deferred outflows of resources decreased \$9 million primarily due to a \$9 million decrease in deferred outflows related to pensions for the same reasons described above for governmental activities deferred outflows. More detailed information about pension plans is presented in Note 8 to the financial statements.

Long-term liabilities increased \$325 million primarily due to the issuance of \$348 million of revenue bonds as discussed in the financial highlights section. More detailed information is presented in Note 7 to the financial statements.

Deferred inflows of resources increased \$6 million primarily due to a \$2 million increase in deferred inflows related to pensions and a \$3 million increase in deferred inflows related to OPEB. Both increases were mainly driven by increases in deferred inflows for changes in assumptions. More detailed information about pension and OPEB plans is presented in Notes 8 and 9 to the financial statements.

Net investment in capital assets increased \$56 million due to capital asset additions, partially offset by the issuance of new long-term debt and depreciation expense.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

City of Sacramento Changes in Net Position For the Fiscal Years Ended June 30, 2019 and 2018 (in millions)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2019	2018	2019	2018	2019	2018	
Revenues							
Program revenues:							
Charges for services	\$ 197	\$ 187	\$ 309	\$ 295	\$ 506	\$ 482	5.0%
Operating grants & contributions	56	42	3	2	59	44	34.1%
Capital grants & contributions	99	101	21	24	120	125	-4.0%
General revenues:							
Property taxes	170	157	-	-	170	157	8.3%
Local sales taxes	64	45	-	-	64	45	42.2%
Utility users tax	60	63	-	-	60	63	-4.8%
Other taxes	42	38	29	27	71	65	9.2%
Unrestricted:							
Sales taxes shared state revenue	94	83	-	-	94	83	13.3%
Investment earnings	21	6	20	1	41	7	485.7%
Miscellaneous	15	17	-	-	15	17	-11.8%
Gain (loss) disposal of capital assets	-	-	2	-	2	-	-
Total revenues	818	739	384	349	1,202	1,088	10.5%
Expenses							
General government	116	101	-	-	116	101	14.9%
Police	203	200	-	-	203	200	1.5%
Fire	170	160	-	-	170	160	6.3%
Public works	133	122	-	-	133	122	9.0%
Convention and cultural services	31	21	-	-	31	21	47.6%
Youth, parks, community enrichment	61	55	-	-	61	55	10.9%
Community development	60	51	-	-	60	51	17.6%
Library	19	17	-	-	19	17	11.8%
Interest on long-term debt	24	23	-	-	24	23	4.3%
Water	-	-	99	88	99	88	12.5%
Wastewater	-	-	33	28	33	28	17.9%
Storm drainage	-	-	40	41	40	41	-2.4%
Solid waste	-	-	58	57	58	57	1.8%
Community center	-	-	27	18	27	18	50.0%
Parking	-	-	14	13	14	13	7.7%
Child development	-	-	7	7	7	7	0.0%
Total expenses	817	750	278	252	1,095	1,002	9.3%
Revenue over (under) expenses	1	(11)	106	97	107	86	24.4%
Special items	7	-	2	-	9	-	-
Transfers	35	34	(35)	(34)	-	-	-
Change in net position	43	23	73	63	116	86	34.9%
Net position, beginning of year	912	889	1,034	971	1,946	1,860	4.6%
Net position, end of year	\$ 955	\$ 912	\$ 1,107	\$ 1,034	\$ 2,062	\$ 1,946	6.0%

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**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

**Analysis of the changes in net position**

Total government-wide revenues of the primary government increased \$113 million, a 10.4 percent increase compared to the prior fiscal year, and total expenses increased \$92 million, a 9.2 percent increase compared to the prior fiscal year. These changes are discussed in more detail below.

**Governmental activities**

Total revenues for governmental activities increased \$78 million, a 10.6 percent increase compared to the prior fiscal year. Total expenses increased \$66 million, an 8.8 percent increase compared to the prior fiscal year. Net transfers from business-type activities increased \$1 million, a 2.9 percent increase compared to the prior fiscal year. Transfers in primarily consist of in-lieu taxes paid by the business-type activities to the General Fund. Transfers out primarily consist of capital assets transferred from governmental activities to business-type activities. Net transfers were higher in fiscal year 2019 primarily due to an increase in in-lieu tax transfers.

**Revenue**

Charges for services increased \$11 million primarily due to a \$9 million increase in the General Fund. This increase was mainly due to a \$4 million increase in ambulance services and \$3 million in construction permits due to increased development.

Operating grants and contributions revenue increased \$14 million primarily due to the grants and contributions the City received for the Whole Person Care program, the Winter Triage Center Sheltering program and other Homeless Housing programs.

Property tax revenue increased \$14 million due to continued increases in Sacramento area commercial and residential real estate property assessed valuations.

Sales taxes, including state shared sales tax revenue, increased \$29 million, primarily due to continued strong economic growth and a local sales tax rate increase effective April 1, 2019.

Investment earnings increased by \$15 million primarily due to a higher interest earnings rate, higher cash balances, and a larger current year unrealized market value gain compared to the prior fiscal year.

Additionally, there was a special item for \$7 million related to a settlement payment due to construction litigation for repairs to the Sacramento Valley Station Intermodal Transportation Facility passenger platforms. Refer to Note 17 for more information.

**Expenses**

Total governmental activities expenses increased \$66 million primarily due to increases in department functional expenses, i.e. \$16 million in general government, \$3 million in police, \$10 million in fire, \$11 million in public works, \$10 million in convention and cultural services, \$6 million in youth, parks, and community enrichment, \$9 million in community development, and \$1 million in library.

**Business-type activities**

Total revenues for business-type activities increased \$34 million, a 9.8 percent increase compared to the prior fiscal year. Total expenses for business-type activities increased \$26 million, a 10.4 percent increase. Net transfers to governmental activities increased \$1 million, a 2.9 percent increase compared to the prior fiscal year. Transfers out primarily consist of in-lieu taxes paid by the business-type activities to the General Fund. Transfers in primarily consist of capital assets transferred from governmental activities to business-type activities. Net transfers were higher in fiscal year 2019 primarily due to an increase in in-lieu tax transfers.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

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**Revenue**

Charges for services increased \$13 million as a result of water and wastewater rate increases in fiscal year 2019 of 10 and 9 percent respectively.

Capital grants and contribution revenue decreased by \$3 million as a result of a net decrease in wastewater and storm drainage infrastructure dedications by developers, \$6 million decrease in wastewater offset by \$3 million increase in storm drainage.

Investment earnings revenue increased by \$19 million primarily due to a higher interest earnings rate, higher cash balances, and a larger current year unrealized market value gain compared to the prior fiscal year.

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

**Expenses**

Water Fund expenses increased \$11 million primarily due to a \$4 million increase in labor and pension expenses, a \$7 million increase in services and supplies due to various operating projects.

Community Center expenses increased \$9 million primarily due to interest expense for debt service on the 2018 Transient Occupancy Tax (TOT) Revenue Bonds, plus associated cost of issuance. See Note 7 for additional information about these bonds.

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

**Governmental Funds**

The City's governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Total revenues for governmental funds increased \$114 million compared to the prior fiscal year. Total expenditures increased \$40 million compared to the prior fiscal year. Net other financing sources increased \$10 million compared to the prior fiscal year. These changes are discussed in more detail below.

**General Fund**

Total General Fund revenue increased \$34 million compared to prior fiscal year. Tax revenues increased by \$21 million, i.e. \$11 million in property tax, \$8 million in sales and use tax, and \$4 million in business operations tax. Charges for services increased by \$9 million primarily attributable to the continued increases in development activity, planning permit fees, and Advance Life Support (ALS).

Total General Fund expenditures increased \$27 million compared to prior fiscal year. Expenditures in Fire and Police departments increased \$19 million in total, general government increased \$8 million, and community development increased \$3 million. These increases are primarily due to labor and pension cost increases, additional staffing, and reduced cost reimbursements from other funds. Capital outlay decreased \$2 million mainly due to a reduction of General Fund contributions to the community center complex renovation and streetcar projects.

**General Fund Budgetary Highlights**

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

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

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After accounting for these budget adjustments, General Fund revenues were \$21 million higher than final budgeted amounts. Collection of various taxes exceeded the budget by \$11 million. Intergovernmental revenue exceeded budget by \$4 million. Interest revenue was higher than budget by \$5 million. Fines, forfeitures and penalties were higher than budget by \$1 million.

General Fund budgetary expenditures were \$67 million lower than final budgeted amounts. Most of the General Fund departments reported favorable operating expenditure budget variances primarily due to labor savings, and labor reimbursements from grants and other funds. Capital outlay expenditures were less than budgeted amounts by \$32 million due to the multi-year nature of capital projects. Unspent multi-year project budgets, as well as other unspent Council approved program budgets, are carried over to the subsequent fiscal year.

**Measure U Fund**

Measure U Fund revenue and expenditures increased by \$19 million and \$5 million, respectively. Revenues are higher primarily due to the voters approved new version of Measure U sales tax, raising it from half-cent to a full cent, which took effect on April 1, 2019. Expenditures are higher primarily due to funding of additional fire and police officer positions, capital improvements for parks and expansion of activities in homeless housing and youth enrichment programs. Use of Measure U resources included police, fire, library, animal care, youth, parks, and community enrichment services.

**Other Governmental Funds**

Other governmental fund revenues increased \$63 million primarily due to the following:

- \$15 million net increase in revenue in the special revenue funds:
  - ❖ \$9 million increase in Operating Grants Fund mainly related to the grants and donations the City received for the Whole Person Care program, the Winter Triage Center Sheltering program and other Homeless Housing program.
  - ❖ \$3 million increase in Economic Development Fund primarily due to the increased tax revenues.
  - ❖ \$2 million increase in Special Districts Fund for assessment levies received by the City.
  - ❖ \$1 million increase in the Transportation and Development Fund revenue.
- \$34 million net increase in revenue in the debt service funds:
  - ❖ \$31 million increase in the 1997 Lease Revenue Bond Fund due to the payoff of the outstanding principal and interest balance made by the Kings group.
- \$13 million net increase in revenue in capital projects funds:
  - ❖ \$6 million increase in the Transportation and Development Fund related to Senate Bill 1 (SB1) due to a full year allocation of gas tax revenues. The program was established late in fiscal year 2018.
  - ❖ \$4 million increase in the Transportation and Development Fund related to STA sales tax reimbursement revenues due to more eligible project expenditures.
  - ❖ \$3 million increase in permit fees and assessment levies in the Financing Plans Fund from developers in the South Natomas facilities benefit assessment, Willowcreek fee district, North Natomas drainage, and citywide low-income housing finance plan areas.

Other governmental fund expenditures increased \$33 million primarily due to the following:

- \$33 million increase in debt service funds mainly due to the payoff of the outstanding principal and interest balance in the 1997 Lease Revenue Bond Fund.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

**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 \$13 million, and operating expenses increased \$18 million compared to the prior fiscal year. Net nonoperating revenues increased \$16 million and capital contributions decreased \$2 million compared to the prior fiscal year. These changes are discussed in more detail below.

**Water Fund**

Water Fund operating revenues increased \$8 million primarily due to a 10 percent utility rate increase in fiscal year 2019. Operating expenses increased \$12 million primarily due to a \$4 million increase in labor and pension costs and increases in management consulting services related to operating projects. Net nonoperating expenses decreased \$9 million primarily due to offset associated with an increase of \$6 million in interest and investment revenue due to a better investment portfolio performance and a \$2 million gain on disposal of capital assets associated with the sale of the McAuliffe Field. The Water Fund also recognized \$2.5 million special item due to sale of water to the San Juan Water District. See Note 17 for more information regarding this special item.

**Wastewater Fund**

Wastewater Fund operating revenues increased \$5 million primarily due to a 9 percent utility rate increase in fiscal year 2019, and a \$1.6 million increase in sewer permits related to private development projects. Operating expenses increased \$5 million primarily due to an increase in labor and pension expenses and additional operating project costs. Net nonoperating revenue increased \$2 million primarily due to an increase in interest and investment revenue due to a better investment portfolio performance. Capital contributions decreased \$5 million, primarily due to decreases of \$3 million associated with Delta Shores Circle South and McKinley Village, and \$1 million decrease in wastewater development impact fees.

**Storm Drainage Fund**

Net nonoperating revenues increased \$2 million primarily due to an increase in interest and investment revenue due to a better investment portfolio performance. Capital contributions increased \$4 million, i.e. \$6 million related to Sump 64 offset by a decrease of \$2 million related to McKinley Village and Delta Shores Circle South.

**Solid Waste Fund**

Operating expenses increased \$1 million primarily due to an increase in labor and pension expenses.

**Community Center Fund**

Community Center Fund operating revenues decreased \$1 million mainly due to the impact of relocating events to the Memorial Auditorium during reconstruction of the Convention Center Complex. Operating expenses increased \$1 million primarily due to increases in security services and consulting services related to the reconstruction offset by a decrease in employee costs. Net nonoperating revenue increased by \$1 million due to the net effects of the increase in investment revenue, and the increase in transient occupancy tax (TOT) offset by the increase in debt service on the new bonds. TOT growth continued this fiscal year due to the strong economy resulting in increased Sacramento area hotel room occupancy and room rates.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2019, the City had invested \$3 billion in a broad range of capital assets, including land, buildings, vehicles, parks and park improvements, roads, bridges, and water, wastewater and storm drainage transmission and distribution systems. Current year capital asset additions of \$226 million was offset by current year depreciation expense of \$125 million and retirements of \$1 million, resulting in a net increase in capital assets of \$100 million.

**City of Sacramento**  
**Capital Assets**  
As of June 30, 2019 and 2018  
(net of depreciation, in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital assets not being depreciated						
Land	\$ 210	\$ 206	\$ 52	\$ 50	\$ 262	\$ 256
Easements	1	1	-	-	1	1
Construction in progress	129	137	364	307	493	444
Depreciable capital assets:						
Buildings and improvements	431	430	133	134	564	564
Equipment	19	22	26	27	45	49
Software	3	4	12	2	15	6
Vehicles	76	62	-	-	76	62
Transmission and distribution systems	4	4	889	833	893	837
Road network	598	627	-	-	598	627
Street light network	151	154	-	-	151	154
Park and park improvements	145	143	-	-	145	143
Total capital assets	<u>\$ 1,767</u>	<u>\$ 1,790</u>	<u>\$ 1,476</u>	<u>\$ 1,353</u>	<u>\$ 3,243</u>	<u>\$ 3,143</u>

This year's major capital asset additions include:

- \$31.3 million for the Convention Center Expansion Project,
- \$12.6 million for the Memorial Auditorium Upgrade Project,
- \$12 million for the AWMP Pipeline Replacements Project,
- Other capital project additions in progress including the Community Center Theater Renovation and East Sacramento, Land Park, Meadowview, North Sacramento, Tahoe Park, and River Park Water Meter Projects. Many other capital projects were completed during the year and transferred from construction in progress to the appropriate capital asset categories.

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

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

**Long-term Debt**

The following table summarizes the City's outstanding debt (excluding other long-term liabilities):

<b>City of Sacramento</b>						
<b>Outstanding Debt</b>						
As of June 30, 2019 and 2018						
(in millions)						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenue and other bonds, net	\$ 513	\$ 565	\$ 832	\$ 510	\$ 1,345	\$ 1,075
Notes payable	14	14	33	23	47	37
Capital lease obligations	1	2	2	4	3	6
Total outstanding debt	<u>\$ 528</u>	<u>\$ 581</u>	<u>\$ 867</u>	<u>\$ 537</u>	<u>\$ 1,395</u>	<u>\$ 1,118</u>

Total outstanding debt for governmental activities decreased \$53 million due to principal payments on existing obligations and net amortization of bond discounts and premiums. The remaining principal of the 1997 Lease Revenue Bonds in the amount of \$33 million was paid off in fiscal year 2019.

Total outstanding debt for business-type activities increased \$330 million mainly due to the following:

- Issuance of the 2018 Transient Occupancy Tax (TOT) Revenue Bonds, Senior Series A and B, and Subordinate Series C at total par of \$283 million plus premium of \$33 million.
- Issuance of the Wastewater Revenue Bonds, Series 2019 at par of \$26 million plus premium of \$6 million.
- Addition of \$14 million to the Drinking Water State Revolving Fund Note.

The increases above were slightly offset by \$31 million in principal payments on existing obligations and net amortization of bond discounts and premiums.

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

**Credit rating**

The following table summarizes the City's bonded debt ratings (nr designates not rated) at June 30, 2019, 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>	<u>Fitch</u>
• 1993 Refunded Lease Revenue Bonds, Series A	A+	A1	nr
• 1993 Refunded Lease Revenue Bonds, Series B	A+	Aa3	nr
• 2006 Capital Improvement Revenue Bonds, Series B	A+	Aa3	nr
• 2006 Capital Improvement Revenue Bonds, Series E	A+	Aa3	nr
• 2013 Water Revenue Bonds	AA	nr	AA-
• 2013 Wastewater Revenue Bonds	AA	nr	AA
• 2015 Refunding Revenue Bonds	A+/AA	Aa3	nr
• 2015 Lease Revenue Bonds (Golden 1 Center)	A+	nr	A
• 2017 Water Revenue Bonds	AA	nr	AA-
• 2018 TOT Revenue Bonds, Senior Series A&B	nr	A1	nr
• 2018 TOT Revenue Bonds, Subordinate Series C	nr	A2	nr
• 2019 Wastewater Revenue Bonds	AA	nr	AA

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2019

The City's issuer credit rating as of June 30, 2019, 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 is experiencing a period of sustained growth and transformation, having become an epicenter for new opportunities and a testing ground for technological innovations. The development of the Downtown Railyards is reaching new levels of partnership and momentum, companies such as Centene Corporation are bringing thousands of high-paying, quality jobs to the area, and the expansion/renovation of civic amenities such as the Sacramento Convention Center, Community Center Theater and the Old Sacramento Waterfront are writing the next chapter of activity and vibrancy for our city. In fiscal year 2019, Sacramento delivered over 2,098 new housing units. Unemployment in the Sacramento metropolitan area has fallen from 3.8 percent at the end of fiscal year 2018 to 3.7 percent at the end of fiscal year 2019. Although the trend reflects an increase in revenues, commitments for labor contracts, increases in retirement contributions, and rising costs for utilities continue to add costs to the City's General Fund budget.

**Next Year's Budget**

General Fund budget appropriations for fiscal year 2020 are \$513.8 million, an increase of 5.3 percent compared to the fiscal year 2019 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget appropriates \$1 million for a contribution to the City's OPEB trust fund and commits \$2.6 million to the General Fund Economic Uncertainty Reserve.

**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

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**City of Sacramento**  
**Statement of Net Position**  
June 30, 2019  
(in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 673,398	\$ 315,447	\$ 988,845
Receivables, net	265,649	61,531	327,180
Internal balances	5,580	(5,580)	-
Inventories	-	1,112	1,112
Prepaid items	4,445	344	4,789
Restricted cash and investments	44,337	359,448	403,785
Intangible assets	-	-	136
Land and other capital assets not being depreciated	339,417	416,383	755,800
Other capital assets, net of depreciation	1,427,740	1,059,278	2,487,018
Total assets	2,760,566	2,208,099	4,968,665
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on refunding of debt	3,077	4,588	7,665
Deferred outflows related to pensions	179,541	17,982	197,523
Deferred outflows related to OPEB	16,025	2,381	18,406
Total deferred outflows of resources	198,643	24,951	223,594
<b>LIABILITIES</b>			
Payables	77,382	57,804	135,186
Unearned revenue	7,403	5,240	12,643
Long-term liabilities:			
Due within one year	49,600	34,529	84,129
Due in more than one year	1,794,045	1,017,672	2,811,717
Total liabilities	1,928,430	1,115,245	3,043,675
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Service concession arrangement	2,659	-	2,659
Gain on debt refunding	-	885	885
Deferred inflows related to pensions	36,759	3,063	39,822
Deferred inflows related to OPEB	36,230	6,613	42,843
Total deferred inflows of resources	75,648	10,561	86,209
<b>NET POSITION</b>			
Net investment in capital assets	1,267,837	925,128	2,192,965
Restricted for:			
Capital projects	166,705	40,411	207,116
Debt service	686	-	686
Public works programs	27,792	-	27,792
Economic development programs	48,878	-	48,878
Other programs	39,380	2,963	42,343
Trust and endowments:			
Expendable	9,197	-	9,197
Nonexpendable	678	-	678
Unrestricted	(606,222)	138,742	(467,480)
Total net position	\$ 955,131	\$ 1,107,244	\$ 2,062,375

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

**City of Sacramento**  
**Statement of Activities**  
 For the Fiscal Year Ended June 30, 2019  
 (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	\$ 133,126	\$ (16,844)	\$ 22,908	\$ 25,884	\$ 929	\$ (66,561)
Police	203,303	-	14,550	5,057	-	(183,696)
Fire	169,819	-	42,866	1,910	-	(125,043)
Public works	132,958	-	52,901	12,735	56,844	(10,478)
Convention and cultural services	30,907	-	12,622	546	-	(17,739)
Youth, parks, and community enrichment	61,225	-	13,365	1,326	2,962	(43,572)
Community development	60,466	-	38,218	231	38,168	16,151
Library	18,687	-	-	7,846	-	(10,841)
Interest on long-term debt	23,454	-	-	-	-	(23,454)
<b>Total governmental activities</b>	<b>833,945</b>	<b>(16,844)</b>	<b>197,430</b>	<b>55,535</b>	<b>98,903</b>	<b>(465,233)</b>
Business-type activities:						
Water	92,241	6,788	127,868	2,128	9,533	40,500
Wastewater	30,708	2,351	42,275	-	1,606	10,822
Storm drainage	38,153	2,033	39,969	8	9,318	9,109
Solid waste	54,239	3,169	63,664	557	-	6,813
Community center	25,863	1,195	8,726	-	-	(18,332)
Parking	13,046	1,308	19,735	4	-	5,385
Child development	6,766	-	6,547	603	-	384
<b>Total business-type activities</b>	<b>261,016</b>	<b>16,844</b>	<b>308,784</b>	<b>3,300</b>	<b>20,457</b>	<b>54,681</b>
<b>Total primary government</b>	<b>\$ 1,094,961</b>	<b>\$ -</b>	<b>\$ 506,214</b>	<b>\$ 58,835</b>	<b>\$ 119,360</b>	<b>\$ (410,552)</b>

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

**City of Sacramento**  
**Statement of Activities**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	\$ (465,233)	\$ 54,681	\$ (410,552)
General revenues:			
Taxes:			
Property taxes	170,439	-	170,439
Utility user taxes	60,128	-	60,128
Local sales tax	64,047	-	64,047
Property transfer tax	14,325	-	14,325
Business operations tax	19,590	-	19,590
Transient occupancy tax	5,904	29,477	35,381
Other taxes	2,131	-	2,131
Unrestricted sales taxes shared state revenue	93,770	-	93,770
Unrestricted investment earnings	20,923	20,020	40,943
Unrestricted miscellaneous	14,834	-	14,834
Gain on sale of capital assets	-	1,747	1,747
Special items	7,000	2,553	9,553
Transfers	35,524	(35,524)	-
<b>Total general revenues, special items, and transfers</b>	<b>508,615</b>	<b>18,273</b>	<b>526,888</b>
Changes in net position	43,382	72,954	116,336
Net position, beginning of year	911,749	1,034,290	1,946,039
<b>Net position, end of year</b>	<b>\$ 955,131</b>	<b>\$ 1,107,244</b>	<b>\$ 2,062,375</b>

The notes to the basic 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, 2019  
(in thousands)

	General Fund	Measure U Fund	2015 Golden 1 Center Lease Revenue Bond Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ 204,427	\$ 24,078	\$ 13,030
Cash and investments held by fiscal agent	-	-	606
Receivables, net:			
Taxes	27,980	18,383	-
Accounts	22,495	-	1,625
Loans	-	-	140,017
Intergovernmental	5,576	-	-
Interest	873	-	42
Prepaid items	-	-	-
Restricted assets:			
Cash and investments held by City	-	-	-
Cash and investments held by fiscal agent	-	-	18,380
<b>Total assets</b>	<b>\$ 261,351</b>	<b>\$ 42,461</b>	<b>\$ 173,700</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 18,175	\$ 1,737	\$ -
Accrued payroll	24,981	-	-
Accrued claims and judgements	344	-	-
Matured notes and interest payable	-	-	-
Due to other funds	-	-	-
Deposits	60	-	-
Unearned revenue	2,451	-	-
Advances from other funds	-	-	-
<b>Total liabilities</b>	<b>46,011</b>	<b>1,737</b>	<b>-</b>
Deferred inflows of resources:			
Unavailable revenue	4,734	-	140,031
Fund balances:			
Nonspendable:			
Permanent fund principal	-	-	-
Restricted:			
Capital projects	-	-	-
Debt service	-	-	18,380
Public works programs	-	-	-
Economic development programs	-	-	-
Other programs	-	-	-
Committed:			
Economic uncertainty	55,200	-	-
Capital projects	39,995	13,197	-
Debt service	-	-	14,655
Fire programs	9,568	-	-
Pension	13,500	-	-
OPEB	6,644	-	-
SCXEA labor for FY2020	4,256	-	-
Gas tax	2,087	-	-
Other programs	46,052	27,527	-
Assigned:			
Debt service	-	-	634
Unrealized investment gains	381	-	-
Other programs	-	-	-
Unassigned	32,923	-	-
<b>Total fund balances</b>	<b>210,606</b>	<b>40,724</b>	<b>33,669</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 261,351</b>	<b>\$ 42,461</b>	<b>\$ 173,700</b>

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

**City of Sacramento  
Governmental Funds  
Balance Sheet**  
June 30, 2019  
(in thousands)

	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>		
Cash and investments held by City	\$ 314,049	\$ 555,584
Cash and investments held by fiscal agent	251	857
Receivables, net:		
Taxes	5,733	52,096
Accounts	8,175	32,295
Loans	1,802	141,819
Intergovernmental	29,043	34,619
Interest	659	1,574
Prepaid items	6	6
Restricted assets:		
Cash and investments held by City	15,221	15,221
Cash and investments held by fiscal agent	10,736	29,116
<b>Total assets</b>	<b>\$ 385,675</b>	<b>\$ 863,187</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 16,056	\$ 35,968
Accrued payroll	78	25,059
Accrued claims and judgements	31	375
Matured notes and interest payable	3,521	3,521
Due to other funds	1,231	1,231
Deposits	4,694	4,754
Unearned revenue	4,637	7,088
Advances from other funds	6,692	6,692
<b>Total liabilities</b>	<b>36,940</b>	<b>84,688</b>
Deferred inflows of resources:		
Unavailable revenue	26,970	171,735
Fund balances:		
Nonspendable:		
Permanent fund principal	878	878
Restricted:		
Capital projects	183,772	183,772
Debt service	9,739	28,119
Public works programs	22,071	22,071
Economic development programs	48,878	48,878
Other programs	48,003	48,003
Committed:		
Economic uncertainty	-	55,200
Capital projects	1,210	54,402
Debt service	2,636	17,291
Fire programs	-	9,568
Pension	-	13,500
OPEB	-	6,644
SCXEA labor for FY2020	-	4,256
Gas tax	-	2,087
Other programs	20,946	94,525
Assigned:		
Debt service	2,066	2,700
Unrealized investment gains	51	432
Other programs	86	86
Unassigned	(18,573)	14,350
<b>Total fund balances</b>	<b>321,765</b>	<b>606,764</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 385,675</b>	<b>\$ 863,187</b>

The notes to the basic 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, 2019  
(in thousands)

<b>Fund balances - total governmental funds</b>		<b>\$ 606,764</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.		171,735
Prepaid bond insurance represents costs associated with the issuance of long-term debt which are amortized over the period the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.		240
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	3,262,577	
Less: accumulated depreciation	<u>(1,571,658)</u>	1,690,919
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:		
Interest payable		(5,210)
Deferred outflows and inflows of resources are not recognized in the current period and therefore not reported in the governmental funds.		
Deferred outflows related to pensions	177,452	
Deferred outflows related to OPEB	15,717	
Deferred inflows related to pensions	(36,552)	
Deferred inflows related to OPEB	(35,355)	
Loss on refunding of debt	<u>3,077</u>	124,339
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	(38,811)	
Accrued claims and judgements	(3,434)	
Financing plan fee credits	(32,231)	
Net pension liability	(832,983)	
Net OPEB liability	(299,418)	
Pollution remediation obligations	(692)	
Revenue and other bonds payable, net	(512,381)	
Capital lease obligations payable	(996)	
Notes payable	<u>(12,806)</u>	(1,733,752)
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>100,096</u>
<b>Net position of governmental activities</b>		<b><u>\$ 955,131</u></b>

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The notes to the basic 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, 2019  
 (in thousands)

	General Fund	Measure U Fund	2015 Golden 1 Center Lease Revenue Bond Fund
<b>Revenues:</b>			
Taxes	\$ 358,129	\$ 64,047	\$ -
Intergovernmental	16,350	-	-
Charges for services	108,972	-	-
Fines, forfeits, and penalties	15,964	-	-
Interest, rents, and concessions	7,810	1,228	2,557
Community service fees	-	-	-
Assessment levies	356	-	-
Contributions and donations	68	-	-
Miscellaneous	536	-	-
<b>Total revenues</b>	<b>508,185</b>	<b>65,275</b>	<b>2,557</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	56,498	722	-
Police	152,637	25,193	-
Fire	124,324	17,205	-
Public works	15,101	450	-
Convention and cultural services	5,723	-	-
Youth, parks, and community enrichment	22,286	9,730	-
Community development	36,039	271	-
Library	9,980	506	-
Utilities	2,285	-	-
Citywide and community support	42,827	-	-
Capital outlay	19,392	6,708	-
<b>Debt service:</b>			
Principal	1,143	-	3,510
Interest and fiscal charges	46	-	9,701
Bond issuance costs	-	-	116
<b>Total expenditures</b>	<b>487,681</b>	<b>60,785</b>	<b>13,327</b>
Excess (deficiency) of revenues over (under) expenditures	20,504	4,490	(10,770)
<b>Other financing sources (uses):</b>			
Transfers in	38,652	-	7,100
Transfers out	(27,919)	-	(190)
Issuance of long-term debt	-	-	-
Special item	7,000	-	-
<b>Total other financing sources (uses)</b>	<b>17,733</b>	<b>-</b>	<b>6,910</b>
Changes in fund balances	38,237	4,490	(3,860)
Fund balances, beginning of year	172,369	36,234	37,529
Fund balances, end of year	\$ 210,606	\$ 40,724	\$ 33,669

The notes to the basic 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, 2019  
 (in thousands)

	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>		
Taxes	\$ 12,583	\$ 434,759
Intergovernmental	81,308	97,658
Charges for services	22,637	131,609
Fines, forfeits, and penalties	433	16,397
Interest, rents, and concessions	13,312	24,907
Community service fees	30,651	30,651
Assessment levies	52,120	52,476
Contributions and donations	48,965	49,053
Miscellaneous	182	718
<b>Total revenues</b>	<b>262,211</b>	<b>838,228</b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	28,052	85,272
Police	4,708	182,538
Fire	2,514	144,043
Public works	35,738	51,289
Convention and cultural services	9,394	15,117
Youth, parks, and community enrichment	9,850	40,866
Community development	18,032	54,342
Library	7,846	17,732
Utilities	210	2,495
Citywide and community support	-	42,827
Capital outlay	53,075	79,175
<b>Debt service:</b>		
Principal	51,631	56,284
Interest and fiscal charges	15,071	24,818
Bond issuance costs	-	116
<b>Total expenditures</b>	<b>235,121</b>	<b>796,914</b>
Excess (deficiency) of revenues over (under) expenditures	27,090	41,314
<b>Other financing sources (uses):</b>		
Transfers in	24,179	69,931
Transfers out	(5,005)	(33,114)
Issuance of long-term debt	1,325	1,325
Special item	-	7,000
<b>Total other financing sources (uses)</b>	<b>20,499</b>	<b>45,142</b>
Changes in fund balances	47,589	86,456
Fund balances, beginning of year	274,176	520,308
Fund balances, end of year	\$ 321,765	\$ 606,764

The notes to the basic 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, 2019  
(in thousands)

<b>Changes in fund balances - total governmental funds</b>	<b>\$ 86,456</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	26,683
Depreciation expense	<u>(71,798)</u>
	(43,115)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:	
Infrastructure dedications	10,017
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of long-term debt, including premium	(1,325)
Principal repayments on long-term debt	<u>56,284</u>
	54,959
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.	
	(34,982)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(1,098)
Accrued claims and judgements	(338)
Pension expense	(39,691)
Other post-employment benefits	2,292
Pollution remediation	(62)
Interest	448
Amortization of prepaid bond insurance	(17)
Amortization of bond discount	(2)
Amortization of bond premium	1,147
Amortization of gain/loss on refunding	<u>(220)</u>
	(37,541)
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.	
	(996)
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.	
	<u>8,584</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 43,382</u></b>

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**City of Sacramento**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
- Budget and Actual (Non-GAAP Budgetary Basis)  
with Budget to GAAP Reconciliation**

For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
<b>Revenues:</b>						
Taxes	\$ 340,003	\$ 346,934	\$ 358,129	\$ 11,195	\$ -	\$ 358,129
Intergovernmental	10,218	12,323	16,350	4,027	-	16,350
Charges for services	95,625	109,128	108,972	(156)	-	108,972
Fines, forfeits and penalties	13,543	15,530	15,964	434	-	15,964
Interest, rents, and concessions	784	2,736	7,810	5,074	-	7,810
Assessment levies	74	74	356	282	-	356
Contributions and donations	-	2	68	66	-	68
Miscellaneous	510	233	536	303	-	536
<b>Total revenues</b>	<b>460,757</b>	<b>486,960</b>	<b>508,185</b>	<b>21,225</b>	<b>-</b>	<b>508,185</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Mayor/Council	6,670	7,947	6,641	1,306	(671)	5,970
City Manager	23,605	40,196	19,621	20,575	(1,601)	18,020
City Attorney	6,449	8,540	6,648	1,892	(46)	6,602
City Clerk	1,645	1,645	1,477	188	-	1,477
City Treasurer	2,141	2,116	1,766	350	(40)	1,726
Finance	6,537	6,672	6,160	512	(232)	5,928
Information technology	13,792	14,552	13,561	991	(675)	12,886
Human resources	4,459	4,694	3,918	776	(29)	3,889
Subtotal - General government	65,298	86,382	59,792	26,570	(3,294)	56,498
Police	147,102	154,112	152,717	1,395	(80)	152,637
Fire	117,711	120,979	124,360	(3,381)	(36)	124,324
Public works	12,882	16,269	15,103	1,166	(2)	15,101
Convention and cultural services	5,943	6,701	6,134	567	(411)	5,723
Youth, parks, and community enrichment	23,376	24,701	22,387	2,314	(101)	22,286
Community development	36,082	38,717	36,456	2,261	(417)	36,039
Library	9,380	9,380	9,380	-	-	9,380
Utilities	2,899	6,672	2,285	4,387	-	2,285
Citywide and community support	44,763	43,480	43,206	274	(379)	42,827
Capital outlay	40,643	54,224	22,335	31,889	(2,943)	19,392
<b>Debt service:</b>						
Principal	1,143	1,143	1,143	-	-	1,143
Interest and fiscal charges	46	46	46	-	-	46
<b>Total expenditures</b>	<b>507,268</b>	<b>562,786</b>	<b>495,344</b>	<b>67,442</b>	<b>(7,663)</b>	<b>487,681</b>
Excess (deficiency) of revenues over (under) expenditures	(46,511)	(75,826)	12,841	88,667	7,663	20,504
<b>Other financing sources (uses):</b>						
Transfers in	34,920	40,543	42,452	1,909	(3,800)	38,652
Transfers out	(28,374)	(27,999)	(27,919)	80	-	(27,919)
Special items	-	-	7,000	7,000	-	7,000
<b>Total other financing sources (uses)</b>	<b>6,546</b>	<b>12,544</b>	<b>21,533</b>	<b>8,989</b>	<b>(3,800)</b>	<b>17,733</b>
Changes in fund balance	(39,965)	(63,282)	34,374	97,656	3,863	36,237
Fund balance, beginning of year	172,369	172,369	172,369	-	-	172,369
<b>Fund balance, end of year</b>	<b>\$ 132,404</b>	<b>\$ 109,087</b>	<b>\$ 206,743</b>	<b>\$ 97,656</b>	<b>\$ 3,863</b>	<b>\$ 210,606</b>

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

**City of Sacramento**

**Measure U Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
- Budget and Actual (Non-GAAP Budgetary Basis)  
with Budget to GAAP Reconciliation**

For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
<b>Revenues:</b>						
Taxes	\$ 36,543	\$ 58,199	\$ 64,047	\$ 5,848	\$ -	\$ 64,047
Interest, rents, and concessions	-	-	1,228	1,228	-	1,228
<b>Total revenues</b>	<b>36,543</b>	<b>58,199</b>	<b>65,275</b>	<b>7,076</b>	<b>-</b>	<b>65,275</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	-	17,828	977	16,851	(255)	722
Police	23,921	25,236	25,204	32	(11)	25,193
Fire	13,271	17,107	17,228	(121)	(23)	17,205
Public works	-	500	450	50	-	450
Youth, parks, and community enrichment	9,630	11,305	10,727	578	(997)	9,730
Community development	-	459	271	188	-	271
Library	506	506	506	-	-	506
Capital outlay	16,643	19,728	7,762	11,966	(1,054)	6,708
<b>Total expenditures</b>	<b>63,971</b>	<b>92,669</b>	<b>63,125</b>	<b>29,544</b>	<b>(2,340)</b>	<b>60,785</b>
Changes in fund balance	(27,428)	(34,470)	2,150	36,620	2,340	4,490
Fund balance, beginning of year	36,234	36,234	36,234	-	-	36,234
<b>Fund balance, end of year</b>	<b>\$ 8,806</b>	<b>\$ 1,764</b>	<b>\$ 38,384</b>	<b>\$ 36,620</b>	<b>\$ 2,340</b>	<b>\$ 40,724</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
 June 30, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 107,426	\$ 52,732	\$ 39,244	\$ 45,758
Cash and investments held by fiscal agent	315	-	14	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	19,779	12,379	6,104	9,049
Loans	99	139	461	-
Intergovernmental	2,056	374	1,371	-
Interest	634	338	198	201
Due from other funds	-	-	-	-
Inventories	678	45	389	-
Prepaid items	289	3	13	-
Intangible asset, current portion	-	-	-	-
<b>Total current assets</b>	<b>131,276</b>	<b>66,010</b>	<b>47,794</b>	<b>55,008</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	39,952	25,673	4,702	1,283
Cash and investments held by fiscal agent	7,435	1,020	765	-
Advances to other funds	-	-	-	-
Loans receivable	693	142	1,487	-
Intangible assets	-	-	-	-
Capital assets:				
Land	1,754	1,138	19,937	1,133
Buildings and improvements	44,698	31,224	9,530	32,153
Machinery and equipment	27,293	5,147	17,613	12,437
Vehicles	-	-	-	-
Transmission and distribution system	791,808	195,878	416,266	-
Construction in progress	282,906	6,399	1,772	90
Software	3,695	3,644	3,830	2,151
Easements	134	-	157	-
Less: accumulated depreciation/amortization	(295,757)	(84,348)	(204,476)	(31,977)
<b>Total noncurrent assets</b>	<b>904,611</b>	<b>185,917</b>	<b>271,583</b>	<b>17,270</b>
<b>Total assets</b>	<b>1,035,887</b>	<b>251,927</b>	<b>319,377</b>	<b>72,278</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	4,588	-	-	-
Deferred outflows related to pensions	8,182	1,709	2,073	2,996
Deferred outflows related to OPEB	814	243	374	596
<b>Total deferred outflows of resources</b>	<b>13,584</b>	<b>1,952</b>	<b>2,447</b>	<b>3,592</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
 June 30, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 41,291	\$ 28,486	\$ 314,937	\$ 116,738
Cash and investments held by fiscal agent	147	34	510	219
Receivables, net:				
Taxes	3,645	-	3,645	-
Accounts	327	748	48,386	176
Loans	-	-	699	-
Intergovernmental	-	-	3,801	-
Interest	1,306	1	2,678	411
Due from other funds	-	-	-	1,481
Inventories	-	-	1,112	-
Prepaid items	3	36	344	4,199
Intangible asset, current portion	-	8	8	-
<b>Total current assets</b>	<b>46,719</b>	<b>29,313</b>	<b>376,120</b>	<b>123,224</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	264,594	35	336,239	-
Cash and investments held by fiscal agent	12,199	1,790	23,209	-
Advances to other funds	-	-	-	12,022
Loans receivable	-	-	2,322	-
Intangible assets	-	128	128	-
Capital assets:				
Land	21,740	5,825	51,527	-
Buildings and improvements	113,040	62,937	293,582	7,159
Machinery and equipment	4,913	6,235	73,638	543
Vehicles	-	-	-	168,903
Transmission and distribution system	-	-	1,403,952	-
Construction in progress	68,996	4,402	364,565	307
Software	46	32	13,398	256
Easements	-	-	291	-
Less: accumulated depreciation/amortization	(67,913)	(40,821)	(725,292)	(100,930)
<b>Total noncurrent assets</b>	<b>417,615</b>	<b>40,563</b>	<b>1,837,559</b>	<b>88,260</b>
<b>Total assets</b>	<b>464,334</b>	<b>69,876</b>	<b>2,213,679</b>	<b>211,484</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	-	4,588	-
Deferred outflows related to pensions	1,371	1,651	17,982	2,089
Deferred outflows related to OPEB	168	186	2,381	308
<b>Total deferred outflows of resources</b>	<b>1,539</b>	<b>1,837</b>	<b>24,951</b>	<b>2,397</b>

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

(continued)

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
 June 30, 2019  
 (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>LIABILITIES</b>				
Current liabilities:				
Accounts payable	15,681	14,329	1,494	2,154
Due to other funds	-	-	-	-
Accrued payroll	1,842	397	691	724
Accrued compensated absences	240	48	70	100
Interest payable	4,649	792	97	53
Liability for landfill closure	-	-	-	158
Deposits	10	-	15	-
Unearned revenue	4,157	-	-	-
Accrued claims and judgements	102	80	134	337
Capital leases payable	-	-	-	-
Revenue and other bonds payable, net	14,057	1,013	737	1,126
Notes payable	459	783	2,437	-
<b>Total current liabilities</b>	<b>41,197</b>	<b>17,442</b>	<b>5,675</b>	<b>4,652</b>
Noncurrent liabilities:				
Accrued compensated absences	2,815	673	1,313	1,234
Advances from other funds	-	-	-	-
Water fee credits	214	-	-	-
Net OPEB liability	17,224	6,122	7,755	20,034
Accrued claims and judgements	-	-	-	-
Liability for landfill closure	-	-	-	2,056
Capital leases payable	-	-	-	-
Revenue and other bonds payable, net	391,145	60,735	786	14,004
Notes payable	24,522	716	4,268	-
Net pension liability	39,050	13,106	28,231	20,278
<b>Total noncurrent liabilities</b>	<b>474,970</b>	<b>81,352</b>	<b>42,353</b>	<b>57,606</b>
<b>Total liabilities</b>	<b>516,167</b>	<b>98,794</b>	<b>48,028</b>	<b>62,258</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on debt refunding	381	-	-	261
Deferred inflows related to pensions	1,101	251	477	743
Deferred inflows related to OPEB	2,034	723	916	2,365
<b>Total deferred inflows of resources</b>	<b>3,516</b>	<b>974</b>	<b>1,393</b>	<b>3,369</b>
<b>NET POSITION</b>				
Net investment in capital assets	446,790	116,865	257,282	785
Restricted for:				
Capital projects	34,832	5,579	-	-
Other programs	-	-	1,755	1,208
Unrestricted	48,166	31,667	13,366	8,250
<b>Total net position</b>	<b>\$ 529,788</b>	<b>\$ 154,111</b>	<b>\$ 272,403</b>	<b>\$ 10,243</b>

(continued) The notes to the basic financial statements are an integral part of this statement.

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**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
 June 30, 2019  
 (in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Funds</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	10,489	1,732	45,879	3,082
Due to other funds	250	-	250	-
Accrued payroll	263	491	4,408	618
Accrued compensated absences	44	38	540	79
Interest payable	1,293	93	6,977	3
Liability for landfill closure	-	-	158	-
Deposits	-	515	540	-
Unearned revenue	472	611	5,240	315
Accrued claims and judgements	9	45	707	19,799
Capital leases payable	-	1,367	1,367	15
Revenue and other bonds payable, net	8,371	2,774	28,078	384
Notes payable	-	-	3,679	-
<b>Total current liabilities</b>	<b>21,191</b>	<b>7,666</b>	<b>97,823</b>	<b>24,295</b>
Noncurrent liabilities:				
Accrued compensated absences	372	570	6,977	941
Advances from other funds	5,330	-	5,330	-
Water fee credits	-	-	214	-
Net OPEB liability	1,836	3,030	56,001	7,427
Accrued claims and judgements	-	-	2,056	65,714
Liability for landfill closure	-	-	973	-
Capital leases payable	-	973	973	-
Revenue and other bonds payable, net	321,721	15,078	803,469	421
Notes payable	-	-	29,506	-
Net pension liability	7,932	9,879	118,476	13,905
<b>Total noncurrent liabilities</b>	<b>337,191</b>	<b>29,530</b>	<b>1,023,002</b>	<b>88,408</b>
<b>Total liabilities</b>	<b>358,382</b>	<b>37,196</b>	<b>1,120,825</b>	<b>112,703</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on debt refunding	-	243	885	-
Deferred inflows related to pensions	185	306	3,063	207
Deferred inflows related to OPEB	217	358	6,613	875
<b>Total deferred inflows of resources</b>	<b>402</b>	<b>907</b>	<b>10,561</b>	<b>1,082</b>
<b>NET POSITION</b>				
Net investment in capital assets	83,441	19,965	925,128	75,418
Restricted for:				
Capital projects	-	-	40,411	-
Other programs	-	-	2,963	-
Unrestricted	23,848	13,645	138,742	24,678
<b>Total net position</b>	<b>\$ 107,089</b>	<b>\$ 33,610</b>	<b>\$ 1,107,244</b>	<b>\$ 100,096</b>

The notes to the basic 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, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ 127,868	\$ 41,185	\$ 38,653	\$ 63,045
Rents and concessions	-	-	-	175
Charge to other agencies for contract services	-	1,090	1,316	-
Miscellaneous	-	-	-	444
Total operating revenues	<u>127,868</u>	<u>42,275</u>	<u>39,969</u>	<u>63,664</u>
Operating expenses:				
Employee services	42,161	10,993	15,601	19,408
Services and supplies	19,198	16,356	13,326	35,831
Depreciation/amortization	21,669	4,117	10,852	1,445
Insurance premiums	-	-	-	-
Claims and judgements	-	22	94	264
Total operating expenses	<u>83,028</u>	<u>31,488</u>	<u>39,873</u>	<u>56,948</u>
Operating income (loss)	<u>44,840</u>	<u>10,787</u>	<u>96</u>	<u>6,716</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	6,570	2,087	1,706	1,827
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	2,128	-	8	557
Insurance and other claim recoveries	-	-	-	-
Interest expense	(15,978)	(1,571)	(313)	(460)
Amortization of bond prepaid insurance	(23)	-	-	-
Gain or (loss) on disposition of capital assets	1,743	-	-	-
Total nonoperating revenues (expenses)	<u>(5,560)</u>	<u>516</u>	<u>1,401</u>	<u>1,924</u>
Income before capital contributions, transfers, and special item	39,280	11,303	1,497	8,640
Capital contributions	9,654	1,855	9,944	-
Transfers in	93	164	5	25
Transfers out	(14,242)	(4,397)	(4,342)	(7,037)
Special item	2,553	-	-	-
Changes in net position	37,338	8,925	7,104	1,628
Total net position, beginning of year	492,450	145,186	265,299	8,615
Total net position, end of year	<u>\$ 529,788</u>	<u>\$ 154,111</u>	<u>\$ 272,403</u>	<u>\$ 10,243</u>

The notes to the basic financial statements are an integral part of this statement.  
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**City of Sacramento**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in Net Position**  
 For the Fiscal Year Ended June 30, 2019  
 (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	\$ 2,856	\$ 25,391	\$ 298,998	\$ 85,586
Rents and concessions	5,827	857	6,859	-
Charge to other agencies for contract services	-	-	2,406	-
Miscellaneous	43	34	521	8
Total operating revenues	<u>8,726</u>	<u>26,282</u>	<u>308,784</u>	<u>85,594</u>
Operating expenses:				
Employee services	6,281	10,410	104,854	13,286
Services and supplies	9,072	8,291	102,074	29,620
Depreciation/amortization	1,936	1,680	41,699	11,923
Insurance premiums	-	-	-	5,835
Claims and judgements	1	1	382	20,255
Total operating expenses	<u>17,290</u>	<u>20,382</u>	<u>249,009</u>	<u>80,919</u>
Operating income (loss)	<u>(8,564)</u>	<u>5,900</u>	<u>59,775</u>	<u>4,675</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	6,771	1,059	20,020	4,318
Transient occupancy taxes	29,477	-	29,477	-
Revenue from other agencies	-	607	3,300	18
Insurance and other claim recoveries	-	-	-	360
Interest expense	(9,768)	(738)	(28,628)	(10)
Amortization of bond prepaid insurance	-	-	(23)	-
Gain or (loss) on disposition of capital assets	-	4	1,747	(480)
Total nonoperating revenues (expenses)	<u>26,480</u>	<u>932</u>	<u>25,693</u>	<u>4,206</u>
Income before capital contributions, transfers, and special item	17,916	6,832	85,468	8,881
Capital contributions	-	-	21,453	-
Transfers in	-	5,307	5,594	412
Transfers out	(2,429)	(9,667)	(42,114)	(709)
Special item	-	-	2,553	-
Changes in net position	15,487	2,472	72,954	8,584
Total net position, beginning of year	91,602	31,138	1,034,290	91,512
Total net position, end of year	<u>\$ 107,089</u>	<u>\$ 33,610</u>	<u>\$ 1,107,244</u>	<u>\$ 100,096</u>

The notes to the basic financial statements are an integral part of this statement.  
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**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 129,649	\$ 41,667	\$ 39,677	\$ 63,593
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(19,073)	(16,673)	(12,985)	(35,671)
Payments to employees	(37,195)	(9,918)	(15,000)	(17,844)
Claims and judgements paid	(17)	(34)	(87)	(123)
Net cash provided by (used for) operating activities	73,364	15,042	11,605	9,955
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Transfers in from other funds	93	164	5	25
Transfers out to other funds	(13,694)	(4,331)	(4,342)	(6,880)
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	11,075	-	-	-
Intergovernmental revenue received	807	-	-	557
Claim and judgement recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(1,719)	(4,167)	(4,337)	(6,298)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(88,298)	(11,446)	(2,790)	(1,593)
Proceeds from sale of capital assets	1,743	-	-	-
Proceeds from issuance of debt	13,861	32,005	-	-
Principal payments on capital debt	(11,258)	(1,397)	(3,091)	(925)
Interest payments on capital debt	(18,662)	(1,379)	(337)	(651)
Intergovernmental revenue received	-	-	8	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	(548)	(66)	-	(157)
Capital contributions received	4,953	1,837	-	-
Loan repayments received	99	136	451	-
Net cash provided by (used for) capital and related financing activities	(98,110)	19,690	(5,759)	(3,326)
Cash flows from investing activities:				
Collection of interest and investment	6,868	2,004	1,744	1,870
Loan repayments received	-	-	-	-
Net cash provided by investing activities	6,868	2,004	1,744	1,870
Net increase (decrease) in cash and cash equivalents	(19,597)	32,569	3,253	2,201
Cash and cash equivalents, beginning of year	174,725	46,856	41,472	44,840
Cash and cash equivalents, end of year	\$ 155,128	\$ 79,425	\$ 44,725	\$ 47,041

The notes to the basic 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, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,655	\$ 27,142	\$ 309,383	\$ -
Receipts from interfund services provided	-	-	-	154,317
Payments to suppliers	(9,031)	(8,210)	(101,643)	(104,487)
Payments to employees	(5,662)	(9,577)	(95,196)	(11,914)
Claims and judgements paid	(6)	(1)	(268)	(13,516)
Net cash provided by (used for) operating activities	(7,044)	9,354	112,276	24,400
Cash flows from noncapital financing activities:				
Transient occupancy taxes	29,638	-	29,638	-
Transfers in from other funds	-	5,307	5,594	-
Transfers out to other funds	(2,429)	(2,086)	(33,762)	(643)
Collections on interfund loans	-	-	-	575
Loans made to other funds	-	-	-	(1,231)
Interfund loan repayments	(19,084)	-	(8,009)	-
Intergovernmental revenue received	-	606	1,970	18
Claim and judgement recoveries	-	-	-	933
Net cash provided by (used for) noncapital financing activities	8,125	3,827	(4,569)	(348)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(39,570)	(808)	(144,505)	(25,422)
Proceeds from sale of capital assets	-	4	1,747	667
Proceeds from issuance of debt	315,870	-	361,736	-
Principal payments on capital debt	(6,926)	(3,857)	(27,454)	(392)
Interest payments on capital debt	(9,100)	(906)	(31,035)	(51)
Intergovernmental revenue received	-	-	8	-
Transfers in from other funds	-	-	-	346
Transfers out to other funds	-	(7,581)	(8,352)	-
Capital contributions received	-	-	6,790	-
Loan repayments received	-	-	686	-
Net cash provided by (used for) capital and related financing activities	260,274	(13,148)	159,621	(24,852)
Cash flows from investing activities:				
Collection of interest and investment	5,701	1,196	19,383	4,372
Loan repayments received	43	-	43	-
Net cash provided by investing activities	5,744	1,196	19,426	4,372
Net increase (decrease) in cash and cash equivalents	267,099	1,229	286,754	3,572
Cash and cash equivalents, beginning of year	51,132	29,116	388,141	113,385
Cash and cash equivalents, end of year	\$ 318,231	\$ 30,345	\$ 674,895	\$ 116,957

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

(continued)

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 107,426	\$ 52,732	\$ 39,244	\$ 45,758
Cash and investments held by fiscal agent	315	-	14	-
Restricted cash and investments held by City	39,952	25,673	4,702	1,283
Restricted cash and investments held by fiscal agent	7,435	1,020	765	-
Total cash and cash equivalents, end of year	\$ 155,128	\$ 79,425	\$ 44,725	\$ 47,041
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 44,840	\$ 10,787	\$ 96	\$ 6,716
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	21,669	4,117	10,852	1,445
Amortization of intangible assets	-	-	-	-
Special item - sale of water	2,553	-	-	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	(1,301)	(608)	(234)	(71)
Intergovernmental receivables	-	-	(58)	-
Inventories	194	-	5	-
Prepaid items	(7)	(2)	(5)	-
Accounts payable	(62)	(315)	341	443
Accrued payroll	264	(56)	(9)	27
Accrued compensated absences	889	104	(746)	66
Accrued claims and judgements	(40)	(12)	7	15
Liability for landfill closure	-	-	-	(157)
Deposits	(5)	-	-	-
Unearned revenue	534	-	-	-
Net pension liability and related deferred outflows/inflows of resources	3,877	996	1,382	1,170
Net OPEB liability and related deferred outflows/inflows of resources	(41)	31	(26)	301
Net cash provided by (used for) operating activities	\$ 73,364	\$ 15,042	\$ 11,605	\$ 9,955
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 4,392	\$ 602	\$ 9,318	\$ -
Transfer of capital assets from governmental funds, net of depreciation	121	249	626	-
Amortization of bond premium and discount	2,716	130	(10)	159
Amortization of bond loss on refunding	(328)	-	-	-
Amortization of bond gain on refunding	190	-	-	26
Amortization of bond prepaid insurance	(23)	-	-	-
Decrease in prepaid items for capital assets	-	-	-	-
Capital asset acquisitions on accounts payable	12,900	1,644	343	401

(continued) The notes to the basic financial statements are an integral part of this statement.  
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**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 41,291	\$ 28,486	\$ 314,937	\$ 116,738
Cash and investments held by fiscal agent	147	34	510	219
Restricted cash and investments held by City	264,594	35	336,239	-
Restricted cash and investments held by fiscal agent	12,199	1,790	23,209	-
Total cash and cash equivalents, end of year	\$ 318,231	\$ 30,345	\$ 674,895	\$ 116,957
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (8,564)	\$ 5,900	\$ 59,775	\$ 4,675
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	1,936	1,672	41,691	11,923
Amortization of intangible assets	-	8	8	-
Special item - sale of water	-	-	2,553	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	(69)	316	(1,967)	14
Intergovernmental receivables	-	-	(58)	-
Inventories	-	-	199	-
Prepaid items	3	-	(11)	-
Accounts payable	38	81	526	(349)
Accrued payroll	(4)	64	286	78
Accrued compensated absences	(34)	19	298	38
Accrued claims and judgements	(5)	(5)	(40)	6,739
Liability for landfill closure	-	-	(157)	-
Deposits	-	371	366	-
Unearned revenue	(1,002)	173	(295)	24
Net pension liability and related deferred outflows/inflows of resources	742	809	8,976	1,234
Net OPEB liability and related deferred outflows/inflows of resources	(85)	(54)	126	24
Net cash provided by (used for) operating activities	\$ (7,044)	\$ 9,354	\$ 112,276	\$ 24,400
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 14,312	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	-	996	-
Amortization of bond premium and discount	708	127	3,830	40
Amortization of bond loss on refunding	-	-	(328)	-
Amortization of bond gain on refunding	-	24	240	-
Amortization of bond prepaid insurance	-	-	(23)	-
Decrease in prepaid items for capital assets	-	-	-	1,022
Capital asset acquisitions on accounts payable	(8,962)	4	6,330	871

The notes to the basic financial statements are an integral part of this statement.  
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**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Net Position**  
June 30, 2019  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>				
Cash and cash equivalents held by City	\$ 8,344	\$ 166,742	\$ 9,677	\$ 17,166
Cash and investments held by fiscal agent	-	-	22,968	19,302
Prepays	-	-	272	-
Receivables, net:				
Taxes	-	-	-	290
Accounts	-	-	-	9
Interest	1,300	565	-	46
Investments, at fair value:				
U.S. government obligations	813	-	-	-
Corporate bonds/notes	23,268	-	-	-
Equity securities	32,110	-	-	-
Exchange traded funds	164,194	-	-	-
Municipal bonds/notes	52,775	-	-	-
Mortgage loans	1,307	-	-	-
Loans receivable	-	-	5,231	-
Capital assets:				
Land	-	-	5,051	-
Buildings and improvements	-	-	233	-
Less: accumulated depreciation/amortization	-	-	(81)	-
<b>Total assets</b>	<b>284,111</b>	<b>167,307</b>	<b>43,351</b>	<b>\$ 36,813</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	-	1,834	\$ -
<b>LIABILITIES</b>				
Accounts payable	7	-	512	371
Benefits payable	2,536	-	-	-
Due to bondholders	-	-	-	36,442
Interest payable	-	-	387	-
Contracts payable	-	-	15,875	-
Pollution remediation obligations	-	-	-	-
Bonds payable	-	-	68,356	-
Notes payable	-	-	173,687	-
<b>Total liabilities</b>	<b>2,543</b>	<b>-</b>	<b>258,817</b>	<b>\$ 36,813</b>
<b>NET POSITION</b>				
Held in trust for:				
Net position restricted for pensions	281,568	-	-	-
External pool participants	-	167,307	-	-
Redevelopment dissolution	-	-	(213,632)	-
<b>Total net position (deficit)</b>	<b>\$ 281,568</b>	<b>\$ 167,307</b>	<b>\$ (213,632)</b>	

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

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund
Additions:			
Property taxes	\$ -	\$ -	\$ 29,577
Contributions:			
Employer	7,507	-	-
Employees	49	-	-
Total contributions	7,556	-	-
Investment income:			
From investment activities:			
Net appreciation (depreciation) in fair value of investments	10,940	1,939	-
Interest	4,130	3,627	855
Dividends	4,568	-	-
Total investment income	19,638	5,566	855
Investment expenses:			
Banking, interest, and fiscal agent expenses	52	156	-
Professional services	1,049	-	-
Total investment expenses	1,101	156	-
Net income from investment activities	18,537	5,410	855
Deposits	-	77,825	-
<b>Total additions</b>	<b>26,093</b>	<b>83,235</b>	<b>30,432</b>
Deductions:			
Benefits	30,880	-	-
Refunds of employee contributions	254	-	-
Withdrawals	-	72,709	-
Interest expense	-	-	11,376
Other enforceable obligation payments	-	-	7,878
Loan forgiveness	-	-	23
Loss on disposal of capital asset	-	-	1,566
Depreciation expense	-	-	12
<b>Total deductions</b>	<b>31,134</b>	<b>72,709</b>	<b>20,855</b>
Changes in net position	(5,041)	10,526	9,577
Net position (deficit), beginning of year	286,609	156,781	(223,209)
<b>Net position (deficit), end of year</b>	<b>\$ 281,568</b>	<b>\$ 167,307</b>	<b>\$ (213,632)</b>

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

# Notes to the Basic Financial Statements

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

For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**DEFINITION OF REPORTING ENTITY**

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

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**Blended Component Units**

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 of 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). Financial statements may be obtained from the City's Department of Finance.

**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 Basic Financial Statements**

For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**New Pronouncements**

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 applicable provisions were implemented July 1, 2018 and did not have a material impact to the financial statements.

GASB Statement No. 88 – In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The provisions in Statement 88 are effective for fiscal years beginning after June 15, 2018. The applicable provisions were implemented July 1, 2018 and did not have a material impact to the financial statements.

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

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

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

GASB Statement No. 90 – In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in a legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions in Statement 90 are effective for fiscal years beginning after December 15, 2018. The City has not determined the effect of implementing this statement.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in Statement 91 are effective for fiscal years beginning after December 15, 2020. The City has not determined the effect of implementing this statement.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

**Government-wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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)**

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. On November 6, 2018, Sacramento voters approved a new version of the City's Measure U sales and use tax eliminating the sunset provision and raising it from half-cent to one cent. The new once cent sales and use tax was effective April 1, 2019.

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

The City reports the following major enterprise funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

Investment Trust Funds account for the net position held on behalf of investors, in the City's investment pool and individual accounts, who are not part of the City's financial reporting entity.

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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)**

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, 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 Fund where appropriations remain authorized for each project until closed, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. The City Manager is authorized to administratively amend the budget during the year for transactions up to \$100 without City Council approval. All other appropriation adjustments during the year require City Council approval. Significant appropriation adjustments were not required during the year ended June 30, 2019. Unencumbered annual budget appropriations lapse at fiscal year-end. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in future years. Multi-year project-length budget appropriations are automatically carried over into the next fiscal year.

**Financial Statement Elements**

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial Statements Elements (Continued)**

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

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

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan". The State Revenue and Taxation Code allows 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, utility user taxes, and other taxes, related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end.

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

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

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

**Inventories and Prepaid Items** - Inventories in the proprietary funds are stated at cost and consist of expendable materials and supplies.

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial Statement Elements (Continued)**

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

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

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

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

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

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial Statement Elements (Continued)**

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

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

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

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

**Unearned Revenue** - Unearned revenue in accrual based statements arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial Statement Elements (Continued)**

**Fund Balance** - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nondisposable 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 the 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 with an updated policy adopted by resolution number 2019-0248 (Budget resolution for fiscal year 2019/20) to include Measure U resources. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund and Measure U revenues and a target reserve equal to two months of regular ongoing General Fund and Measure U expenditures, including transfers. The City Manager may recommend a release from the Reserve when the gap between projected revenue and expenditures is greater than \$1,000 in the proposed budget. Additions and releases from the Reserve must be approved by City Council by resolution.

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

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

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

**Other Post-Employment Benefits (OPEB)** - For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2019:

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 988,845	\$ 518,666	\$ 1,507,511
Restricted cash and investments	403,785	-	403,785
<b>Total</b>	<b>\$ 1,392,630</b>	<b>\$ 518,666</b>	<b>\$ 1,911,296</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2019-0258, 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 June 25, 2019. 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 by Resolution 2019-0257. Investment standards adopted by the SCERS Board were last approved by the City Council on June 25, 2019. 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 allocates the funds to different investment groups. For fiscal year 2019, the asset allocations consisted of the following: 30% Fixed Income securities, 35% Large Cap Growth stocks, 27.5% Equity Income stocks and 7.5% International stocks. The investment policy allows for up to 5% variance from these approved allocation levels to provide flexibility to investment activities without altering the risk profile of the SCERS portfolio.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

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

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

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

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

**Interest Rate Risk**

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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, 2019 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Total
		Under 1	1-5	Over 5	
Certificates of deposit	\$ -	\$ 67,887	\$ 20,011	\$ -	\$ 87,898
Commercial paper	-	309,076	-	-	309,076
Corporate bonds/notes	-	169,500	288,211	18,699	476,410
Deposits	27,888	-	-	-	27,888
Equities	36,978	-	-	-	36,978
Exchange traded funds	166,272	-	-	-	166,272
Investment Trust of California (CalTRUST)	-	247,819	-	-	247,819
Mortgage loans	-	-	1,307	-	1,307
Municipal bonds/notes	-	25,391	90,816	51,260	167,467
Money market mutual funds	-	49,704	-	-	49,704
Supranational securities	-	2,997	21,971	-	24,968
U.S. agency securities	-	38,070	245,008	798	283,876
U.S. Treasury bills	-	19,852	1,778	-	21,630
U.S. Treasury notes	-	-	10,003	-	10,003
<b>Total Cash and Investments</b>	<b>\$ 231,138</b>	<b>\$ 930,296</b>	<b>\$ 679,105</b>	<b>\$ 70,757</b>	<b>\$ 1,911,296</b>

Investments in callable securities are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such securities earlier than their respective maturity dates. The investor must then replace the called securities with investments that may have lower yield than the original securities. The fair values of the callable securities held at June 30, 2019 by investment type are as follows:

Investment Type	Total
Corporate bonds/notes	\$ 82,620
Municipal bonds/notes	24,943
Supranational securities	14,980
U.S. agency securities	196,121
	<u>\$ 318,664</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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, 2019 are as follows:

Cash and Investment Type	S & P	Total
Certificates of deposit	A	\$ 10,025
	not rated	77,873
Commercial paper	A	309,076
	not rated	233,938
Corporate bonds/notes	AA	210,082
	AAA	14,063
	BBB	18,285
	not rated	42
Deposits	not rated	27,888
Equities (exempt from disclosure)	N/A	36,978
Exchange traded funds (exempt from disclosure)	N/A	166,272
Investment Trust of California (CalTRUST)	not rated	247,819
Mortgage loans	not rated	1,307
Municipal bonds/notes	A	22,426
	AA	132,110
	AAA	1,105
	not rated	11,826
Money market mutual funds	AAA	49,704
Supranational securities	AAA	24,968
U.S. agency securities	AA	250,337
	N/A	33
	not rated	33,506
U.S. Treasury bills (exempt from disclosure)	N/A	21,630
U.S. Treasury notes (exempt from disclosure)	N/A	10,003
<b>Total Cash and Investments</b>		<b>\$ 1,911,296</b>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2019:

Federal Home Loan Banks \$ 98,171

**Custodial Credit Risk**

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

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

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

**Fair Value Measurement and Application**

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

The money market mutual funds held by the City pool and outside the City pool are at \$1 net asset value (NAV) per share. The total fair value of these at June 30, 2019 was \$21,421 and \$28,283 respectively, with \$0 unfunded commitments. The redemption frequently is daily and redemption notice period of intra-daily. This type of investment primarily invests in short-term U.S. Treasury and government agency securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

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

The City's treasury pools asset market prices are derived from closing bid prices as of the end of business day as supplied by ICE Data Services, Inc. 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 Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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, 2019. 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 Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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, 2019:

	Balance at June 30, 2019	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	\$ 72,898	\$ -	\$ 72,898	\$ -
Commercial paper	309,076	-	-	309,076
Corporate bonds/notes	469,305	-	469,305	-
Equities	36,978	36,978	-	-
Exchange traded funds	166,272	166,272	-	-
Mortgage loans	1,307	-	-	1,307
Municipal bonds/notes	167,467	-	167,467	-
Supranational securities	24,968	-	24,968	-
U.S. agency securities	245,159	-	245,159	-
U.S. Treasury notes	10,003	10,003	-	-
<b>Total Investments by Fair Value Level</b>	<b>1,503,433</b>	<b>\$ 213,253</b>	<b>\$ 979,797</b>	<b>\$ 310,383</b>
<b>Investments Not Measured at Fair Value</b>				
Certificates of deposit (Non Negotiable)	15,000			
<b>Total Investments Not Measured at Fair Value</b>	<b>15,000</b>			
<b>Investments Measured at Net Asset Value</b>				
Money market mutual funds	21,421			
<b>Total Investments Measured at Net Asset Value</b>	<b>21,421</b>			
<b>Investments Uncategorized</b>				
Investment Trust of California (CalTRUST)	247,819			
<b>Total Investments Uncategorized</b>	<b>247,819</b>			
<b>Total Investments Held by City</b>	<b>1,787,673</b>			
<b>Investments Held by Fiscal Agent by Fair Value Level</b>				
Corporate bonds/notes	7,105	\$ -	\$ 7,105	\$ -
U.S. agency securities	38,717	-	38,717	-
U.S. Treasury bills	21,630	21,630	-	-
<b>Total Investments Held by Fiscal Agent by Fair Value Level</b>	<b>67,452</b>	<b>\$ 21,630</b>	<b>\$ 45,822</b>	<b>-</b>
<b>Investments Held by Fiscal Agent Measured at Net Asset Value</b>				
Money market mutual funds	28,283			
<b>Total Investments Held by Fiscal Agent Measured at Net Asset Value</b>	<b>28,283</b>			
<b>Total Investments Held by Fiscal Agent</b>	<b>95,735</b>			
<b>Total Investments</b>	<b>1,883,408</b>			
<b>Total Deposits</b>	<b>27,888</b>			
<b>Total Cash and Investments</b>	<b>\$ 1,911,296</b>			

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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 5.17% of pool participation. The City Sponsored Investment Pool excludes activities of the pension trust fund, SHRA and funds held by fiscal agents.

The City Treasurer also manages external individual investment accounts for SHRA and the Sacramento Public Library Authority Hurst Trust. The following represents a condensed statement of net position and changes in net position for the City Sponsored Investment Pool and external individual investment accounts as of June 30, 2019:

	City Sponsored Investment Pool	External Individual Investment Accounts	Total
<b>Statement of Net Position:</b>			
Cash and investments at fair value	\$ 1,439,893	\$ 92,236	\$ 1,532,129
Interest receivables	4,864	314	5,178
<b>Net Position</b>	<b>\$ 1,444,757</b>	<b>\$ 92,550</b>	<b>\$ 1,537,307</b>
Equity of internal pool participants	\$ 1,370,000	\$ -	\$ 1,370,000
Equity of external pool participants	74,757	92,550	167,307
<b>Total equity</b>	<b>\$ 1,444,757</b>	<b>\$ 92,550</b>	<b>\$ 1,537,307</b>
<b>Statement of Changes in Net Position:</b>			
Net position at July 1, 2018	\$ 1,083,254	\$ 86,479	\$ 1,169,733
Net change in investments by pool participants	361,503	6,071	367,574
<b>Net position at June 30, 2019</b>	<b>\$ 1,444,757</b>	<b>\$ 92,550</b>	<b>\$ 1,537,307</b>

A summary of cash and investments as of June 30, 2019 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Certificates of deposit	\$ 87,898	\$ 87,868	2.00-3.12%	08/19-04/22
Commercial paper	309,076	308,928	2.40-2.91%	07/19-01/20
Corporate bonds/notes	439,098	437,865	0.87-4.00%	07/19-05/24
Deposits	26,671	26,671	2.43%	N/A
Equities	6,138	6,135	1.10-2.60%	08/19-02/23
Investment Trust of California (CalTRUST)	247,819	247,819	2.27-2.82%	N/A
Municipal bonds/notes	114,691	113,964	1.25-6.09%	07/19-08/23
Money market mutual funds	21,421	21,421	1.99%	N/A
Supranational securities	24,968	24,935	1.62-2.12%	11/20-01/23
U.S. agency securities	244,346	244,288	1.20-3.25%	07/19-06/24
U.S. Treasury notes	10,003	9,966	1.75%	11/21
<b>Total cash and investments in City sponsored investment pool and external individual investment accounts</b>	<b>\$ 1,532,129</b>	<b>\$ 1,529,860</b>		

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

**Participation in External Investment Pools**

The City is a voluntary participant in the Investment Trust of California (CalTRUST), which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2019, the City's investment in CalTRUST is \$247,819, of which \$93,821 was invested in the Liquidity funds pool, \$92,088 in the Short-term pool, \$21,623 in the Medium-term pool, and \$40,287 in the BlackRock federal funds pool. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2019, were as follows:

	Taxes	Accounts	Loans	Inter-governmental	Interest	Total
<b>Governmental activities</b>						
General Fund	\$ 27,980	\$ 22,495	\$ -	\$ 5,576	\$ 873	\$ 56,924
Measure U Fund	18,383	-	-	-	-	18,383
2015 Golden 1 Center Lease Revenue Bond Fund	-	1,625	140,017	-	42	141,684
Other governmental funds	5,733	8,175	4,461	29,043	659	48,071
Internal service funds	-	176	-	-	411	587
	<u>\$ 52,096</u>	<u>\$ 32,471</u>	<u>\$ 144,478</u>	<u>\$ 34,619</u>	<u>\$ 1,985</u>	<u>\$ 265,649</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,139</u>	<u>\$ 12,691</u>	<u>\$ -</u>	<u>\$ 150,830</u>
<b>Business-type activities</b>						
Water Fund	\$ -	\$ 19,779	\$ 792	\$ 2,056	\$ 634	\$ 23,261
Wastewater Fund	-	12,379	281	374	338	13,372
Storm Drainage Fund	-	6,104	1,948	1,371	198	9,621
Solid Waste Fund	-	9,049	-	-	201	9,250
Community Center Fund	3,645	327	-	-	1,306	5,278
Other enterprise funds	-	748	-	-	1	749
	<u>\$ 3,645</u>	<u>\$ 48,386</u>	<u>\$ 3,021</u>	<u>\$ 3,801</u>	<u>\$ 2,678</u>	<u>\$ 61,531</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$49,871 in governmental activities and \$870 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 \$2,659, reported with the associated deferred inflow in the government-wide statement of net position.

The Golden 1 Center was sold to the Sacramento Kings under the terms of the Arena Management, Operations and Lease Agreement during the fiscal year ended June 30, 2017. The agreed-upon minimum lease payments to be received from the Kings is \$407,699 over 36 years. The initial present value of these minimum lease payments discounted at 5.674% was \$143,412 and the current loan receivable balance as of June 30, 2019 is \$140,017. Payments from the Sacramento Kings will be used to reduce interest expense related to the Golden 1 Center 2015 lease revenue bonds.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2019:

	Governmental Activities	Business- Type Activities	Total
<b>Capital assets not being depreciated/amortized</b>			
Land	\$ 209,858	\$ 51,527	\$ 261,385
Easements	928	291	1,219
Construction in progress	128,631	364,565	493,196
<b>Total capital assets not being depreciated/amortized</b>	<b>339,417</b>	<b>416,383</b>	<b>755,800</b>
<b>Depreciable/amortizable capital assets</b>			
Buildings and improvements	693,692	293,582	987,274
Equipment	79,483	73,638	153,121
Software	6,413	13,398	19,811
Vehicles	171,681	-	171,681
Transmission and distribution system	4,777	1,403,952	1,408,729
Roadway network	1,680,328	-	1,680,328
Streetlight network	246,561	-	246,561
Park improvements	217,393	-	217,393
<b>Total depreciable/amortizable capital assets</b>	<b>3,100,328</b>	<b>1,784,570</b>	<b>4,884,898</b>
<b>Less accumulated depreciation/amortization for:</b>			
Buildings and improvements	(262,664)	(160,759)	(423,423)
Equipment	(60,178)	(47,597)	(107,775)
Software	(3,359)	(1,821)	(5,180)
Vehicles	(95,324)	-	(95,324)
Transmission and distribution system	(1,008)	(515,115)	(516,123)
Roadway network	(1,082,568)	-	(1,082,568)
Streetlight network	(95,387)	-	(95,387)
Park improvements	(72,100)	-	(72,100)
<b>Total accumulated depreciation/amortization</b>	<b>(1,672,588)</b>	<b>(725,292)</b>	<b>(2,397,880)</b>
<b>Depreciable/amortizable capital assets, net</b>	<b>1,427,740</b>	<b>1,059,278</b>	<b>2,487,018</b>
<b>Total capital assets, net</b>	<b>\$ 1,767,157</b>	<b>\$ 1,475,661</b>	<b>\$ 3,242,818</b>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

**Governmental Activities**

Governmental capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
<b>Capital assets not being depreciated/amortized</b>					
Land	\$ 205,856	\$ 4,002	\$ -	\$ -	\$ 209,858
Easements	928	-	-	-	928
Construction in progress	137,326	28,564	(37,259)	-	128,631
<b>Total capital assets not being depreciated/amortized</b>	<b>344,110</b>	<b>32,566</b>	<b>(37,259)</b>	<b>-</b>	<b>339,417</b>
<b>Depreciable/amortizable capital assets</b>					
Buildings and improvements	679,506	14,186	-	-	693,692
Equipment	79,370	113	-	-	79,483
Software	6,413	-	-	-	6,413
Vehicles	156,537	27,095	(11,951)	-	171,681
Transmission and distribution system	4,777	996	-	(996)	4,777
Roadway network	1,672,385	12,182	(4,239)	-	1,680,328
Streetlight network	243,880	2,681	-	-	246,561
Park improvements	207,021	10,372	-	-	217,393
<b>Total depreciable/amortizable capital assets</b>	<b>3,049,889</b>	<b>67,625</b>	<b>(16,190)</b>	<b>(996)</b>	<b>3,100,328</b>
<b>Less accumulated depreciation/amortization for:</b>					
Buildings and improvements	(249,225)	(13,439)	-	-	(262,664)
Equipment	(57,055)	(3,123)	-	-	(60,178)
Software	(2,725)	(634)	-	-	(3,359)
Vehicles	(94,318)	(11,828)	10,822	-	(95,324)
Transmission and distribution system	(921)	(87)	-	-	(1,008)
Roadway network	(1,045,829)	(40,978)	4,239	-	(1,082,568)
Streetlight network	(89,497)	(5,890)	-	-	(95,387)
Park improvements	(64,358)	(7,742)	-	-	(72,100)
<b>Total accumulated depreciation/amortization</b>	<b>(1,603,928)</b>	<b>(83,721)</b>	<b>15,061</b>	<b>-</b>	<b>(1,672,588)</b>
<b>Depreciable/amortizable capital assets, net</b>	<b>1,445,961</b>	<b>(16,096)</b>	<b>(1,129)</b>	<b>(996)</b>	<b>1,427,740</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,790,071</b>	<b>\$ 16,470</b>	<b>\$ (38,388)</b>	<b>\$ (996)</b>	<b>\$ 1,767,157</b>

**Depreciation/amortization expense was charged to functions as follows:**

General government	\$ 5,569
Police	874
Fire	1,102
Public works	48,771
Convention and cultural services	4,210
Parks and recreation	10,070
Community development	247
Library	955
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets	11,923
<b>Total governmental activities depreciation/amortization expense</b>	<b>\$ 83,721</b>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 50,314	\$ 1,213	\$ -	\$ -	\$ 51,527
Easements	291	-	-	-	291
Construction in progress	307,263	148,773	(91,471)	-	364,565
Total capital assets not being depreciated/amortized	357,868	149,986	(91,471)	-	416,383
Depreciable/amortizable capital assets					
Buildings and improvements	287,746	5,836	-	-	293,582
Equipment	71,944	1,694	-	-	73,638
Software	2,826	10,572	-	-	13,398
Transmission and distribution system	1,316,488	86,468	-	996	1,403,952
Total depreciable/amortizable capital assets	1,679,004	104,570	-	996	1,784,570
Less accumulated depreciation/amortization for:					
Buildings and improvements	(154,634)	(6,125)	-	-	(160,759)
Equipment	(44,759)	(2,838)	-	-	(47,597)
Software	(1,140)	(681)	-	-	(1,821)
Transmission and distribution system	(483,068)	(32,047)	-	-	(515,115)
Total accumulated depreciation/amortization	(683,601)	(41,691)	-	-	(725,292)
Depreciable/amortizable capital assets, net	995,403	62,879	-	996	1,059,278
Business-type activities capital assets, net	\$ 1,353,271	\$ 212,865	\$ (91,471)	\$ 996	\$ 1,475,661

Depreciation/amortization expense was charged to functions as follows:

Water	\$ 21,669
Wastewater	4,117
Storm drainage	10,852
Solid waste	1,445
Community center	1,936
Parking	1,595
Child development	77 <sup>(1)</sup>
Total business-type activities depreciation/amortization expense	\$ 41,691

(1) Varies \$8 from amount reported in Other Enterprise Funds Financials as it is related to the amortization of "prepaid rent" for Regency Park Building.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

**NOTE 5 – PAYABLES**

Payables as of June 30, 2019, were as follows:

	Vendors	Employees	Interest	Deposits	Total
Governmental activities					
General Fund	\$ 18,175	\$ 25,325	\$ -	\$ 60	\$ 43,560
Measure U Fund	1,737	-	-	-	1,737
2015 Golden 1 Center Lease Revenue Bond Fund	-	-	3,671	-	3,671
Other governmental funds	16,056	109	3,852	4,694	24,711
Internal service funds	3,082	618	3	-	3,703
Total governmental activities	\$ 39,050	\$ 26,052	\$ 7,526	\$ 4,754	\$ 77,382
Business-type activities					
Water Fund	\$ 15,681	\$ 1,842	\$ 4,649	\$ 10	\$ 22,182
Wastewater Fund	14,329	397	792	-	15,518
Storm Drainage Fund	1,494	691	97	15	2,297
Solid Waste Fund	2,154	724	53	-	2,931
Community Center Fund	10,489	263	1,293	-	12,045
Other enterprise funds	1,732	491	93	515	2,831
Total business-type activities	\$ 45,879	\$ 4,408	\$ 6,977	\$ 540	\$ 57,804

Included in the Interest Payable amount related to 2015 Golden 1 Center Lease Revenue Bond Fund above is the interest payable accrual of \$3,671, 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 \$1,539, reported in the government-wide statement of net position.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

**NOTE 6 – OPERATING LEASES**

**City as Lessee**

The City is obligated under various operating leases for the use of land, buildings, office space, and equipment. Lease expenditures, primarily for governmental funds, for the fiscal year ended June 30, 2019, were \$1,036.

Sublease rental income for the fiscal year ended June 30, 2019 was \$751. The total amount of minimum rentals to be received in the future under non-cancelable subleases is \$7,644.

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

Fiscal Year Ending June 30,	Payments
2020	\$ 925
2021	819
2022	779
2023	715
2024	651
2025-2029	3,343
2030-2034	3,497
2035-2039	3,012
2040-2044	2,777
2045-2049	2,794
2050-2054	2,949
<b>Total future minimum lease payments</b>	<b>\$ 22,261</b>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(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, 2019. Certain long-term liabilities provide financing to both governmental and business-type activities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Revenue and Other Bonds, Direct Placements:					
1997 Lease Revenue Bonds	\$ 32,733	\$ -	\$ (32,733)	\$ -	\$ -
2016 Lease Financing	7,945	-	(450)	7,495	465
Subtotal, revenue and other bonds, direct placements	40,678	-	(33,183)	7,495	465
Revenue and Other Bonds, Public Offerings:					
1993 Refunded Revenue Bonds, Series A	4,929	-	(1,558)	3,371	1,641
1993 Refunded Revenue Bonds, Series B	8,266	-	(2,612)	5,654	2,753
2006 Capital Improvement Revenue Bonds, Series B	44,610	-	(1,334)	43,276	1,409
2006 Capital Improvement Revenue Bonds, Series E	80,803	-	(460)	80,343	520
2015 Refunding Revenue Bonds	97,086	-	(7,901)	89,185	7,310
2015 Lease Revenue Bonds - Golden 1 Center	269,445	-	(3,510)	265,935	3,615
Subtotal, revenue and other bonds, public offerings	505,139	-	(17,375)	487,764	17,248
Direct Borrowing Notes Payable:					
1997 State Department of Boating & Waterways	98	-	(98)	-	-
1985 Marina Phase I	1,397	-	(52)	1,345	54
1985 Marina Phase II	2,176	-	(70)	2,106	72
1985 Marina Phase III	143	-	(143)	-	-
1985 Marina Phase IV	168	-	(82)	86	86
2008 Sacramento Marina South Basin	10,477	-	-	10,477	1,444
Subtotal, direct borrowing notes payable	14,459	-	(445)	14,014	1,656
Direct Borrowing Capital Lease Obligations:					
Fire trucks and equipment #3	1,076	-	(526)	550	550
Liquid nitrate gas (LNG) - Refueling Trailer	44	-	(29)	15	15
Parking meters system with AutoVu	617	-	(617)	-	-
Bank of America - Marina South Basin	562	-	(116)	446	121
Subtotal, direct borrowing capital lease obligations	2,299	-	(1,288)	1,011	686
Plus deferred amounts:					
For issuance discounts	(4)	-	2	(2)	(2)
For issuance premiums	19,116	-	(1,187)	17,929	1,152
Subtotal deferred amounts	19,112	-	(1,185)	17,927	1,150
Subtotal, debt governmental activities	581,687	-	(53,476)	528,211	21,205
Other Long-term Liabilities:					
Accrued claims and judgements	81,870	20,593	(13,516)	88,947	23,233
Compensated absences	38,695	40,059	(38,923)	39,831	2,711
Net OPEB liability	329,392	-	(22,547)	306,845	-
Net pension liability	859,218	63,114	(75,444)	846,888	-
Pollution remediation obligations	630	1,133	(1,071)	692	144
Financing plan fee credits:					
North Natomas	33,740	1,284	(4,061)	30,963	2,081
Jacinto Creek	1,006	36	-	1,042	-
Park Development	320	5	(99)	226	226
Subtotal, other long-term liabilities	1,344,871	126,224	(155,661)	1,315,434	28,395
<b>Total governmental activities</b>	<b>\$ 1,926,558</b>	<b>\$ 126,224</b>	<b>\$ (209,137)</b>	<b>\$ 1,843,645</b>	<b>\$ 49,600</b>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

**Activity (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Revenue and Other Bonds, Public Offerings:					
1993 Refunded Revenue Bonds, Series A	\$ 20,357	\$ -	\$ (6,434)	\$ 13,923	\$ 6,779
1993 Refunded Revenue Bonds, Series B	9,029	-	(2,854)	6,175	3,007
2006 Capital Improvement Revenue Bonds, Ser. E	92,277	-	-	92,277	-
Water Revenue Bonds, Series 2013	200,270	-	(4,150)	196,120	4,360
Water Revenue Bonds, Series 2017	52,610	-	(785)	51,825	825
Wastewater Revenue Bonds, Series 2013	29,110	-	(630)	28,480	660
Wastewater Revenue Bonds, Series 2019	-	25,960	-	25,960	-
2015 Refunding Revenue Bonds	53,285	-	(7,661)	45,624	8,025
2018 TOT Revenue Bonds, Senior Series A	-	195,815	-	195,815	-
2018 TOT Revenue Bonds, Senior Series B	-	20,610	-	20,610	-
2018 TOT Revenue Bonds, Subordinate Series C	-	66,890	-	66,890	-
Subtotal, revenue and other bonds, public offerings	456,938	309,275	(22,514)	743,699	23,656
Direct Borrowing Notes Payable:					
State Water Resources Control Board C06-4441-120	6,801	-	(2,218)	4,583	2,267
State Water Resources Control Board C06-4652-110	658	-	(324)	334	333
State Water Resources Control Board C06-4653-110	1,132	-	(368)	764	377
State Water Resources Control Board C06-4685-110	470	-	(153)	317	157
California Department of Public Health	7,725	-	(448)	7,277	459
California Infrastructure and Economic Development Bank (i-Bank)	2,290	-	(84)	2,206	86
Drinking Water State Revolving Fund	3,843	13,861	-	17,704	-
Subtotal, direct borrowing notes payable	22,919	13,861	(3,595)	33,185	3,679
Direct Borrowing Capital Lease Obligations:					
Parking Equipment - Schedule 19	2,036	-	(805)	1,231	817
Parking Equipment - Schedule 20	1,649	-	(540)	1,109	550
Subtotal, direct borrowing capital lease obligations	3,685	-	(1,345)	2,340	1,367
Less deferred amounts:					
For issuance discounts	(130)	-	61	(69)	(60)
For issuance premiums	53,208	38,600	(3,891)	87,917	4,482
Subtotal, deferred amounts	53,078	38,600	(3,830)	87,848	4,422
Subtotal, debt, business type activities	536,620	361,736	(31,284)	867,072	33,124
Other Long-term Liabilities:					
Compensated absences	7,219	8,034	(7,736)	7,517	540
Net OPEB liability	60,120	-	(4,119)	56,001	-
Net pension liability	120,253	9,660	(11,437)	118,476	-
Accrued claims and judgements	747	-	(40)	707	707
Water fee credits	214	-	-	214	-
Liability for landfill closure	2,371	-	(157)	2,214	158
Subtotal, other long-term liabilities	190,924	17,694	(23,489)	185,129	1,405
Total business-type activities	\$ 727,544	\$ 379,430	\$ (54,773)	\$ 1,052,201	\$ 34,529
Total long-term liabilities	\$ 2,654,102	\$ 505,654	\$ (263,910)	\$ 2,895,846	\$ 84,129

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

The following is a list of long-term debt issues outstanding at June 30, 2019, 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. Secured by collateral of leased real property situated in the City of Sacramento.
\$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. Secured by collateral of real property situated in the City of Sacramento.
\$55,235	2006 Capital Improvement Revenue Bonds, Series B (Taxable) Authorized and issued June 15, 2006, due in annual installments of \$720 to \$3,760 through December 1, 2036, bearing interest rates of 5.4% to 5.8%. Net proceeds of \$50,692 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento. Secured by collateral of real property situated in the City of Sacramento. The indenture contains a provision that in the event of a default and upon written request of the bond holders, the outstanding principal and any accrued interest may be due and payable immediately.
\$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. Secured by collateral of real property situated in the City of Sacramento. The indenture contains a provision that in the event of a default and upon written request of the bond holders, the outstanding principal and any accrued interest may be due and payable immediately.
\$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 \$336,377 as of June 30, 2019. Current year principal and interest paid was \$14,015 and water fee revenue was \$130,421.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

<u>Issued Amount</u>	
\$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 \$46,928 as of June 30, 2019. Current year principal and interest paid was \$1,957 and wastewater fee revenue was \$42,275.
\$183,380	2015 Refunding Revenue Bonds Authorized and issued October 1, 2015, due in annual installments of \$5,120 to \$24,773 through December 1, 2037, bearing interest rates of 3% to 5%. Net proceeds of \$205,778 plus cash of \$28,165, together with certain proceeds of the Tax Allocation Bonds, were utilized to establish an irrevocable escrow to defease \$257,630 principal amount of outstanding 2002 Capital Improvement Revenue Bonds, 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, 2006 Capital Improvement Revenue Bonds, Series A, 2006 Capital Improvement Revenue Bonds, Series C, and pay cost of issuance. The refunded liabilities have been removed from the associated fund and government-wide financial statements. The net carrying value of the old debt exceeded the reacquisition price by \$1,983. The 2015 Refunding reduced total debt service payments by \$37,788 and resulted in an economic gain of \$21,552. Secured by collateral of real property situated in the City of Sacramento. The indenture contains a provision that in the event of a default and upon written request of the bond holders, the outstanding principal and any accrued interest may be due and payable immediately.
\$272,870	2015 Lease Revenue Bonds – Golden 1 Center The bonds were originally issued on August 13, 2015, in the aggregate principal amount of \$299,995, to pay for a portion of the acquisition and construction of the multi-purpose entertainment and sports center (the Golden 1 Center) in downtown Sacramento. On the fixed rate conversion date, October 6, 2015, \$27,125 principal amount of the bonds were cancelled. The bonds are due in annual installments of \$7,229 to \$18,379 through fiscal year 2050, bearing interest of 2.5% to 5.6%. Secured by collateral of the Golden 1 Center and other improvements made to the associated parcel of land.
\$9,115	2016 Lease Financing – H Street Theater Complex (Direct Placement) The City delivered its 2016 Lease Financing on January 26, 2016, due in annual installments of \$668 to \$1,010 through fiscal year 2033, bearing interest at 2.8%. Bond proceeds of \$9,115, together with cash of \$3,471 were utilized to establish a prepayment fund to refund \$12,010 aggregate principal, plus interest, and pay the cost of issuance of the outstanding Sacramento Regional Arts Facilities 2002 Certificates of Participation. Secured by lease rental payments from the California Musical Theatre.
\$52,610	2017 Water Revenue Bonds Authorized and issued June 2017, due in annual installments of \$1,805 to 3,379 through fiscal year 2048, bearing interest rate of 4% to 5%, for the purpose of financing the costs of improvements to the City's municipal water system. The debt service on the bonds is secured by the pledge of, and payable solely from, the Trust Estate, which consist primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$97,930 as of June 30, 2019. Current year principal and interest paid was \$3,376 and water fee revenue was \$130,421.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

<u>Issued Amount</u>	
\$195,815	2018 Transient Occupancy Tax (TOT) Revenue Bonds, Senior Series A Authorized September 2018, issued November 2018, due in annual installments of \$5,711 to \$14,482 through fiscal year 2048, bearing an interest rate of 5%, for the purpose of financing the costs of renovating the City's Convention Center, Community Center Theater, and Memorial Auditorium, as well as other projects eligible for TOT funding. The debt service on the bonds is secured by the pledge of, and payable solely from, TOT revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$392,281 as of June 30, 2019. Current year interest paid was \$5,711 and TOT revenue was \$29,477. Principal payments begin June 2025.
\$20,610	2018 Transient Occupancy Tax (TOT) Revenue Bonds, Senior Series B (Taxable) Authorized September 2018, issued November 2018, due in annual installments of \$441 to \$4,690 through fiscal year 2025, bearing interest rates of 3.5% to 3.9%, for the purpose of financing the costs of renovating the City's Convention Center, Community Center Theater, and Memorial Auditorium, as well as other projects eligible for TOT funding. The debt service on the bonds is secured by the pledge of, and payable solely from, TOT revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$23,690 as of June 30, 2019. Current year interest paid was \$441 and TOT revenue was \$29,477. Principal payments begin June 2021.
\$66,890	2018 Transient Occupancy Tax (TOT) Revenue Bonds, Subordinate Series C Authorized September 2018, issued November 2018, due in annual installments of \$1,951 to \$4,495 through fiscal year 2048, bearing an interest rate of 5%, for the purpose of financing the costs of renovating the City's Convention Center, Community Center Theater, and Memorial Auditorium, as well as other projects eligible for TOT funding. The debt service on the bonds is secured by the pledge of, and payable solely from, TOT revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$129,055 as of June 30, 2019. Current year interest paid was \$1,951 and TOT revenue was \$29,477. Principal payments begin June 2021.
\$25,960	2019 Wastewater Revenue Bonds Authorized March 2019, issued April 2019, due in annual installments of \$1,157 to \$2,119 through fiscal year 2040, bearing an interest rate of 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 \$42,667 as of June 30, 2019. No principal or interest payments were made in the current year. Interest payments begin September 2019 and principal payments begin September 2021. Current year wastewater fee revenue was \$42,275.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

**Notes Payable**

Issued Amount

\$2,220	1985 Sacramento Marina Note Payable, Phase I Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina. Secured by collateral 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. Secured by collateral 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. Secured by collateral 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 (DB&W), 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 payments and only a portion of interest payments on this loan since 2013 and is working with DB&W on a loan restructure. As of June 30, 2019, the DB&W and the City have not executed a formal agreement to restructure this loan. Secured by collateral of the Sacramento Marina.
\$37,016	State Water Resources Control Board Note Payable – Contract 06-4441-120 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 \$4,734. Current year principal and interest paid was \$2,367 and wastewater and storm drainage fee revenue was \$82,244. The contract contains a provision that upon termination due to the City's violation of any material contract provision, the outstanding balance, accrued interest, and penalty assessments would be due immediately.
\$5,177	State Water Resources Control Board Note Payable – Contract 06-4652-110 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 \$342. Current year principal and interest paid was \$342 and wastewater and storm drainage fee revenue was \$82,244. The contract contains a provision that upon termination due to the City's violation of any material contract provision, the outstanding balance, accrued interest, and penalty assessments would be due immediately.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
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NOTE 7 – LONG-TERM LIABILITIES (Continued)

**Notes Payable (Continued)**

Issued Amount

\$5,672	State Water Resources Control Board Note Payable – Contract 06-4653-110 Authorized February 2002, issued 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 \$794. Current year principal and interest paid was \$397 and wastewater and storm drainage fee revenue was \$82,244. The contract contains a provision that upon termination due to the City's violation of any material contract provision, the outstanding balance, accrued interest, and penalty assessments would be due immediately.
\$2,603	State Water Resources Control Board Note Payable – Contract 06-4685-110 Authorized June 2001, issued May 2002, due in annual installments of \$165 through May 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through May 2021. Total principal and interest remaining to be paid on the note is \$330. Current year principal and interest paid was \$165 and wastewater and storm drainage fee revenue was \$82,244. The contract contains a provision that upon termination due to the City's violation of any material contract provision, the outstanding balance, accrued interest, and penalty assessments would be due immediately.
\$10,000	California Department of Public Health Authorized September 2009 for the installation of approximately 13,000 water meters. The note, with a 2.5% interest rate, will be repaid over 20 years, through 2033, with annual principal and interest payments of approximately \$639. The City pledged future water enterprise fund revenue to repay the note. Total principal and interest remaining to be paid on the note is \$8,623. Current year principal and interest paid was \$639 and water fee revenue was \$130,421.
\$2,975	California Infrastructure and Economic Development (I-Bank) Authorized in December 2007, due in annual principal and interest installments from \$163 to \$155 through August 2038, bearing an interest rate of 3.17%, for the purpose of financing the purchase and construction of the Basin 31 Detention Basin. The City pledged future storm drainage fee revenue to repay the note. The note is payable solely from the storm drainage fee revenue through August 2038. Total principal and interest remaining to be paid on the note is \$3,008. Current year principal and interest paid was \$162 and storm drainage fee revenue was \$39,969. The loan agreement contains a provision that in the event of a default, the principal of the loan and accrued interest on all unpaid installments would be due immediately.
\$173,142	Drinking Water State Revolving Fund (DWSRF) Authorized in May 2017, the DWSRF has agreed to fund the City's Accelerated Meter Installation and Pipe Replacement Program. Under the agreement, the City is to pay for project costs upfront and the DWSRF is to reimburse the City with loan amounts not to exceed \$173,142. Construction began in October 2017 with a projected end date of January 2021. The final reimbursement request deadline is July 2021, when required semi-annual note principal payments begin. The note will be repaid over a 20-year period, bearing an interest rate of 1.7%. Annual principal and interest payments will be approximately \$10,248. The City has pledged future water fee revenues to repay the note. Current year water fee revenues were \$130,421. The amount claimed and reimbursed by the City as of June 30, 2019 was \$17,704.



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

NOTE 7 – LONG-TERM LIABILITIES (Continued)

**Capital Lease Obligations**

The City has entered into several long-term leases to finance the acquisition of building improvements and equipment. These capital lease obligations are secured by collateral of the assets being financed: buildings and improvements located at the Sacramento Marina South Basin, a liquid nitrate gas refueling trailer, fire trucks and equipment, and parking 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, 2019, all capital lease obligations of the City are from direct borrowings. Future minimum lease payments to be made by the City's General, Fleet Management, Parking, and Culture and Leisure Funds are as follows:

Fiscal Year Ending June 30,	Governmental	Business-Type	Total
	Activities	Activities	
2020	\$ 722	\$ 1,401	\$ 2,123
2021	139	983	1,122
2022	139	-	139
2023	68	-	68
Total minimum lease payments	1,068	2,384	3,452
Less amounts representing interest	(57)	(44)	(101)
Net present value of minimum lease payments	\$ 1,011	\$ 2,340	\$ 3,351

The following is a schedule of property under capital leases by major classes at June 30, 2019:

	Governmental	Business-Type	Total
	Activities	Activities	
Buildings and improvements	\$ 1,523	\$ -	\$ 1,523
Equipment	4,797	6,676	11,473
Less: accumulated depreciation	(2,992)	(198)	(3,190)
Total	\$ 3,328	\$ 6,478	\$ 9,806

The lease purchase agreements contain a provision that in the event of a default, the lessor may declare all rental payments payable to the end of the current term be due immediately.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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.

Net OPEB liability (other post-employment benefits) – Net liability for retiree medical benefits accounted for and reported in accordance with GASB Statement No. 75. The net OPEB liability is \$306,845 and \$56,001 for governmental activities and business-type activities, respectively, at June 30, 2019. Refer to Note 9 for more detailed information.

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

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

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

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

Net pension liability – The net pension liability is \$846,888 and \$118,476 for governmental activities and business-type activities, respectively, at June 30, 2019. Refer to Note 8 for more detailed information.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
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**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, 2019.

Annual debt service requirements of governmental activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue and Other Bonds, Direct Placements		Revenue and Other Bonds, Public Offerings	
	Principal	Interest	Principal	Interest
2020	\$ 465	\$ 210	\$ 17,248	\$ 25,823
2021	475	196	17,411	25,013
2022	490	183	13,655	24,316
2023	505	169	14,959	23,652
2024	515	154	15,235	22,911
2025 - 2029	2,820	541	89,230	101,181
2030 - 2034	2,225	128	105,549	74,946
2035 - 2039	-	-	67,620	50,808
2040 - 2044	-	-	55,965	35,427
2045 - 2049	-	-	73,595	17,774
2050 - 2054	-	-	17,297	975
Subtotals	7,495	1,581	487,764	402,826
Less: Issuance discounts	-	-	(2)	-
Plus: Issuance premiums	-	-	17,929	-
Totals	\$ 7,495	\$ 1,581	\$ 505,691	\$ 402,826

Fiscal Year Ending June 30,	Direct Borrowing Notes Payable	
	Principal	Interest
2020	\$ 1,656	\$ 586
2021	377	567
2022	396	548
2023	414	530
2024	433	511
2025 - 2029	2,478	2,243
2030 - 2034	3,099	1,622
2035 - 2039	3,346	862
2040 - 2044	1,815	170
Totals	\$ 14,014	\$ 7,639

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

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

**Future Debt Service Requirements (Continued)**

Annual debt service requirements of business-type activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue and Other Bonds, Direct Placements		Direct Borrowing Notes Payable	
	Principal	Interest	Principal	Interest
2020	\$ 23,656	\$ 36,120	\$ 3,679	\$ 694
2021	29,949	35,029	3,799	606
2022	21,325	33,849	1,331	516
2023	21,706	32,866	1,359	488
2024	22,750	31,807	1,388	459
2025 - 2029	131,865	140,759	7,390	1,838
2030 - 2034	144,006	105,154	7,237	1,026
2035 - 2039	129,380	72,790	5,456	404
2040 - 2044	139,625	38,101	1,546	26
2045 - 2049	79,437	9,933	-	-
Subtotals	743,699	536,408	33,185	6,057
Less: Issuance discounts	(69)	-	-	-
Plus: Issuance premiums	87,917	-	-	-
Totals	\$ 831,547	\$ 536,408	\$ 33,185	\$ 6,057

As of June 30, 2019, there are no direct placement bonds payable for business-type activities.

**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, 2019.

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$165,390 at June 30, 2019. 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 \$185,987 at June 30, 2019. 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 Basic Financial Statements**

For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

**NOTE 8 – PENSION PLANS**

**Defined Benefit Plan Description**

The City of Sacramento provides defined benefit retirement benefits through the California Public Employees' Retirement System (CalPERS) and the Sacramento City Employees' Retirement System (SCERS). CalPERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

As of June 30, 2019, the City reported total net pension liability, deferred outflows of resources and deferred inflows of resources for CalPERS (Miscellaneous and Safety Plans) and SCERS plans as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan	\$ 351,588	\$ 61,813	\$ 5,551
Safety Plan	582,271	135,710	30,543
SCERS	31,505	-	3,728
Total	<u>\$ 965,364</u>	<u>\$ 197,523</u>	<u>\$ 39,822</u>

For the year ended June 30, 2019, the City recognized total pension expense of \$142,450 for CalPERS and SCERS plans.

**CalPERS**

All full-time and certain part-time City employees hired after January 28, 1977 and City safety employees, regardless of date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within CalPERS is not available.

**General Information about the Pension Plan**

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

**Benefits Provided** – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of 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 Basic Financial Statements**

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(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, 2019, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of annual salary	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.69%	6.75%
Required employer contribution rates	18.88%	18.88%

	Safety	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
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	9.29%	12.00%
Required employer contribution rates	42.79%	42.79%

**Employees Covered** – At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	2,475	1,206
Inactive employees entitled to but not yet receiving benefits	4,325	438
Active employees	2,563	1,243
Total	<u>9,363</u>	<u>2,887</u>

**Contributions** – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the fiscal year ended June 30, 2019, the contributions for the miscellaneous and safety plans were \$33,664 and \$56,327, respectively.

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

**Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018. 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, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	Miscellaneous	Safety
	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
	Cost Method	Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	3.3% - 14.2% <sup>(1)</sup>	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.50% <sup>(2)</sup>	7.50% <sup>(2)</sup>
Mortality	2017 CalPERS Experience Study	2017 CalPERS Experience Study

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

The inflation rate used to measure the total pension liability was 2.5% for each Plan, a decrease from the previous 2.75%, and the payroll growth rate used was 2.75%, a decrease from the previous 3%.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>.

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

**Net Pension Liability (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	100%		

- (1) An expected inflation of 2% used for this period.  
(2) An expected inflation of 2.92% used for this period.

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

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for each Plan for the measurement date of June 30, 2018 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	\$ 1,256,578	\$ 906,647	\$ 349,931
Changes in the year:			
Service cost	28,404	-	28,404
Interest on the total pension liability	89,060	-	89,060
Changes of assumptions	(7,898)	-	(7,898)
Difference between Expected and Actual Experience	6,909	-	6,909
Plan to Plan resource movement	-	(2)	2
Contribution - employer	-	29,514	(29,514)
Contribution - employee	-	12,634	(12,634)
Net investment income	-	76,768	(76,768)
Benefit payments, including refunds of employee contributions	(48,384)	(48,384)	-
Administrative expense	-	(1,413)	1,413
Other miscellaneous expense	-	(2,683)	2,683
Net changes	68,091	66,434	1,657
Balance at June 30, 2019	\$ 1,324,669	\$ 973,081	\$ 351,588

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	\$ 1,824,826	\$ 1,233,346	\$ 591,480
Changes in the year:			
Service cost	38,386	-	38,386
Interest on the total pension liability	127,930	-	127,930
Changes of assumptions	(17,242)	-	(17,242)
Difference between Expected and Actual Experience	3,954	-	3,954
Plan to Plan resource movement	-	(4)	4
Contribution - employer	-	41,588	(41,588)
Contribution - employee	-	21,564	(21,564)
Net investment income	-	104,661	(104,661)
Benefit payments, including refunds of employee contributions	(82,999)	(82,999)	-
Administrative expense	-	(1,922)	1,922
Other miscellaneous expense	-	(3,650)	3,650
Net changes	70,029	79,238	(9,209)
Balance at June 30, 2019	\$ 1,894,855	\$ 1,312,584	\$ 582,271
Totals of both Miscellaneous and Safety Plans	\$ 3,219,524	\$ 2,285,665	\$ 933,859

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

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

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 542,528	\$ 849,976	\$ 1,392,504
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 351,588	\$ 582,271	\$ 933,859
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 194,714	\$ 363,215	\$ 557,929

**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, 2019 the City recognized pension expense of \$68,441 and \$71,492 for the Miscellaneous and Safety Plans respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 33,664	\$ -	\$ 56,327	\$ -	\$ 89,991	\$ -
Changes of assumption	21,706	5,175	66,651	21,005	88,357	26,180
Differences between actual and expected experience	4,526	239	9,299	9,538	13,825	9,777
Net differences between projected and actual earnings on plan investments	1,780	-	3,433	-	5,213	-
Proportionate share	137	137	-	-	137	137
Total	\$ 61,813	\$ 5,551	\$ 135,710	\$ 30,543	\$ 197,523	\$ 36,094

The amount of \$89,991 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

Fiscal Year Ended June 30,	Miscellaneous Plan	Safety Plan	Total
2020	\$ 32,102	\$ 27,995	\$ 60,097
2021	2,117	19,639	21,756
2022	(9,135)	2,753	(6,382)
2023	(2,486)	(795)	(3,281)
2024	-	(752)	(752)
Total	\$ 22,598	\$ 48,840	\$ 71,438

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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 to. SCERS has 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 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 Basic Financial Statements**  
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NOTE 8 – PENSION PLANS (Continued)

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

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

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

**Employees Covered** – At June 30, 2019 the following employees were covered by the benefit terms for each Plan:

	Section 399	Equal Shares	Section 175	Total
Inactive members or beneficiaries receiving benefits	869	49	55	973
Inactive members entitled to but not yet receiving benefits	7	-	1	8
Active plan members	8	-	-	8
Total plan members	<u>884</u>	<u>49</u>	<u>56</u>	<u>989</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 2019. Members contribute to this adjustment at a rate of 1% of their normal retirement contributions. The City is required to fund all costs in excess of members’ contributions and investment earnings.

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

**Contributions** – The City Charter grants the authority to establish and amend the contribution requirements of the City and active employees to the SCERS Board. The Board establishes rates based on actuarially determined rates recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrual liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2019, the average active employee contribution rate was 7.23% of annual pay, and the City’s average contribution rate was 1.1% of annual payroll. For the fiscal year ended June 30, 2019, the contributions for the SCERS plan were \$7,507.

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

**Net Pension Liability**

The City's net pension liability for SCERS was measured as of June 30, 2019 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates for service retirements and beneficiaries were based on CalPERS 1997-2015 Mortality Table projected for future mortality improvement utilizing Society of Actuaries Scale MP-2018. Mortality rates for disability retirements were based on CalPERS 1997-2015 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 1997-2015 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected for future mortality improvement utilizing Society of Actuaries Scale MP-2018.

The actuarial assumption used in the June 30, 2019 valuation were based on the results from the CalPERS 1997-2015 Experience Study, project with fully generational Scale MP-2018.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	30.0%	1.47%
Large Cap Growth	35.0%	4.36%
Equity Income	27.5%	4.36%
International	7.5%	4.93%
Total	<u>100.0%</u>	

An expected inflation of 2.75% used for this period.

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

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

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for SCERS Plan for the measurement date June 30, 2019 is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	\$ 324,669	\$ 286,609	\$ 38,060
Changes in the year:			
Service Cost	66	-	66
Interest	20,095	-	20,095
Change of assumptions	(927)	-	(927)
Differences between expected and actual experience	304	-	304
Contribution - employer	-	7,507	(7,507)
Contribution - employee	-	49	(49)
Net investment income	-	18,537	(18,537)
Benefit payments, including refunds of employee contributions	(31,134)	(31,134)	-
Net changes	(11,596)	(5,041)	(6,555)
Balance at June 30, 2019	<u>\$ 313,073</u>	<u>\$ 281,568</u>	<u>\$ 31,505</u>

**Change of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date** – Mortality improvement was changed from fully generational projection with Society of Actuaries Scale MP-2017 to fully generational projection with Society of Actuaries Scale MP-2018. CPI was greater than expected, leading to increased COLA banks and experience loss, which was mostly offset by demographic gains primarily due to more retiree and beneficiary deaths than expected.

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

	1% decrease (5.5%)	Current Discount Rate (6.5%)	1% increase (7.5%)
SCERS net pension liability	\$ 57,444	\$ 31,505	\$ 9,008

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

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

For the year ended June 30, 2019, the City recognized pension expense of \$2,517 attributable to the SCERS plans. At June 30, 2019, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ 3,728

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

Fiscal Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (333)
2021	(2,534)
2022	(728)
2023	(133)
Total	\$ (3,728)

**Defined Contribution Plan**

The City also provides defined contribution retirement benefits through City's 401(a) Money Purchase Plan (the 401(a)). The 401(a) is administered by Nationwide. The 401(a) provisions and contribution requirements are established and may be amended by City Council. Unrepresented exempt and certain represented employees may elect to participate. Participating employees of the aforementioned groups are required to contribute 5% and 2%, and the City contributes 4% and 2%, respectively, of covered salary. For the year ended June 30, 2019, employees contributed \$4,219 and the City contributed \$3,452 to the 401(a).

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

**General Information**

**Plan Description** – The City provides contributions for post-employment medical, dental and vision benefits to employees who retire directly from the City and their dependents through an Agent-multiple employer defined benefit OPEB plan (the plan) through CalPERS. The post-employment health, dental, and vision care employer contributions range from \$0 to \$860.60 per month per participant, which covers between 0% and 100% of the benefit cost, depending on the choice of plan and number of dependents. Participants have the choice of enrolling in one of several health plans, one of two dental plans, and one of two vision plans. To be eligible for the City paid benefits, the employee must retire with a minimum of ten full years of active City service and be 50 years of age. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit. Participants with more than fifteen years but less than twenty years of service are eligible for 75% of the maximum benefit. Participants with more than ten years but less than fifteen years of service are eligible for 50% of the maximum benefit. The eligibility of the City's post-employment health contributions has been eliminated for employees hired after a certain date dependent upon the employee's labor agreement. The post-employment health, dental and vision care contributions are defined by labor agreements and resolutions approved by the City Council. The City does not issue a separate stand-alone financial report for its OPEB plan.

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

**City of Sacramento**  
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**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

**General Information (Continued)**

**Employees Covered** – At June 30, 2019, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefits	2,680
Inactive employees entitled to but not yet receiving benefits	400
Active employees	3,527
Total	6,607

**Contributions** – The plan and its contribution requirements are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The City is currently funding the OPEB plan on a pay-as-you-go basis. However, the City Council has authorized the City Manager to establish an OPEB trust fund with CalPERS. Contributions recognized by the plan from the employer for the year ended June 30, 2019 were \$18,406.

**Net OPEB Liability**

**Actuarial Assumptions** – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	4.50%
Inflation	2.75%
Salary Increases	3.0%
Investment Rate of Return	6.75%
Healthcare cost trend rate	Non-Medicare - 7.5% for 2019, decreasing to 4% for 2076 and later. Medicare - 6.5% for 2019, decreasing to 4% for 2076 and later.

Mortality assumptions were based on the results of the CalPERS 1997 to 2011 experience study dated January 2014 and SCERS June 30, 2017 valuation assumptions. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov), under Forms and Publications.

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



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

**Net OPEB Liability (Continued)**

**Discount Rate** – The discount rate used to measure the total OPEB liability was 4.5% for the Plan, a decrease from the previous rate, 3.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Plan's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5%	1.29%
Commodities	3%	0.84%
Real Estate Investment Trusts (REITs)	8%	3.76%
Total	100%	

**Changes in the Net OPEB Liability** – The changes in the OPEB liability for the OPEB plan as of June 30, 2019 are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability / (Asset)
Balance at June 30, 2018	\$ 415,957	\$ 26,445	\$ 389,512
Changes in the year:			
Service cost	11,052	-	11,052
Interest on the total OPEB liability	16,612	-	16,612
Changes of assumptions	(30,845)	-	(30,845)
Contribution - employer	-	21,072	(21,072)
Contribution - employee	-	308	(308)
Net investment income	-	2,156	(2,156)
Benefit payments, including refunds	(12,903)	(12,903)	-
Administrative expense	-	(51)	51
Net changes	(16,084)	10,582	(26,666)
Balance at June 30, 2019	\$ 399,873	\$ 37,027	\$ 362,846

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

**Net OPEB Liability (Continued)**

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

	Discount Rate		
	1% decrease (3.5%)	Current Rate (4.5%)	1% increase (5.5%)
Net OPEB liability	\$ 421,800	\$ 362,846	\$ 314,937

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

	Trend Rate		
	1% decrease 6.5%-5.5% decreasing to (3%)	Current Rate 7.5% - 6.5% decreasing to (4%)	1% increase 8.5%-7.5% decreasing to (5%)
Net OPEB liability	\$ 306,508	\$ 362,846	\$ 433,790

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

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB** – For the year ended June 30, 2019, the City recognized OPEB expense of \$16,264. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	\$ 18,406	\$ -
Changes of assumption	-	42,207
Net differences between projected and actual earnings on plan investments	-	636
Total	\$ 18,406	\$ 42,843

**City of Sacramento**  
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**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

**Net OPEB Liability (Continued)**

The amount of \$18,406 reported as deferred outflows of resources related to OPEB resulting from the OPEB plan contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (9,256)
2021	(9,256)
2022	(9,257)
2023	(9,115)
2024	(5,456)
Thereafter	(503)
<b>Total</b>	<b>\$ (42,843)</b>

**NOTE 10 – FUND EQUITY AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2019, the government-wide statement of net position reported restricted net position of \$299,516 in governmental activities. Of this amount, \$45,409 is restricted for enabling legislation.

The Culture and Leisure Fund, a special revenue fund, had a deficit fund balance of \$4,101 as of June 30, 2019. Both the Golf and Marina programs within this fund had deficit fund balances of \$5,141 and \$2,096, respectively. It is anticipated that this deficit will be funded by future operating subsidies and surpluses.

The Capital Grants Fund, a capital project fund, had a deficit fund balance of \$2,240 as of June 30, 2019. 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 4th R Child Development Fund, an enterprise fund, had a deficit net position of \$1,300 as of June 30, 2019. It is anticipated that this deficit will be funded by future operating subsidies.

For the fiscal year ended June 30, 2019, General Fund expenditures for Fire exceeded appropriations by \$3,381. The overspending was funded by revenue collected in excess of budgeted amounts.

For the fiscal year ended June 30, 2019, expenditures exceeded appropriations in the Cal EPA and Parks and Recreation special revenue funds by \$587 and \$211, respectively. This overspending was funded by operating surpluses from previous years.

**City of Sacramento**  
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**NOTE 11 – INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 2019:

	Description	Transfers In	Transfers Out	Net Transfers
<b>Governmental activities:</b>				
General Fund	Debt service	\$ 2,214	\$ (21,809)	\$ (19,595)
General Fund	In-lieu tax transfers	33,018	-	33,018
General Fund	Program support	3,420	(6,110)	(2,690)
2015 Golden 1 Center Lease Revenue Bond Fund	Debt service	7,100	(190)	6,910
Other Governmental Funds	Debt service	22,819	(2,519)	20,300
Other Governmental Funds	Program support	1,360	(2,486)	(1,126)
Internal Service Funds	Debt service	412	(66)	346
Internal Service Funds	Program support	-	(643)	(643)
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	-	(996)	(996)
<b>Total governmental activities</b>		<b>70,343</b>	<b>(34,819)</b>	<b>35,524</b>
<b>Business-type activities:</b>				
Water Fund	Debt service	-	(50)	(50)
Water Fund	In-lieu tax transfers	-	(13,694)	(13,694)
Water Fund	Program support	93	(498)	(405)
Wastewater Fund	Debt service	-	(66)	(66)
Wastewater Fund	In-lieu tax transfers	-	(4,331)	(4,331)
Wastewater Fund	Program support	164	-	164
Storm Drainage Fund	Debt service	-	(107)	(107)
Storm Drainage Fund	In-lieu tax transfers	-	(4,235)	(4,235)
Storm Drainage Fund	Program support	5	-	5
Solid Waste Fund	Debt service	-	(157)	(157)
Solid Waste Fund	In-lieu tax transfers	-	(6,880)	(6,880)
Solid Waste Fund	Program support	25	-	25
Community Center Fund	In-lieu tax transfers	-	(1,792)	(1,792)
Community Center Fund	Program support	-	(637)	(637)
Other Enterprise Funds	Debt service	-	(7,581)	(7,581)
Other Enterprise Funds	In-lieu tax transfers	-	(2,086)	(2,086)
Other Enterprise Funds	Program support	5,307	-	5,307
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	996	-	996
<b>Total business-type activities</b>		<b>6,590</b>	<b>(42,114)</b>	<b>(35,524)</b>
<b>Total government-wide statements</b>		<b>\$ 76,933</b>	<b>\$ (76,933)</b>	<b>\$ -</b>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – INTERFUND TRANSACTIONS (Continued)**

**Interfund Balances**

Interfund balances report lending transactions between funds. The following is a summary of interfund balances as of June 30, 2019:

	Receivables	Payables	Interfund Balances
Other Governmental Funds	\$ -	\$ (7,923)	\$ (7,923)
Internal Service Funds	13,503	-	13,503
Total governmental activities	<u>13,503</u>	<u>(7,923)</u>	<u>5,580</u>
Community Center Fund	-	(5,580)	(5,580)
Total business-type activities	<u>-</u>	<u>(5,580)</u>	<u>(5,580)</u>
Total	<u>\$ 13,503</u>	<u>\$ (13,503)</u>	<u>\$ -</u>

\$13,503 was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$5,975) and to assist in development of community resources (approximately \$7,528). Included in the \$13,503 of interfund loans is \$12,022 that is not expected to be repaid within one year.

\$1,231 was borrowed by the Capital Grants Fund for short-term loans.

\$6,692 was borrowed by the Culture and Leisure Fund for development of community resources and operating deficit.

\$5,580 was borrowed by the Community Center Fund for development of community resources.

**City of Sacramento**  
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**NOTE 12 – RISK MANAGEMENT**

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

The Risk Management Internal Service Fund self-insures the first \$2,000 of each workers' compensation claim. Excess worker's compensation insurance is purchased through the California State Association of Counties' Excess Insurance Authority and it provides statutory coverage over the City's \$2,000 self-insured retention. The fund self-insures the first \$2,000 of general and auto liability claims plus claim costs that exceed commercial insurance coverage. Commercial insurance for general and auto liability claims provides \$35,000 in coverage, with a \$2,000 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, 2019 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, 2019, the Risk Management Internal Service Fund had a net position of \$21,610.

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

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

	2019	2018
Accrued claims and judgements, July 1	\$ 78,745	\$ 80,749
Incurred claims and adjustment expenses	20,255	15,424
Claim payments	<u>(13,507)</u>	<u>(17,428)</u>
Accrued claims and judgements, June 30	<u>\$ 85,493</u>	<u>\$ 78,745</u>

**City of Sacramento**  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Commitment of Enterprise Fund Revenues**

Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Note Payable, the Drinking Water State Revolving Fund Note Payable, the Water Revenue Bonds, Series 2013 and the Water Revenue Bonds, Series 2017. Revenue of the Wastewater Enterprise Fund is pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable, the Wastewater Revenue Bonds, Series 2013 and Wastewater Revenue Bonds, Series 2019. Revenue of the Storm Drainage Enterprise Fund is pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable and the California Infrastructure and Economic Development Bank Note Payable. Transient Occupancy Tax (TOT) Revenue of the Community Center Fund is pledged to the payment of principal and interest on 2018 TOT Revenue Bonds, Senior Series A, B and Subordinate Series C. See Note 7 for more detailed information.

**Construction and Other Commitments**

The City has commitments of \$361,795 for contracts awarded but not completed as of June 30, 2019. 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	\$ 9,452	Water Fund	\$ 57,453
Measure U	2,341	Wastewater Fund	31,690
Other governmental funds	29,569	Storm Drainage Fund	3,329
Internal service funds	10,349	Solid Waste Fund	3,538
		Community Center Fund	213,633
		Other enterprise funds	441
Total governmental activities	<u>\$ 51,711</u>	Total business-type activities	<u>\$ 310,084</u>

The major contracts outstanding are \$137,468 for renovation of the Convention Center Complex; \$74,532 for renovation of the Community Center Theater; \$40,383 for residential water meter installations, pipeline replacements and retrofit projects; \$28,010 for the McKinley Park Combined Sewer System Storage project to reduce area flooding; \$17,847 for the purchase of vehicles, primarily replacement refuse trucks and garbage trucks; \$3,755 for the development of 20,400 square foot space to house a workforce development and employment initiative for the medical and health related fields for the Oak Park Project; \$2,742 for Richards Boulevard/ I-5 Interchange project that provides primary access to the Railyards and River District redevelopment and \$2,003 to upgrade the Memorial Auditorium to accommodate events while the Community Center is closed for renovations.

**Contingent Liabilities**

The City participates in various 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, 2019 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, 2019. 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 Basic Financial Statements**  
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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. The most recent engineering report estimated that \$2,371 was required for future post closure monitoring costs as of June 30, 2018. The estimate was based on current cost and may change due to inflation or deflation, technology, or applicable laws and regulations. The estimated liability was amortized to \$2,214 as of June 30, 2019. An updated cost study will be prepared for the year ended June 30, 2020. The City received approval from state regulators to fund the post closure costs, along with cost increases due to inflation, with user charges for solid waste disposal.

**Pollution Remediation Obligations**

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The City is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. Regulatory agencies providing oversight of the City's pollution remediation obligations and activities include the State of California Regional Water Quality Control Board, the State of California Department of Toxic Substance Control, the Sacramento County Department of Environmental Management, and the State of California Department of Public Health. The estimated obligation was \$630 at June 30, 2018 and \$692 at June 30, 2019. Pollution remediation outlays totaled approximately \$884 for the year ended June 30, 2019. 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 \$118.

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

**JOINT VENTURES**

**Sacramento Housing and Redevelopment Agency**

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

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

**City of Sacramento**  
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NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

**JOINT VENTURES (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, 2019, 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, 2019, were \$9,886. In addition, the City paid cost reimbursements and program support of \$142 to the library during the same period. The City also contributed the use of its library facilities to the Library. In order to provide funding for additional services and hours in City libraries, the City levies and passes through to the Library a parcel tax, which totaled \$7,846 for the fiscal year ended June 30, 2019. 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 \$3,976 of support to SRFECC during the fiscal year ended June 30, 2019. 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, 2019, the City provided \$395 of annual support to the NCRPSTA. Payments for rent and training during the fiscal year ended June 30, 2019 were \$18. Financial statements may be obtained from the NCRPSTA Administrative Offices, 2409 Dean Street, Suite 119, McClellan, California, 95652.

**California 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 California 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, 2019, the City provided general support of \$45, paid \$79 for training courses for City staff and provided staff support. Financial statements may be obtained from the California Fire and Rescue Training Authority Business Office, 10545 Armstrong Avenue, Suite 320, Mather, CA 95655.

**Riverfront Joint Powers Authority**

The City is a participant with the City of West Sacramento in the Riverfront Joint Powers Authority, formed in March 2017, to create, own and operate a fixed-rail streetcar system that would have operated within and between the two Cities. Initial bids for the project were received and exceeded the available project budget. A resolution was passed by City Council in October 2019 to develop an alternative plan with partnering agencies for a successor light rail transit project in place of the streetcar. The resolution also sought collaboration with the City of West Sacramento to identify the necessary steps to dissolve the Riverfront Joint Powers Authority.

**City of Sacramento**  
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NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

**JOINTLY GOVERNED ORGANIZATIONS WITH RELATED PARTY TRANSACTIONS**

The City participates in several jointly governed organizations for which it appoints a minority of board members. The City may also provide minor financial support or have other financial transactions with these organizations, but it does not have a financial interest in or responsibility to the organizations. The following organizations had financial transactions with the City during the fiscal year ended June 30, 2019:

The City provided \$110 in annual support and \$8 in project/program expenses to the Regional Water Authority.

The City provided \$163 in annual support to the Sacramento Groundwater Authority.

The City provided \$97 in annual support, \$11 in program expenses and \$512 for Downtown/Riverfront Transit Project to the Sacramento Area Council of Governments.

The City received \$472 of administration fees from the Sacramento Area Flood Control Agency (SAFCA) for collecting and transmitting permitting fees. The City also participates in several cost-sharing agreements with SAFCA for individual projects related to flood control. The City's portion of said projects is remitted directly to SAFCA or other suppliers of services.

The City received \$137 in Workforce Investment Act grants from the Sacramento Employee and Training Agency.

NOTE 15 – SUCCESSOR AGENCY TRUST FUND

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") which dissolved all redevelopment agencies in the State of California. Successor agencies are allocated property tax revenue in an amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entity as of February 1, 2012.

On January 31, 2012, the City of Sacramento (City) elected to serve as the successor agency to the Redevelopment Agency of the City of Sacramento (Agency) for the Agency's non-housing assets and liabilities pursuant to the provisions of AB 1x26 (Chapter 5, Statutes of 2011). Also, on January 1, 2012, the City Council elected not to serve as the successor agency for the former redevelopment agency's housing assets and functions, but instead designated the City's Housing Authority to serve as the successor housing agency.

Prior to February 1, 2012, California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of redevelopment financing, the former Agency liabilities exceeded its assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to repay its outstanding long-term debt. This deficit was transferred to the successor agency on February 1, 2012. At June 30, 2019, the successor agency had a deficit of \$213,632, which will be eliminated with future property tax revenue distributions from the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

On June 27, 2012, Assembly Bill 1484 was enacted. Under AB 1484 (Chapter 16, Statutes of 2012: Health and Safety Code section 34173, subdivision (g)), the dissolution law was clarified to provide that the Agency is a separate legal entity from the City. Also, AB 1484 provided that the Agency's bond fund assets can be expended in a manner consistent with the bond's covenants after compliance with certain requirements.

**City of Sacramento**  
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**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

On September 20, 2013, the Agency received its Finding of Completion from the State Department of Finance (DOF) and is now able to spend the unencumbered bond funds in a manner consistent with the original bond covenants. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that RASA does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

On August 25, 2015, the State Department of Finance (DOF) approved the Agency's Oversight Board action authorizing the Agency to refund certain outstanding tax-allocation obligations of the former Redevelopment Agency in accordance with Assembly Bill Nos. x1 26 and 1484. The Redevelopment Agency Successor Agency of the City of Sacramento (RASA) 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) and RASA 2015 Tax Allocation Refunding Bonds, Series B (Federally Taxable) were issued under the Indenture of Trust, dated as of October 1, 2015, to refund certain obligations of the former Redevelopment Agency of the City of Sacramento in the aggregate principal amount of \$119,360, to purchase a Municipal Bond Debt Service Reserve Insurance Policy from Build America Mutual Assurance Company for deposit in the Reserve Account, and to pay certain costs of issuance of the Bonds.

On October 6, 2015, the DOF approved the Agency's Oversight Board action approving the Excess Bond Expenditure Plan, approving the Master Excess Bond Expenditure Agreement between the Agency and the City, authorizing the transfer of the unspent non-housing bond proceeds to the City, approving an Excess Housing Bond Expenditure Agreement between RASA and the Housing Authority, and authorizing the transfer of the housing bond proceeds to the Housing Authority of the City as the Housing Successor. The City is to finance public and private development projects previously planned by the Agency; and the Housing Authority is to use the funds for low-moderate income housing projects.

On December 31, 2015, DOF completed the review of RASA's Long-Ranged Property Management Plan (LRPMP). DOF approved the use or disposition of all the properties listed in the LRPMP. The approved LRPMP will govern the disposition and use of all the real property assets of the former redevelopment agency.

As of June 30, 2019, contracts payable of \$15,875 reported in the private-purpose trust fund are allocations of the Sacramento Housing Redevelopment Agency's (SHRA) OPEB and pension unfunded liabilities for the former redevelopment agency employees.

**Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 7,601	\$ -	\$ (2,550)	\$ 5,051
Depreciable/amortizable capital assets				
Buildings and improvements	751	-	(518)	233
Less accumulated depreciation/amortization for: Buildings and improvements	(184)	(12)	115	(81)
Depreciable/amortizable capital assets, net	567	(12)	(403)	152
Total activities capital assets, net	\$ 8,168	\$ (12)	\$ (2,953)	\$ 5,203

**City of Sacramento**  
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**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds:					
2015 Tax Allocation Refunding Bonds TE, Series A	\$ 5,196	\$ -	\$ (8,004)	\$ 43,956 <sup>(2)</sup>	\$ 3,205
2015 Tax Allocation Refunding Bonds TX, Series B	36,105	-	(11,705)	24,400 <sup>(2)</sup>	7,470
Subtotal, revenue bonds	88,065	-	(19,709)	68,356	10,675
Notes Payable:					
2003 Del Paso TE TABS, Series A	5,511	329 <sup>(1)</sup>	(25)	5,815 <sup>(2)</sup>	-
2005 Merged Downtown TE, Series A	13,144	7,385 <sup>(1)</sup>	(559)	138,770 <sup>(2)</sup>	10,025
2005 Oak Park TE, Series A	3,485	193 <sup>(1)</sup>	(15)	3,663 <sup>(2)</sup>	-
2006 65th Street TX Master Lease, Series B	3,390	-	(100)	3,290	105
2006 North Sacramento TX Master Lease, Series B	3,960	-	(120)	3,840	125
2006 Stockton Blvd Master Lease	1,990	-	(20)	1,970	22
2008 BOA Public Capital Corporation	1,944	-	(152)	1,792	161
2009 Army Depot TX Swap	2,728	-	(83)	2,645	85
2009 River District TX Swap	2,552	-	(77)	2,475	80
Boating and Waterways Loan	98	-	(98)	-	-
City of Sacramento CIEDB - Utilities/Detention Basin	1,145	-	(42)	1,103	43
Globe Mills	3,293	-	(284)	3,009	301
North Sacramento CIEDB Loan	3,027	-	(129)	2,898	133
Stockton Blvd CIEDB Loan	2,526	-	(109)	2,417	112
Subtotal, notes payable	167,593	7,907	(1,813)	173,687	11,192
Total, long-term debt	\$ 255,658	\$ 7,907	\$ (21,522)	\$ 242,043	\$ 21,867

(1) Change in accreted value is recorded as adjustment of Notes Payable.  
(2) 2015 Refunded and Refunding debts.

As of June 30, 2019, accumulated accretion for the 2003 Del Paso TE TABS, Series A, is \$3,290, and accumulated accretion for the 2005 Merged Downtown and Oak Park TE, Series A, is \$71,872.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2019  
(dollar amounts expressed in thousands)

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**Future Debt Service Requirements**

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2020	\$ 10,675	\$ 2,491	\$ 11,192	\$ 1,260
2021	19,855	1,984	1,491	1,202
2022	2,630	1,591	19,005	1,140
2023	2,560	1,461	19,227	1,070
2024	2,870	1,326	18,382	993
2025 - 2029	9,030	5,042	93,025	3,713
2030 - 2034	12,125	2,826	60,853	1,935
2035 - 2038	4,500	168	16,814	319
Subtotal	64,245	16,889	239,989	11,632
Less: Unaccreted interest	-	-	(66,302)	-
Less: Issuance discounts	(15)	-	-	-
Plus: Issuance premiums	4,126	-	-	-
Total	<u>\$ 68,356</u>	<u>\$ 16,889</u>	<u>\$ 173,687</u>	<u>\$ 11,632</u>

**NOTE 16 – SERVICE CONCESSION ARRANGEMENT FOR CITY GOLF COURSES**

Effective January 1, 2012, the City entered into a service concession agreement with Morton Golf LLC (Morton) under which Morton operates and maintains City golf courses, collects user fees and remits a monthly payment for rent to the City. Morton pays the City minimum installment payments plus a percentage of gross revenues over the 10-year lease period. The present value of the installment payments was initially estimated to be \$10,634. The City reports a loan receivable and deferred inflow of \$2,659 in the government-wide statement of net position as of June 30, 2019.

**NOTE 17 – SPECIAL ITEMS**

The City recognized one special item transaction in the governmental activities during the fiscal year ended June 30, 2019. The special item was recognized in the General fund totaling \$7,000 due to a settlement payment related to construction litigation for repairs to the Sacramento Valley Station Intermodal Transportation Facility passenger platforms.

The City recognized one special item transaction in business-type activities during the fiscal year ended June 30, 2019. The special item was recognized in the Water Fund totaling \$2,553 due to sale of water to San Juan Water District.

**NOTE 18 – SUBSEQUENT EVENT**

On August 22, 2019, the City issued the 2019 Sacramento Tourism Infrastructure District (STID) Assessment Revenue Bonds, as authorized by City Resolution 2019-0303. The STID Assessment Revenue Bonds were issued at total par of \$50,465 plus premium of \$4,893, to fund \$53,000 of project costs, \$1,469 of capitalized interest, and \$889 of costs of issuance. Project costs will include the acquisition and construction of a ballroom at the Sacramento Convention Center and related improvements.

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# Required Supplementary Information

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Miscellaneous Plan**  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Last Ten Years\* (in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Total pension liability</b>					
Service cost	\$ 23,110	\$ 22,342	\$ 23,374	\$ 27,795	\$ 28,404
Interest on the total pension liability	70,942	74,835	79,515	84,334	89,060
Changes of assumptions	-	(20,153)	-	75,970	(7,898)
Differences between expected and actual experience	-	(8,865)	(333)	(838)	6,909
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)	(37,980)	(42,305)	(48,384)
<b>Net change in total pension liability</b>	<b>63,812</b>	<b>33,769</b>	<b>64,576</b>	<b>144,956</b>	<b>68,091</b>
<b>Total pension liability - beginning</b>	<b>949,465</b>	<b>1,013,277</b>	<b>1,047,046</b>	<b>1,111,622</b>	<b>1,256,578</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,013,277</b>	<b>\$ 1,047,046</b>	<b>\$ 1,111,622</b>	<b>\$ 1,256,578</b>	<b>\$ 1,324,669</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 21,613	\$ 22,827	\$ 25,963	\$ 28,719	\$ 29,514
Contributions - employee	11,870	11,302	11,591	12,190	12,634
Net investment income	118,326	18,047	4,260	91,481	76,768
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)	(37,980)	(42,305)	(48,384)
Plan to plan resource movement	-	(3,066)	531	74	(2)
Administrative expense	-	(922)	(496)	(1,209)	(1,413)
Other Miscellaneous Expense	-	-	-	-	(2,683)
<b>Net change in fiduciary net position</b>	<b>121,369</b>	<b>13,798</b>	<b>4,269</b>	<b>88,950</b>	<b>66,434</b>
<b>Plan fiduciary net position - beginning</b>	<b>678,261</b>	<b>799,630</b>	<b>813,428</b>	<b>817,697</b>	<b>906,647</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 799,630</b>	<b>\$ 813,428</b>	<b>\$ 817,697</b>	<b>\$ 906,647</b>	<b>\$ 973,081</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 213,647</b>	<b>\$ 233,618</b>	<b>\$ 293,925</b>	<b>\$ 349,931</b>	<b>\$ 351,588</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>78.92%</b>	<b>77.69%</b>	<b>73.56%</b>	<b>72.15%</b>	<b>73.46%</b>
<b>Covered payroll **</b>	<b>\$ 156,032</b>	<b>\$ 157,449</b>	<b>\$ 166,403</b>	<b>\$ 176,795</b>	<b>\$ 181,331</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>136.93%</b>	<b>148.38%</b>	<b>176.63%</b>	<b>197.93%</b>	<b>193.89%</b>
<b>Measurement date</b>	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.  
 \*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.



**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Miscellaneous Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
Actuarially determined contributions	\$ 22,711	\$ 26,156	\$ 30,084	\$ 26,947	\$ 33,664
Contributions in relation to the actuarially determined contribution	22,711	26,156	30,084	26,947	33,664
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 157,449	\$ 166,403	\$ 176,795	\$ 181,331	\$ 189,689
Contributions as a percentage of covered payroll	14.42%	15.72%	17.02%	14.86%	17.75%

Notes to the Required Supplementary Information

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age normal cost method				
Amortization method	Level percentage of payroll				
Asset valuation method	15 year smoothed market				
Inflation	2.5%				
Salary Increase	3.3% to 14.2% depending on Age, Service, and type of employment				
Investment rate of return	7.5% (net of administrative expenses)				
Retirement age	50 - 67 years				
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation				

\* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Safety Plan**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Total pension liability</b>					
Service cost	\$ 29,539	\$ 29,653	\$ 31,672	\$ 37,372	\$ 38,386
Interest on the total pension liability	107,189	112,331	118,821	123,132	127,930
Changes of assumptions	-	(28,604)	-	107,046	(17,242)
Differences between expected and actual experience	-	(593)	14,398	(15,086)	3,954
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)	(74,572)	(78,232)	(82,999)
<b>Net change in total pension liability</b>	70,513	42,242	90,319	174,232	70,029
<b>Total pension liability -- beginning</b>	1,447,520	1,518,033	1,560,275	1,650,594	1,824,826
<b>Total pension liability -- ending (a)</b>	\$ 1,518,033	\$ 1,560,275	\$ 1,650,594	\$ 1,824,826	\$ 1,894,855
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 27,935	\$ 30,798	\$ 36,001	\$ 40,609	\$ 41,588
Contributions - employee	16,094	15,565	19,465	18,980	21,564
Net investment income	171,795	25,341	4,971	125,586	104,661
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)	(74,572)	(78,232)	(82,999)
Plan to plan resource movement	-	1	-	(74)	(4)
Administrative expense	-	(1,288)	(697)	(1,665)	(1,922)
Other Miscellaneous Expense	-	-	-	-	(3,650)
<b>Net change in fiduciary net position</b>	149,609	(128)	(15,832)	105,204	70,238
<b>Plan fiduciary net position -- beginning</b>	994,493	1,144,102	1,143,974	1,128,142	1,233,346
<b>Plan fiduciary net position -- ending (b)</b>	\$ 1,144,102	\$ 1,143,974	\$ 1,128,142	\$ 1,233,346	\$ 1,312,584
<b>Net pension liability -- ending (a) - (b)</b>	\$ 373,931	\$ 416,301	\$ 522,452	\$ 591,480	\$ 582,271
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	75.37%	73.32%	68.35%	67.59%	69.27%
<b>Covered payroll **</b>	\$ 107,176	\$ 112,067	\$ 120,120	\$ 126,438	\$ 132,206
<b>Net pension liability as a percentage of covered payroll</b>	348.89%	371.48%	434.94%	467.80%	440.43%
<b>Measurement date</b>	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Safety Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
Actuarially determined contributions	\$ 36,638	\$ 40,959	\$ 47,222	\$ 49,102	\$ 56,327
Contributions in relation to the actuarially determined contribution	36,638	40,959	47,222	49,102	56,327
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 112,067	\$ 120,120	\$ 126,438	\$ 132,206	\$ 140,840
Contributions as a percentage of covered payroll	32.69%	34.10%	37.35%	37.14%	39.99%

**Notes to the Required Supplementary Information**

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age normal cost method				
Amortization method	Level percentage of payroll				
Asset valuation method	15 year smoothed market				
Inflation	2.5%				
Salary Increase	3.3% to 14.2% depending on age, service, and type of employment				
Investment rate of return	7.5% (net of administrative expenses)				
Retirement age	50 - 67 years				
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation				

\* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.  
\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System,**  
**a Single-Employer Defined Benefit Pension Plan**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Total pension liability</b>					
Service cost	\$ 131	\$ 103	\$ 96	\$ 92	\$ 66
Interest on the total pension liability	23,134	23,416	22,759	20,877	20,095
Changes of assumptions	23,117	-	(16,246)	862	(927)
Differences between expected and actual experience	(8,783)	(1,173)	(3,701)	(2,457)	304
Benefit payments, including refunds of employee contributions	(33,791)	(32,683)	(32,171)	(31,583)	(31,134)
<b>Net change in total pension liability</b>	3,808	(10,337)	(29,263)	(12,209)	(11,596)
<b>Total pension liability -- beginning</b>	372,670	376,478	366,141	336,878	324,669
<b>Total pension liability -- ending (a)</b>	\$ 376,478	\$ 366,141	\$ 336,878	\$ 324,669	\$ 313,073
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 9,183	\$ 8,645	\$ 8,645	\$ 8,645	\$ 7,507
Contributions - employee	82	146	63	55	49
Net investment income	13,375	7,799	26,803	20,982	18,537
Benefits payments, including refunds of employee contributions	(33,791)	(32,683)	(32,171)	(31,583)	(31,134)
<b>Net change in fiduciary net position</b>	(11,151)	(16,093)	3,340	(1,901)	(5,041)
<b>Plan fiduciary net position -- beginning</b>	312,414	301,263	295,170	298,510	296,609
<b>Plan fiduciary net position -- ending (b)</b>	\$ 301,263	\$ 285,170	\$ 288,510	\$ 296,609	\$ 291,568
<b>Net pension liability -- ending (a) - (b)</b>	\$ 75,215	\$ 80,971	\$ 48,368	\$ 38,060	\$ 31,505
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	80.02%	77.89%	85.64%	88.28%	89.94%
<b>Covered payroll **</b>	\$ 1,180	\$ 1,020	\$ 1,049	\$ 921	\$ 678
<b>Net pension liability as a percentage of covered payroll</b>	6374.15%	7938.33%	4610.87%	4132.46%	4646.76%
<b>Measurement date</b>	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019

**Notes to the Required Supplementary Information**

\* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.  
\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System,**  
**a Single-Employer Defined Benefit Pension Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
Actuarially determined contributions	\$ 9,183	\$ 8,645	\$ 8,330	\$ 8,267	\$ 5,268
Contributions in relation to the actuarially determined contribution	9,183	8,645	8,645	8,645	7,507
Contribution deficiency (excess)	\$ -	\$ -	\$ (315)	\$ (378)	\$ (2,239)
Covered payroll **	\$ 1,180	\$ 1,020	\$ 1,049	\$ 921	\$ 678
Contributions as a percentage of covered payroll	778%	848%	824%	939%	1107%

Notes to the Required Supplementary Information

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age normal				
Amortization method	Level dollar payments over 13 years, open period				
Asset valuation method	3 year smoothed market value				
Inflation	2.75%				
Salary increases	3.25%				
Investment rate of return	6.50%				
Retirement age	Deferred vested members covered under Section 399 are assumed to retire at age 62; those covered under 175 are assumed to retire at age 65				
Mortality	CalPERS 1997-2011 Mortality Tables with Scale MP-2016				

\* Fiscal year 2015 was the first year of implementation, therefore, only five 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 Changes in Net OPEB Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year	
	2018	2019
<b>Total OPEB liability</b>		
Service cost	\$ 11,872	\$ 11,052
Interest on the total OPEB liability	15,313	16,612
Changes of assumptions	(24,429)	(30,845)
Benefit payments	(12,565)	(12,903)
<b>Net change in total OPEB liability</b>	(9,809)	(16,084)
<b>Total OPEB liability -- beginning</b>	425,766	415,957
<b>Total OPEB liability -- ending (a)</b>	<b>\$ 415,957</b>	<b>\$ 399,873</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 21,605	\$ 21,072
Contributions - employee	297	308
Net investment income	2,034	2,156
Benefit payments	(12,565)	(12,903)
Administrative expense	(10)	(51)
<b>Net change in fiduciary net position</b>	11,361	10,582
<b>Plan fiduciary net position -- beginning</b>	15,084	26,445
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 26,445</b>	<b>\$ 37,027</b>
<b>Net OPEB liability -- ending (a) - (b)</b>	<b>\$ 389,512</b>	<b>\$ 362,846</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	6.36%	9.26%
<b>Covered-employee payroll</b>	<b>\$ 237,926</b>	<b>\$ 236,885</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	163.71%	153.17%
<b>Measurement date</b>	June 30, 2017	June 30, 2018

Notes to the Required Supplementary Information

\* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

**City of Sacramento**  
**Required Supplementary Information**  
 OPEB Schedule of Contributions  
 Last Ten Years\* (in thousands)

	Fiscal Year	
	2018	2019
Actuarially determined contributions	\$ 36,393	\$ 34,454
Contributions in relation to the actuarially determined contribution	21,072	18,406
Contribution deficiency (excess)	15,321	16,048
Covered-employee payroll	\$ 236,885	\$ 245,622
Contributions as a percentage of covered payroll	8.90%	7.49%

Notes to the Required Supplementary Information

Valuation date: 6/30/2016 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a closed rolling 18 year period
Asset valuation method	Market value
Inflation	2.75%
Salary Increase	3%
Investment rate of return	6.75%
Healthcare cost trend rate	Non- Medicare - 7.5% for 2019, decreasing to 4% for 2076 and later Medicare - 6.5% for 2019, decreasing to 4% for 2076 and later
Mortality	Mortality assumptions are based on mortality rates resulting from the CalPERS 1997-2011 Experience Study and SCERS June 30, 2017 valuation assumptions

\* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

**OTHER GOVERNMENTAL FUNDS**

Other governmental funds are nonmajor funds reported in the other governmental funds column of the governmental funds financial statements and include:

**OTHER SPECIAL REVENUE FUNDS** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter or ordinance to finance specific governmental functions. The individual funds are listed in the other special revenue funds section of the CAFR.

**OTHER DEBT SERVICE FUNDS** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The individual funds are listed in the other debt service funds section of the CAFR.

**OTHER CAPITAL PROJECTS FUNDS** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets. The individual funds are listed in the other capital projects funds section of the CAFR.

**PERMANENT FUNDS** are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The individual funds are listed in the permanent funds section of the CAFR.

**City of Sacramento**  
**Other Governmental Funds**  
**Combining Balance Sheet**  
 June 30, 2019  
 (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	\$ 149,618	\$ 4,460	\$ 153,791	\$ 6,180	\$ 314,049
Cash and investments held by fiscal agent	13	238	-	-	251
Receivables, net:					
Taxes	5,733	-	-	-	5,733
Accounts	4,066	2	4,107	-	8,175
Loans	1,802	-	-	-	1,802
Intergovernmental	4,733	13,086	11,224	-	29,043
Interest	273	3	369	14	659
Prepaid items	6	-	-	-	6
Restricted assets:					
Cash and investments held by City	130	-	15,091	-	15,221
Cash and investments held by fiscal agent	732	9,704	300	-	10,736
<b>Total assets</b>	<b>\$ 167,106</b>	<b>\$ 27,493</b>	<b>\$ 184,882</b>	<b>\$ 6,194</b>	<b>\$ 385,675</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 7,652	\$ -	\$ 8,404	\$ -	\$ 16,056
Accrued payroll	78	-	-	-	78
Accrued claims and judgements	31	-	-	-	31
Matured notes and interest payable	3,521	-	-	-	3,521
Due to other funds	-	-	1,231	-	1,231
Deposits	3,867	827	-	-	4,694
Unearned revenue	247	-	4,390	-	4,637
Advances from other funds	6,692	-	-	-	6,692
<b>Total liabilities</b>	<b>22,088</b>	<b>827</b>	<b>14,025</b>	<b>-</b>	<b>36,940</b>
Deferred Inflows of resources:					
Unavailable revenue	4,577	13,086	9,307	-	26,970
Fund balances:					
Nonspendable:					
Permanent fund principal	-	-	-	878	878
Restricted:					
Capital projects	18,882	-	164,890	-	183,772
Debt service	862	8,877	-	-	9,739
Public works programs	22,071	-	-	-	22,071
Economic development programs	48,878	-	-	-	48,878
Other programs	40,051	-	2,636	5,316	48,003
Committed:					
Capital projects	1,210	-	-	-	1,210
Debt service	-	2,636	-	-	2,636
Other programs	20,946	-	-	-	20,946
Assigned:					
Debt service	-	2,066	-	-	2,066
Unrealized investment gains	-	-	51	-	51
Other programs	87	1	-	-	88
Unassigned	(12,546)	-	(6,027)	-	(18,573)
<b>Total fund balances</b>	<b>140,441</b>	<b>13,580</b>	<b>161,550</b>	<b>6,194</b>	<b>321,765</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 167,106</b>	<b>\$ 27,493</b>	<b>\$ 184,882</b>	<b>\$ 6,194</b>	<b>\$ 385,675</b>

**City of Sacramento**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 8,895	\$ -	\$ 3,688	\$ -	\$ 12,583
Intergovernmental	35,899	400	45,009	-	81,308
Charges for services	20,633	-	2,004	-	22,637
Fines, forfeits and penalties	433	-	-	-	433
Interest, rents, and concessions	5,370	2,846	4,493	603	13,312
Community service fees	1,338	-	29,313	-	30,651
Assessment levies	48,592	-	3,528	-	52,120
Contributions and donations	10,339	32,733	5,913	-	48,985
Miscellaneous	182	-	-	-	182
<b>Total revenues</b>	<b>131,681</b>	<b>35,979</b>	<b>93,948</b>	<b>603</b>	<b>262,211</b>
<b>Expenditures:</b>					
Current:					
General government	26,866	-	1,028	158	28,052
Police	4,708	-	-	-	4,708
Fire	2,514	-	-	-	2,514
Public works	25,600	-	9,938	-	35,738
Convention and cultural services	9,394	-	-	-	9,394
Youth, parks, and community enrichment	8,688	-	162	-	8,850
Community development	13,614	-	4,418	-	18,032
Library	7,846	-	-	-	7,846
Utilities	210	-	-	-	210
Capital outlay	8,532	-	44,543	-	53,075
Debt service:					
Principal	1,417	46,053	4,161	-	51,631
Interest and fiscal charges	950	12,796	1,325	-	15,071
<b>Total expenditures</b>	<b>110,539</b>	<b>58,849</b>	<b>65,575</b>	<b>158</b>	<b>235,121</b>
Excess (deficiency) of revenues over (under) expenditures	21,142	(22,870)	28,373	445	27,090
Other financing sources (uses):					
Transfers in	1,435	22,630	114	-	24,179
Transfers out	(3,507)	(86)	(1,412)	-	(5,005)
Issuance of long-term debt	-	-	1,325	-	1,325
<b>Total other financing sources (uses)</b>	<b>(2,072)</b>	<b>22,544</b>	<b>27</b>	<b>-</b>	<b>20,499</b>
Changes in fund balances	19,070	(326)	28,400	445	47,589
Fund balances, beginning of year	121,371	13,906	133,150	5,749	274,176
<b>Fund balances, end of year</b>	<b>\$ 140,441</b>	<b>\$ 13,580</b>	<b>\$ 161,550</b>	<b>\$ 6,194</b>	<b>\$ 321,765</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, Special Program Donations, Ethel MacLeod Hart Trust, Land Park and Quimby.

**THE ECONOMIC DEVELOPMENT FUND** is used to account for the receipts and disbursements of former redevelopment property tax revenues as well as the Brownfield Revolving Loan Program and the Sheraton Master Owner Participation Agreement (MOPA).

**THE OPERATING GRANTS FUND** is used to account for federal, state and other agency grants received for various specific purposes.

**THE CCOMWP FUND** is used to account for the revenue and expenditures associated with the City/County Office of Metropolitan Water Planning. The CCOMWP was formed to develop the Water Forum Agreement with objectives to provide a reliable water supply for planned development to the year 2030, and to preserve the region's Lower American River.

## OTHER SPECIAL REVENUE FUNDS (continued)

**THE SPECIAL DISTRICTS SPECIAL REVENUE FUND** is used to account for a variety of programs that provide infrastructure maintenance and other services for specific areas of the City where special assessments or special taxes are levied. The Special Districts Special Revenue Fund includes the Business Improvement Districts Program, the Landscaping and Lighting Districts Program, the Maintenance Benefit Area Program and the Assessment District Maintenance Program.

**THE CAL EPA FUND** is used to account for the expenditures associated with the maintenance of the Joe Serna, Jr. California EPA Headquarters Building.

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
 June 30, 2019  
 (in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ 51,736	\$ 5,264	\$ 9,509	\$ 43,273
Cash and investments held by fiscal agent	-	13	-	-
Receivables, net:				
Taxes	-	-	-	5,732
Accounts	1,472	237	7	-
Loans	-	-	-	1,802
Intergovernmental	-	-	31	-
Interest	155	-	2	116
Prepaid items	-	3	1	-
Restricted assets:				
Cash and investments held by City	-	130	-	-
Cash and investments held by fiscal agent	-	732	-	-
<b>Total assets</b>	<b>\$ 53,363</b>	<b>\$ 6,379</b>	<b>\$ 9,550</b>	<b>\$ 50,923</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,452	\$ 27	\$ 195	\$ 190
Accrued payroll	-	23	-	25
Accrued claims and judgements	-	-	31	-
Matured notes and interest payable	-	3,521	-	-
Deposits	1,792	149	-	1,830
Unearned revenue	-	21	-	-
Advances from other funds	-	6,692	-	-
<b>Total liabilities</b>	<b>3,244</b>	<b>10,433</b>	<b>226</b>	<b>2,045</b>
Deferred inflows of resources:				
Unavailable revenue	104	47	-	-
Fund balances:				
Restricted:				
Capital projects	8,559	49	5,605	-
Debt service	-	862	-	-
Public works programs	22,071	-	-	-
Economic development programs	-	-	-	48,878
Other programs	-	1,629	3,232	-
Committed:				
Capital projects	202	521	-	-
Other programs	19,183	978	418	-
Assigned:				
Other programs	-	-	69	-
Unassigned	-	(8,140)	-	-
<b>Total fund balances (deficit)</b>	<b>50,015</b>	<b>(4,101)</b>	<b>9,324</b>	<b>48,878</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 53,363</b>	<b>\$ 6,379</b>	<b>\$ 9,550</b>	<b>\$ 50,923</b>

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**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
 June 30, 2019  
 (in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 17,707	\$ 1,816	\$ 18,868	\$ 1,445	\$ 149,618
Cash and investments held by fiscal agent	-	-	-	-	13
Receivables, net:					
Taxes	-	-	1	-	5,733
Accounts	587	137	1,620	-	4,066
Loans	-	-	-	-	1,802
Intergovernmental	4,691	11	-	-	4,733
Interest	-	-	-	-	273
Prepaid items	2	-	-	-	6
Restricted assets:					
Cash and investments held by City	-	-	-	-	130
Cash and investments held by fiscal agent	-	-	-	-	732
<b>Total assets</b>	<b>\$ 22,987</b>	<b>\$ 1,964</b>	<b>\$ 20,495</b>	<b>\$ 1,445</b>	<b>\$ 167,106</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,057	\$ 165	\$ 1,975	\$ 591	\$ 7,652
Accrued payroll	-	30	-	-	78
Accrued claims and judgements	-	-	-	-	31
Matured notes and interest payable	-	-	-	-	3,521
Deposits	96	-	-	-	3,867
Unearned revenue	226	-	-	-	247
Advances from other funds	-	-	-	-	6,692
<b>Total liabilities</b>	<b>3,379</b>	<b>195</b>	<b>1,975</b>	<b>591</b>	<b>22,088</b>
Deferred inflows of resources:					
Unavailable revenue	4,405	21	-	-	4,577
Fund balances:					
Restricted:					
Capital projects	-	-	4,669	-	18,882
Debt service	-	-	-	-	862
Public works programs	-	-	-	-	22,071
Economic development programs	-	-	-	-	48,878
Other programs	19,609	1,748	13,833	-	40,051
Committed:					
Capital projects	-	-	-	487	1,210
Other programs	-	-	-	367	20,946
Assigned:					
Other programs	-	-	18	-	87
Unassigned	(4,406)	-	-	-	(12,546)
<b>Total fund balances (deficit)</b>	<b>15,203</b>	<b>1,748</b>	<b>18,520</b>	<b>854</b>	<b>140,441</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 22,987</b>	<b>\$ 1,964</b>	<b>\$ 20,495</b>	<b>\$ 1,445</b>	<b>\$ 167,106</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, 2019  
 (in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 8,895
Intergovernmental	12,076	-	550	-
Charges for services	17,097	1,924	-	-
Fines, forfeits and penalties	433	-	-	-
Interest, rents, and concessions	1,671	1,453	511	916
Community service fees	318	-	1,020	-
Assessment levies	333	-	-	-
Contributions and donations	-	48	362	-
Miscellaneous	-	-	-	182
<b>Total revenues</b>	<b>31,928</b>	<b>3,425</b>	<b>2,443</b>	<b>9,993</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	2,267
Police	-	-	-	-
Fire	-	-	-	-
Public works	11,140	-	-	-
Convention and cultural services	-	1,520	-	-
Youth, parks, and community enrichment	-	-	1,901	-
Community development	13,150	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	2,460	39	913	1,568
Debt service:				
Principal	-	1,417	-	-
Interest and fiscal charges	-	950	-	-
<b>Total expenditures</b>	<b>26,750</b>	<b>3,926</b>	<b>2,714</b>	<b>3,835</b>
Excess (deficiency) of revenues over (under) expenditures	5,178	(501)	(271)	6,158
<b>Other financing sources (uses):</b>				
Transfers in	-	439	466	-
Transfers out	(1,042)	-	(13)	(2,200)
<b>Total other financing sources (uses)</b>	<b>(1,042)</b>	<b>439</b>	<b>453</b>	<b>(2,200)</b>
Changes in fund balances	4,136	(62)	182	3,958
<b>Fund balances (deficit), beginning of year</b>	<b>45,879</b>	<b>(4,039)</b>	<b>9,142</b>	<b>44,920</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 50,015</b>	<b>\$ (4,101)</b>	<b>\$ 9,324</b>	<b>\$ 48,878</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, 2019  
 (in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,895
Intergovernmental	21,306	1,766	-	201	35,899
Charges for services	1,612	-	-	-	20,633
Fines, forfeits and penalties	-	-	-	-	433
Interest, rents, and concessions	252	46	484	37	5,370
Community service fees	-	-	-	-	1,338
Assessment levies	-	-	48,259	-	48,592
Contributions and donations	9,929	-	-	-	10,339
Miscellaneous	-	-	-	-	182
<b>Total revenues</b>	<b>33,099</b>	<b>1,812</b>	<b>48,743</b>	<b>238</b>	<b>131,681</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	12,324	2,522	9,753	-	26,866
Police	4,708	-	-	-	4,708
Fire	2,514	-	-	-	2,514
Public works	86	-	14,573	1	25,800
Convention and cultural services	383	-	7,491	-	9,394
Youth, parks, and community enrichment	465	-	6,322	-	8,688
Community development	319	-	145	-	13,614
Library	-	-	7,846	-	7,846
Utilities	-	-	210	-	210
Capital outlay	1,967	-	512	1,173	8,532
Debt service:					
Principal	-	-	-	-	1,417
Interest and fiscal charges	-	-	-	-	950
<b>Total expenditures</b>	<b>22,766</b>	<b>2,522</b>	<b>46,852</b>	<b>1,174</b>	<b>110,539</b>
Excess (deficiency) of revenues over (under) expenditures	10,333	(710)	1,891	(936)	21,142
<b>Other financing sources (uses):</b>					
Transfers in	32	498	-	-	1,435
Transfers out	(252)	-	-	-	(3,507)
<b>Total other financing sources (uses)</b>	<b>(220)</b>	<b>498</b>	<b>-</b>	<b>-</b>	<b>(2,072)</b>
<b>Changes in fund balances</b>	<b>10,113</b>	<b>(212)</b>	<b>1,891</b>	<b>(936)</b>	<b>19,070</b>
Fund balances (deficit), beginning of year	5,090	1,960	16,629	1,790	121,371
<b>Fund balances (deficit), end of year</b>	<b>\$ 15,203</b>	<b>\$ 1,748</b>	<b>\$ 18,520</b>	<b>\$ 854</b>	<b>\$ 140,441</b>

**City of Sacramento**  
**Transportation and Development Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 11,364	\$ 11,364	\$ 12,076	\$ 712
Charges for services	2,992	7,379	7,204	(175)
Fines, forfeits and penalties	500	500	433	(67)
Interest, rents, and concessions	28	28	1,414	1,386
<b>Total revenues</b>	<b>14,884</b>	<b>19,271</b>	<b>21,127</b>	<b>1,856</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	11,245	11,245	11,140	105
Community development	2,992	7,679	2,569	5,110
Capital outlay	2,362	2,362	1,832	530
<b>Total expenditures</b>	<b>16,599</b>	<b>21,286</b>	<b>15,541</b>	<b>5,745</b>
Excess (deficiency) of revenues over (under) expenditures	(1,715)	(2,015)	5,586	7,601
<b>Other financing uses:</b>				
Transfers out	-	-	(756)	(756)
Changes in fund balance for budgeted activities	(1,715)	(2,015)	4,830	6,845
Fund balance, beginning of year for budgeted activities	35,588	35,588	35,588	-
<b>Fund balance, end of year for budgeted activities</b>	<b>\$ 33,873</b>	<b>\$ 33,573</b>	<b>40,418</b>	<b>\$ 6,845</b>
Change in fund balance for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted				(694)
Fund balance, beginning of year for non-budgeted activities				10,291
<b>Fund balance, end of year</b>			<b>\$ 50,015</b>	

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**City of Sacramento**  
**Culture and Leisure Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,426	\$ 1,418	\$ 1,924	\$ 506
Interest, rents and concessions	1,591	1,341	1,453	112
Contributions and donations	45	45	48	3
Total revenues	<u>3,062</u>	<u>2,804</u>	<u>3,425</u>	<u>621</u>
Expenditures:				
Current:				
Convention and cultural services	1,193	1,193	1,520	(327)
Capital outlay	680	869	39	830
Debt service:				
Principal	1,540	1,540	1,417	123
Interest and fiscal charges	1,021	1,021	950	71
Total expenditures	<u>4,434</u>	<u>4,623</u>	<u>3,926</u>	<u>697</u>
Deficiency of revenues under expenditures	(1,372)	(1,819)	(501)	1,318
Other financing sources:				
Transfers in	-	439	439	-
Changes in fund balance	(1,372)	(1,380)	(62)	1,318
Fund deficit, beginning of year	(4,039)	(4,039)	(4,039)	-
Fund deficit, end of year	<u>\$ (5,411)</u>	<u>\$ (5,419)</u>	<u>\$ (4,101)</u>	<u>\$ 1,318</u>

**City of Sacramento**  
**Parks and Recreation Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 612	\$ 607	\$ 550	\$ (57)
Interest, rents and concessions	45	45	63	18
Community service fees	46	46	56	10
Total revenues	<u>703</u>	<u>698</u>	<u>669</u>	<u>(29)</u>
Expenditures:				
Current:				
Youth, parks, and community enrichment	1,211	1,196	1,407	(211)
Deficiency of revenues under expenditures	(508)	(498)	(738)	(240)
Other financing sources:				
Transfers in	-	464	466	2
Changes in fund balance for budgeted activities	(508)	(34)	(272)	(238)
Fund balance, beginning of year for budgeted activities	759	759	759	-
Fund balance, end of year for budgeted activities	<u>\$ 251</u>	<u>\$ 725</u>	<u>487</u>	<u>\$ (238)</u>
Change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			454	
Fund balance, beginning of year for non-budgeted activities			<u>8,383</u>	
Fund balance, end of year			<u>\$ 9,324</u>	

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**City of Sacramento**  
**CCOMWP Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,151	\$ 9,658	\$ 1,766	\$ (7,892)
Interest, rents and concessions	-	-	46	46
Total revenues	1,151	9,658	1,812	(7,846)
Expenditures:				
Current:				
General government	2,335	10,846	2,522	8,324
Deficiency of revenues under expenditures	(1,184)	(1,188)	(710)	478
Other financing sources:				
Transfers in	498	498	498	-
Changes in fund balance	(686)	(690)	(212)	478
Fund balance, beginning of year	1,960	1,960	1,960	-
Fund balance, end of year	\$ 1,274	\$ 1,270	\$ 1,748	\$ 478

**City of Sacramento**  
**Special Districts Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Interest, rents, and concessions	\$ 1	\$ 1	\$ 484	\$ 483
Assessment levies	46,821	47,730	48,259	529
Total revenues	46,822	47,731	48,743	1,012
Expenditures:				
Current:				
General government	9,699	9,929	9,753	176
Public works	15,205	15,305	14,573	732
Convention and cultural services	6,338	7,220	7,491	(271)
Youth, parks, and community enrichment	6,460	6,650	6,322	328
Community development	204	204	145	59
Library	7,949	7,949	7,846	103
Utilities	682	682	210	472
Capital outlay	5,043	5,310	512	4,798
Total expenditures	51,580	53,249	46,852	6,397
Changes in fund balance	(4,758)	(5,518)	1,891	7,409
Fund balance, beginning of year	16,629	16,629	16,629	-
Fund balance, end of year	\$ 11,871	\$ 11,111	\$ 18,520	\$ 7,409

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**City of Sacramento**

**Cal EPA Special Revenue Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

**- Budget and Actual**

For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 173	\$ 173	\$ 201	\$ 28
Interest, rents, and concessions	-	-	37	37
<b>Total revenues</b>	<b>173</b>	<b>173</b>	<b>238</b>	<b>65</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Works	-	-	1	(1)
Capital outlay	587	587	1,173	(586)
<b>Total expenditures</b>	<b>587</b>	<b>587</b>	<b>1,174</b>	<b>(587)</b>
Changes in fund balance	(414)	(414)	(936)	(522)
Fund balance, beginning of year	1,790	1,790	1,790	-
<b>Fund balance, end of year</b>	<b>\$ 1,376</b>	<b>\$ 1,376</b>	<b>\$ 854</b>	<b>\$ (522)</b>

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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 1997 LEASE REVENUE BOND FUND** is used to account for debt service activities related to the acquisition and lease back of the sports and entertainment arena in North Natomas.

**THE 2006 SERIES B REVENUE BOND FUND** is used to account for debt service activities related to financing an arts rehearsal facility and other public capital improvements and redevelopment projects.

**THE 2006 SERIES D REVENUE BOND FUND** is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

**THE 2006 SERIES E REVENUE BOND FUND** is used to account for refunding debt service related to refinancing all of the 2001 Capital Improvement Revenue Bonds and a portion of the 2002 and 2003 Capital Improvement Revenue Bonds.

**THE 2015 REFUNDING REVENUE BOND FUND** is used to account for debt service activities related to the refunding of the outstanding 2002 Capital Improvement Revenue Bonds, 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, and the 2006 Capital Improvement Revenue Bonds Series A and C.

**THE 2016 SPFA LEASE FINANCING (H STREET THEATER COMPLEX) FUND** is used to account for debt service activities related to the refunding of the Sacramento Regional Arts Facilities 2002 Series Certificates of Participation (COPs).

**THE OTHER CITY DEBT FUND** is used to account for debt service activities related to the financing the other programs of the City.

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**City of Sacramento  
Other Debt Service Funds  
Combining Balance Sheet**  
June 30, 2019  
(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series E Revenue Bond Fund
<b>ASSETS.</b>				
Assets:				
Cash and investments held by City	\$ 27	\$ 33	\$ 2,490	\$ -
Cash and investments held by fiscal agent	26	63	144	2
Receivables, net:				
Accounts	-	-	-	-
Intergovernmental	-	-	11,116	1,970
Interest	1	2	-	-
Restricted assets:				
Cash and investments held by fiscal agent	1,208	3,313	3,952	-
<b>Total assets</b>	<b>\$ 1,262</b>	<b>\$ 3,411</b>	<b>\$ 17,702</b>	<b>\$ 1,972</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Deposits	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources:				
Unavailable revenue	-	-	11,116	1,970
Fund balances:				
Restricted:				
Debt service	1,208	3,313	3,952	-
Committed:				
Debt service	-	-	2,634	2
Assigned:				
Debt service	54	98	-	-
Other programs	-	-	-	-
Total fund balances	1,262	3,411	6,586	2
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,262</b>	<b>\$ 3,411</b>	<b>\$ 17,702</b>	<b>\$ 1,972</b>

**City of Sacramento  
Other Debt Service Funds  
Combining Balance Sheet**  
June 30, 2019  
(in thousands)

	2015 Refunding Revenue Bond Fund	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
<b>ASSETS.</b>				
Assets:				
Cash and investments held by City	\$ 1,909	\$ -	\$ 1	\$ 4,460
Cash and investments held by fiscal agent	3	-	-	238
Receivables, net:				
Accounts	2	-	-	2
Intergovernmental	-	-	-	13,086
Interest	-	-	-	3
Restricted assets:				
Cash and investments held by fiscal agent	-	1,231	-	9,704
<b>Total assets</b>	<b>\$ 1,914</b>	<b>\$ 1,231</b>	<b>\$ 1</b>	<b>\$ 27,493</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Deposits	\$ -	\$ 827	\$ -	\$ 827
Deferred inflows of resources:				
Unavailable revenue	-	-	-	13,086
Fund balances:				
Restricted:				
Debt service	-	404	-	8,877
Committed:				
Debt service	-	-	-	2,636
Assigned:				
Debt service	1,914	-	-	2,066
Other programs	-	-	1	1
Total fund balances	1,914	404	1	13,580
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,914</b>	<b>\$ 1,231</b>	<b>\$ 1</b>	<b>\$ 27,493</b>

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**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	1997 Lease Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series D Revenue Bond Fund
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ 380	\$ -
Interest, rents, and concessions	55	149	921	1,068	-
Contributions and donations	-	-	32,733	-	-
<b>Total revenues</b>	<b>55</b>	<b>149</b>	<b>33,654</b>	<b>1,448</b>	<b>-</b>
<b>Expenditures:</b>					
<b>Debt service:</b>					
Principal	922	2,612	32,733	1,335	-
Interest and fiscal charges	133	376	972	2,623	-
<b>Total expenditures</b>	<b>1,055</b>	<b>2,988</b>	<b>33,705</b>	<b>3,958</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(2,839)	(51)	(2,510)	-
<b>Other financing sources:</b>					
Transfers in	1,055	2,988	-	2,350	-
Transfers out	-	-	(83)	-	(3)
<b>Total other financing sources (uses)</b>	<b>1,055</b>	<b>2,988</b>	<b>(83)</b>	<b>2,350</b>	<b>(3)</b>
Changes in fund balances	55	149	(134)	(160)	(3)
Fund balances, beginning of year	1,207	3,262	134	6,746	3
Fund balances, end of year	\$ 1,262	\$ 3,411	\$ -	\$ 6,586	\$ -

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	2006 Series E Revenue Bond Fund	2015 Refunding Revenue Bond Fund	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
<b>Revenues:</b>					
Intergovernmental	\$ 20	\$ -	\$ -	\$ -	\$ 400
Interest, rents, and concessions	107	66	476	4	2,846
Contributions and donations	-	-	-	-	32,733
<b>Total revenues</b>	<b>127</b>	<b>66</b>	<b>476</b>	<b>4</b>	<b>35,979</b>
<b>Expenditures:</b>					
<b>Debt service:</b>					
Principal	403	7,500	450	98	46,053
Interest and fiscal charges	4,121	4,345	222	4	12,796
<b>Total expenditures</b>	<b>4,524</b>	<b>11,845</b>	<b>672</b>	<b>102</b>	<b>58,849</b>
Excess (deficiency) of revenues over (under) expenditures	(4,397)	(11,779)	(196)	(98)	(22,870)
<b>Other financing sources:</b>					
Transfers in	4,399	11,838	-	-	22,630
Transfers out	-	-	-	-	(86)
<b>Total other financing sources (uses)</b>	<b>4,399</b>	<b>11,838</b>	<b>-</b>	<b>-</b>	<b>22,544</b>
Changes in fund balances	2	59	(196)	(98)	(326)
Fund balances, beginning of year	-	1,855	600	99	13,906
Fund balances, end of year	\$ 2	\$ 1,914	\$ 404	\$ 1	\$ 13,580

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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 CAPITAL GRANTS FUND** is used to account for capital improvement program projects that are funded by parties outside of the City including the State and Federal governments.

**THE FINANCING PLANS FUND** is used to account for the construction of public infrastructure funded by developer impact fees authorized under financing plans.

**THE SPECIAL DISTRICTS CAPITAL PROJECTS FUND** is used to account for the proceeds of special assessment bond issues which are used in the construction of street lighting, curbs, gutters, sidewalks and drainage infrastructure.

**THE ECONOMIC DEVELOPMENT FUND** is used to account for the excess proceeds of Redevelopment Agency (RDA) pre-2011 non-housing bond issues and associated capital projects.



**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**  
 June 30, 2019  
 (in thousands)

	General Fund Capital Projects Fund	Transportation and Development Fund	Crocker Art Museum Expansion Fund	Capital Grants Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ -	\$ 53,288	\$ -	\$ -
Receivables, net:				
Accounts	-	319	-	711
Interest	-	118	-	-
Intergovernmental	-	3,635	-	7,589
Restricted assets:				
Cash and investments held by City	347	-	145	31
Cash and investments held by fiscal agent	300	-	-	-
<b>Total assets</b>	<b>\$ 647</b>	<b>\$ 57,360</b>	<b>\$ 145</b>	<b>\$ 8,331</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 317	\$ 762	\$ -	\$ 3,626
Due to other funds	-	-	-	1,231
Unearned revenue	-	145	-	761
<b>Total liabilities</b>	<b>317</b>	<b>907</b>	<b>-</b>	<b>5,618</b>
Deferred inflows of resources:				
Unavailable revenue	-	1,392	-	4,953
Fund balances:				
Restricted:				
Capital projects	330	56,135	145	2,713
Other programs	-	-	-	-
Assigned:				
Unrealized investment gains	-	-	-	-
Unassigned	-	(1,074)	-	(4,953)
<b>Total fund balances (deficit)</b>	<b>330</b>	<b>55,061</b>	<b>145</b>	<b>(2,240)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 647</b>	<b>\$ 57,360</b>	<b>\$ 145</b>	<b>\$ 8,331</b>

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**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**  
 June 30, 2019  
 (in thousands)

	Financing Plans Fund	Special Districts Fund	Economic Development Fund	Total Other Capital Projects Funds
<b>ASSETS</b>				
Cash and investments held by City	\$ 92,511	\$ 7,992	\$ -	\$ 153,791
Receivables, net:				
Accounts	3,073	4	-	4,107
Interest	251	-	-	369
Intergovernmental	-	-	-	11,224
Restricted assets:				
Cash and investments held by City	-	-	14,568	15,091
Cash and investments held by fiscal agent	-	-	-	300
<b>Total assets</b>	<b>\$ 95,835</b>	<b>\$ 7,996</b>	<b>\$ 14,568</b>	<b>\$ 184,882</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,681	\$ 7	\$ 11	\$ 8,404
Due to other funds	-	-	-	1,231
Unearned revenue	3,484	-	-	4,390
<b>Total liabilities</b>	<b>7,165</b>	<b>7</b>	<b>11</b>	<b>14,025</b>
Deferred Inflows of resources:				
Unavailable revenue	2,962	-	-	9,307
Fund balances:				
Restricted:				
Capital projects	83,021	7,989	14,557	164,890
Other programs	2,636	-	-	2,636
Assigned:				
Unrealized investment gains	51	-	-	51
Unassigned	-	-	-	(6,027)
<b>Total fund balances (deficit)</b>	<b>85,708</b>	<b>7,989</b>	<b>14,557</b>	<b>161,550</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 95,835</b>	<b>\$ 7,996</b>	<b>\$ 14,568</b>	<b>\$ 184,882</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, 2019  
 (in thousands)

	General Fund Capital Projects Fund	Transportation and Development Fund	Crocker Art Museum Expansion Fund	Capital Grants Fund
<b>Revenues:</b>				
Taxes	\$ -	\$ 3,688	\$ -	\$ -
Intergovernmental	-	31,389	-	13,223
Charges for services	-	1,893	-	-
Interest, rents, and concessions	159	1,254	18	80
Community service fees	-	-	-	-
Assessment levies	-	-	-	-
Contributions and donations	-	-	-	3,622
<b>Total revenues</b>	<b>159</b>	<b>38,224</b>	<b>18</b>	<b>16,925</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public works	-	9,776	-	109
Youth, parks, and community enrichment	-	-	-	-
Community development	-	-	-	-
Capital outlay	461	19,221	-	12,677
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>461</b>	<b>28,997</b>	<b>-</b>	<b>12,786</b>
Excess (deficiency) of revenues over (under) expenditures	(302)	9,227	18	4,139
<b>Other financing sources (uses):</b>				
Transfers in	-	50	-	-
Transfers out	-	-	-	(80)
Issuance of long-term debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>(80)</b>
Changes in fund balances	(302)	9,277	18	4,059
Fund balances (deficit), beginning of year	632	45,784	127	(6,299)
<b>Fund balances (deficit), end of year</b>	<b>\$ 330</b>	<b>\$ 55,061</b>	<b>\$ 145</b>	<b>\$ (2,240)</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, 2019  
(in thousands)

	Financing Plans Fund	Special Districts Fund	Economic Development Fund	Total Other Capital Projects Funds
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 3,688
Intergovernmental	-	-	397	45,009
Charges for services	111	-	-	2,004
Interest, rents, and concessions	2,374	213	395	4,493
Community service fees	29,313	-	-	29,313
Assessment levies	1,633	1,895	-	3,528
Contributions and donations	-	2,152	139	5,913
<b>Total revenues</b>	<b>33,431</b>	<b>4,260</b>	<b>931</b>	<b>93,948</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	630	12	386	1,028
Public works	53	-	-	9,938
Youth, parks, and community enrichment	162	-	-	162
Community development	4,418	-	-	4,418
Capital outlay	8,110	3,270	804	44,543
<b>Debt service:</b>				
Principal	4,161	-	-	4,161
Interest and fiscal charges	1,325	-	-	1,325
<b>Total expenditures</b>	<b>18,859</b>	<b>3,282</b>	<b>1,190</b>	<b>65,575</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>14,572</b>	<b>978</b>	<b>(259)</b>	<b>28,373</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	64	114
Transfers out	(1,332)	-	-	(1,412)
Issuance of long-term debt	1,325	-	-	1,325
<b>Total other financing sources (uses)</b>	<b>(7)</b>	<b>-</b>	<b>64</b>	<b>27</b>
<b>Changes in fund balances</b>	<b>14,565</b>	<b>978</b>	<b>(195)</b>	<b>28,400</b>
<b>Fund balances (deficit), beginning of year</b>	<b>71,143</b>	<b>7,011</b>	<b>14,752</b>	<b>133,150</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 85,708</b>	<b>\$ 7,989</b>	<b>\$ 14,557</b>	<b>\$ 161,550</b>

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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, 2019  
 (in thousands)

	Ann Land Fund	Bertha Henschel Fund	George Clark Scholarship Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ 1,105	\$ 3,315	\$ 1,394
Receivables, net:			
Interest	3	9	2
Total assets	<u>\$ 1,108</u>	<u>\$ 3,324</u>	<u>\$ 1,396</u>
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 272	\$ 278	\$ 25
Restricted:			
Other programs	836	3,046	1,371
Total fund balances	<u>\$ 1,108</u>	<u>\$ 3,324</u>	<u>\$ 1,396</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2019  
 (in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ 45	\$ 321	\$ 6,180
Receivables, net:			
Interest	-	-	14
Total assets	<u>\$ 45</u>	<u>\$ 321</u>	<u>\$ 6,194</u>
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ 3	\$ 300	\$ 878
Restricted:			
Other programs	42	21	5,316
Total fund balances	<u>\$ 45</u>	<u>\$ 321</u>	<u>\$ 6,194</u>

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**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Ann Land Fund	Bertha Henschel Fund	George Clark Scholarship Fund
Revenues:			
Interest, rents, and concessions	\$ 118	\$ 354	\$ 123
Expenditures:			
Current:			
General government	35	105	18
Changes in fund balances	83	249	105
Fund balances, beginning of year	1,025	3,075	1,291
Fund balances, end of year	<u>\$ 1,108</u>	<u>\$ 3,324</u>	<u>\$ 1,396</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
Revenues:			
Interest, rents, and concessions	\$ 1	\$ 7	\$ 603
Expenditures:			
Current:			
General government	-	-	158
Changes in fund balances	1	7	445
Fund balances, beginning of year	44	314	5,749
Fund balances, end of year	<u>\$ 45</u>	<u>\$ 321</u>	<u>\$ 6,194</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, 2019  
 (in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 25,112	\$ 3,374	\$ 28,486
Cash and investments held by fiscal agent	34	-	34
Receivables, net:			
Accounts	449	299	748
Interest	1	-	1
Prepaid items	36	-	36
Intangible asset, current portion	-	8	8
<b>Total current assets</b>	<b>25,632</b>	<b>3,681</b>	<b>29,313</b>
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	-	35	35
Cash and investments held by fiscal agent	1,790	-	1,790
Loans receivable	-	-	-
Intangible assets	-	128	128
Capital assets:			
Land	5,825	-	5,825
Buildings and improvements	61,391	1,546	62,937
Machinery and equipment	6,235	-	6,235
Construction in progress	4,402	-	4,402
Software	32	-	32
Less: accumulated depreciation/amortization	(39,641)	(1,180)	(40,821)
<b>Total noncurrent assets</b>	<b>40,034</b>	<b>529</b>	<b>40,563</b>
<b>Total assets</b>	<b>65,666</b>	<b>4,210</b>	<b>69,876</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	831	820	1,651
Deferred outflows related to OPEB	145	41	186
<b>Total deferred outflows of resources</b>	<b>976</b>	<b>861</b>	<b>1,837</b>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**  
 June 30, 2019  
 (in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,603	129	1,732
Accrued payroll	205	286	491
Accrued compensated absences	20	18	38
Interest payable	93	-	93
Deposits	515	-	515
Unearned revenue	347	264	611
Accrued claims and judgements	1	44	45
Capital leases payable	1,367	-	1,367
Revenue and other bonds payable, net	2,774	-	2,774
<b>Total current liabilities</b>	<b>6,925</b>	<b>741</b>	<b>7,666</b>
Noncurrent liabilities:			
Accrued compensated absences	311	259	570
Net OPEB liability	2,651	379	3,030
Capital leases payable	973	-	973
Revenue and other bonds payable, net	15,078	-	15,078
Net pension liability	5,143	4,736	9,879
<b>Total noncurrent liabilities</b>	<b>24,156</b>	<b>5,374</b>	<b>29,530</b>
<b>Total liabilities</b>	<b>31,081</b>	<b>6,115</b>	<b>37,196</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on debt refundings	243	-	243
Deferred inflows related to pensions	95	211	306
Deferred inflows related to OPEB	313	45	358
<b>Total deferred inflows of resources</b>	<b>651</b>	<b>256</b>	<b>907</b>
<b>NET POSITION</b>			
Net investment in capital assets	19,599	366	19,965
Unrestricted	15,311	(1,666)	13,645
<b>Total net position (deficit)</b>	<b>\$ 34,910</b>	<b>\$ (1,300)</b>	<b>\$ 33,610</b>

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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, 2019  
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 18,844	\$ 6,547	\$ 25,391
Rents and concessions	857	-	857
Miscellaneous	34	-	34
Total operating revenues	<u>19,735</u>	<u>6,547</u>	<u>26,282</u>
Operating expenses:			
Employee services	4,829	5,581	10,410
Services and supplies	7,191	1,100	8,291
Depreciation/amortization	1,595	85	1,680
Claims and judgements	1	-	1
Total operating expenses	<u>13,616</u>	<u>6,766</u>	<u>20,382</u>
Operating income (loss)	<u>6,119</u>	<u>(219)</u>	<u>5,900</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	1,005	54	1,059
Revenue from other agencies	4	603	607
Interest expense	(738)	-	(738)
Gain on disposition of capital assets	4	-	4
Total nonoperating revenues (expenses)	<u>275</u>	<u>657</u>	<u>932</u>
Income before transfers	6,394	438	6,832
Transfers in	5,303	4	5,307
Transfers out	(9,667)	-	(9,667)
Changes in net position	2,030	442	2,472
Total net position (deficit), beginning of year	<u>32,880</u>	<u>(1,742)</u>	<u>31,138</u>
Total net position (deficit), end of year	<u>\$ 34,910</u>	<u>\$ (1,300)</u>	<u>\$ 33,610</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 20,512	\$ 6,630	\$ 27,142
Payments to suppliers	(7,149)	(1,061)	(8,210)
Payments to employees	(4,321)	(5,256)	(9,577)
Claims and judgements paid	(1)	-	(1)
<b>Net cash provided by operating activities</b>	<b>9,041</b>	<b>313</b>	<b>9,354</b>
<b>Cash flows from noncapital financing activities:</b>			
Transfers in from other funds	5,303	4	5,307
Transfers out to other funds	(2,086)	-	(2,086)
Intergovernmental revenue received	4	602	606
<b>Net cash provided by noncapital financing activities</b>	<b>3,221</b>	<b>606</b>	<b>3,827</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(808)	-	(808)
Proceeds from sale of capital assets	4	-	4
Principal payments on capital debt	(3,857)	-	(3,857)
Interest payments on capital debt	(906)	-	(906)
Transfers out to other funds	(7,581)	-	(7,581)
<b>Net cash used for capital and related financing activities</b>	<b>(13,148)</b>	<b>-</b>	<b>(13,148)</b>
<b>Cash flows from investing activities:</b>			
Collection of interest and investment	1,142	54	1,196
<b>Net increase in cash and cash equivalents</b>	<b>256</b>	<b>973</b>	<b>1,229</b>
Cash and cash equivalents, beginning of year	26,680	2,436	29,116
Cash and cash equivalents, end of year	\$ 26,936	\$ 3,409	\$ 30,345
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>			
Cash and investments held by City	\$ 25,112	\$ 3,374	\$ 28,486
Cash and investments held by fiscal agent	34	-	34
Restricted cash and investments held by City	-	35	35
Restricted cash and investments held by fiscal agent	1,790	-	1,790
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 26,936</b>	<b>\$ 3,409</b>	<b>\$ 30,345</b>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 6,119	\$ (219)	\$ 5,900
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>			
Depreciation/amortization expense	1,595	77	1,672
Amortization of intangible assets	-	8	8
<b>Changes in assets, liabilities, and deferred outflows and inflows of resources:</b>			
Accounts receivable, net	321	(5)	316
Accounts payable	42	39	81
Accrued payroll	27	37	64
Accrued compensated absences	1	18	19
Accrued claims and judgements	-	(5)	(5)
Deposits	371	-	371
Unearned revenue	85	88	173
Net pension liability and related deferred outflows/inflows of resources	506	303	809
Net OPEB liability and related deferred outflows/inflows of resources	(26)	(28)	(54)
<b>Net cash provided by operating activities</b>	<b>\$ 9,041</b>	<b>\$ 313</b>	<b>\$ 9,354</b>
<b>Noncash investing, capital and financing activities:</b>			
Amortization of bond premium and discount	\$ 127	\$ -	\$ 127
Amortization of bond gain on refunding	24	-	24
Capital asset acquisitions on accounts payable	4	-	4

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**WATER FUND**

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ -	\$ 107,426	\$ -	\$ -
Cash and investments held by fiscal agent	-	1	-	314
Receivables, net:				
Accounts	16	19,763	-	-
Loans	99	-	-	-
Intergovernmental	-	-	2,056	-
Interest	5	629	-	-
Due from other funds	-	54,425	-	-
Inventories	-	678	-	-
Prepaid items	-	289	-	-
	<u>120</u>	<u>183,211</u>	<u>2,056</u>	<u>314</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	35,215	-	-	4,147
Cash and investments held by fiscal agent	-	426	-	7,009
Loans receivable	693	-	-	-
Capital assets:				
Land	584	1,170	-	-
Buildings and improvements	-	42,795	559	1,344
Machinery and equipment	-	16,234	637	153
Transmission and distribution systems	1,282	613,339	3,065	95,647
Construction in progress	20,030	30,752	1,962	176,030
Software	-	3,695	-	-
Easement	-	134	-	-
Less: accumulated depreciation/amortization	<u>(132)</u>	<u>(284,823)</u>	<u>(898)</u>	<u>(8,025)</u>
	<u>57,672</u>	<u>423,722</u>	<u>5,325</u>	<u>276,305</u>
Total noncurrent assets				
Total assets	<u>57,792</u>	<u>606,933</u>	<u>7,381</u>	<u>276,619</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	4,588	-	-
Deferred outflows related to pensions	-	8,182	-	-
Deferred outflows related to OPEB	-	814	-	-
	<u>-</u>	<u>13,584</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 107,426
Cash and investments held by fiscal agent	-	-	-	315
Receivables, net:				
Accounts	-	-	-	19,779
Loans	-	-	-	99
Intergovernmental	-	-	-	2,056
Interest	-	-	-	634
Due from other funds	-	-	(54,425)	-
Inventories	-	-	-	678
Prepaid items	-	-	-	289
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>(54,425)</b>	<b>131,276</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	590	-	-	39,952
Cash and investments held by fiscal agent	-	-	-	7,435
Loans receivable	-	-	-	693
Capital assets:				
Land	-	-	-	1,754
Buildings and improvements	-	-	-	44,698
Machinery and equipment	8,560	1,709	-	27,293
Transmission and distribution systems	52,515	25,960	-	791,808
Construction in progress	1,329	52,803	-	282,906
Software	-	-	-	3,695
Easement	-	-	-	134
Less: accumulated depreciation/amortization	(1,426)	(453)	-	(295,757)
<b>Total noncurrent assets</b>	<b>61,568</b>	<b>80,019</b>	<b>-</b>	<b>904,611</b>
<b>Total assets</b>	<b>61,568</b>	<b>80,019</b>	<b>(54,425)</b>	<b>1,035,887</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	-	-	4,588
Deferred outflows related to pensions	-	-	-	8,182
Deferred outflows related to OPEB	-	-	-	814
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,584</b>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	176	4,072	62	-
Due to other funds	-	-	1,932	-
Accrued payroll	-	1,842	-	-
Accrued compensated absences	-	240	-	-
Interest payable	-	537	-	3,255
Deposits	-	10	-	-
Unearned revenue	1,020	3,075	62	-
Accrued claims and judgements	-	102	-	-
Revenue and other bonds payable, net	-	7,432	-	5,471
Notes payable	-	459	-	-
<b>Total current liabilities</b>	<b>1,196</b>	<b>17,769</b>	<b>2,056</b>	<b>8,726</b>
Noncurrent liabilities:				
Accrued compensated absences	-	2,815	-	-
Water fee credits	-	214	-	-
Net OPEB liability	-	17,224	-	-
Revenue and other bonds payable, net	-	114,191	-	216,748
Notes payable	-	6,818	-	-
Net pension liability	-	39,050	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>180,312</b>	<b>-</b>	<b>216,748</b>
<b>Total liabilities</b>	<b>1,196</b>	<b>198,081</b>	<b>2,056</b>	<b>225,474</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on debt refunding	-	381	-	-
Deferred inflows related to pensions	-	1,101	-	-
Deferred inflows related to OPEB	-	2,034	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>3,516</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	21,764	301,104	5,325	56,074
Restricted for:				
Capital projects	34,832	-	-	-
Unrestricted	-	117,816	-	(4,929)
<b>Total net position</b>	<b>\$ 56,596</b>	<b>\$ 418,920</b>	<b>\$ 5,325</b>	<b>\$ 51,145</b>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	11,371	-	15,681
Due to other funds	-	52,493	(54,425)	-
Accrued payroll	-	-	-	1,842
Accrued compensated absences	-	-	-	240
Interest payable	857	-	-	4,649
Deposits	-	-	-	10
Unearned revenue	-	-	-	4,157
Accrued claims and judgements	-	-	-	102
Revenue and other bonds payable, net	1,154	-	-	14,057
Notes payable	-	-	-	459
<b>Total current liabilities</b>	<b>2,011</b>	<b>63,864</b>	<b>(54,425)</b>	<b>41,197</b>
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	2,815
Water fee credits	-	-	-	214
Net OPEB liability	-	-	-	17,224
Revenue and other bonds payable, net	60,206	-	-	391,145
Notes payable	-	17,704	-	24,522
Net pension liability	-	-	-	39,050
<b>Total noncurrent liabilities</b>	<b>60,206</b>	<b>17,704</b>	<b>-</b>	<b>474,970</b>
<b>Total liabilities</b>	<b>62,217</b>	<b>81,568</b>	<b>(54,425)</b>	<b>516,167</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on debt refunding	-	-	-	381
Deferred inflows related to pensions	-	-	-	1,101
Deferred inflows related to OPEB	-	-	-	2,034
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,516</b>
<b>NET POSITION</b>				
Net investment in capital assets	208	62,315	-	446,790
Restricted for:				
Capital projects	-	-	-	34,832
Unrestricted	(857)	(63,864)	-	48,166
<b>Total net position</b>	<b>\$ (649)</b>	<b>\$ (1,549)</b>	<b>\$ -</b>	<b>\$ 529,788</b>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ 127,816	\$ 52	\$ -
Operating expenses:				
Employee services	-	42,154	-	-
Services and supplies	-	19,023	203	-
Depreciation/amortization	19	17,424	192	2,757
<b>Total operating expenses</b>	<b>19</b>	<b>78,601</b>	<b>395</b>	<b>2,757</b>
<b>Operating income (loss)</b>	<b>(19)</b>	<b>49,215</b>	<b>(343)</b>	<b>(2,757)</b>
Nonoperating revenues (expenses):				
Interest and investment revenue	751	6,130	-	405
Revenue from other agencies	-	238	1,890	-
Interest expense	-	(4,878)	-	(8,688)
Amortization of bond prepaid insurance	-	(23)	-	-
Gain on disposition of capital assets	-	1,743	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>751</b>	<b>3,210</b>	<b>1,890</b>	<b>(8,283)</b>
Income (loss) before capital contributions, transfers, and special item				
	732	52,425	1,547	(11,040)
Capital contributions				
Transfers in	5,141	4,513	-	-
Transfers out	-	93	-	14,013
Special item	-	(31,630)	-	-
	-	2,553	-	-
<b>Changes in net position</b>	<b>5,873</b>	<b>27,954</b>	<b>1,547</b>	<b>2,973</b>
<b>Total net position (deficit), beginning of year</b>	<b>50,723</b>	<b>390,966</b>	<b>3,778</b>	<b>48,172</b>
<b>Total net position (deficit), end of year</b>	<b>\$ 56,596</b>	<b>\$ 418,920</b>	<b>\$ 5,325</b>	<b>\$ 51,145</b>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ -	\$ -	\$ 127,868
Operating expenses:				
Employee services	-	7	-	42,161
Services and supplies	9	(37)	-	19,198
Depreciation/amortization	848	429	-	21,669
Total operating expenses	857	399	-	83,028
Operating income (loss)	(857)	(399)	-	44,840
Nonoperating revenues (expenses):				
Interest and investment revenue	56	(772)	-	6,570
Revenue from other agencies	-	-	-	2,128
Interest expense	(2,249)	(163)	-	(15,978)
Amortization of bond prepaid insurance	-	-	-	(23)
Gain on disposition of capital assets	-	-	-	1,743
Total nonoperating revenues (expenses)	(2,193)	(935)	-	(5,560)
Income (loss) before capital contributions, transfers, and special item	(3,050)	(1,334)	-	39,280
Capital contributions	-	-	-	9,654
Transfers in	3,375	-	(17,388)	93
Transfers out	-	-	17,388	(14,242)
Special item	-	-	-	2,553
Changes in net position	325	(1,334)	-	37,338
Total net position (deficit), beginning of year	(974)	(215)	-	492,450
Total net position (deficit), end of year	\$ (649)	\$ (1,549)	\$ -	\$ 529,788

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ 129,597	\$ 52	\$ -
Payments to suppliers	68	(18,923)	(246)	-
Payments to employees	-	(37,188)	-	-
Claims and judgements paid	-	(17)	-	-
Net cash provided by (used for) operating activities	68	73,469	(194)	-
Cash flows from noncapital financing activities:				
Interfund cashflow loans	-	(54,425)	1,932	-
Transfers in from other funds	-	93	-	-
Transfers out to other funds	-	(13,694)	-	-
Interfund loan repayments	-	19,244	(464)	-
Intergovernmental revenue received	-	238	569	-
Net cash provided by (used for) noncapital financing activities	-	(48,544)	2,037	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,116)	(12,402)	(1,843)	-
Proceeds from sale of capital assets	-	1,743	-	-
Proceeds from issuance of debt	-	-	-	-
Principal payments on capital debt	-	(6,323)	-	(4,150)
Interest payments on capital debt	-	(6,044)	-	(9,864)
Transfers in from other funds	-	-	-	14,013
Transfers out to other funds	-	(17,936)	-	-
Capital contributions received	4,953	-	-	-
Loan repayments received	99	-	-	-
Net cash provided by (used for) capital and related financing activities	936	(40,962)	(1,843)	(1)
Cash flows from investing activities:				
Collection of interest and investment	751	6,428	-	405
Net increase (decrease) in cash and cash equivalents	1,755	(9,609)	-	404
Cash and cash equivalents, beginning of year	33,460	117,462	-	11,066
Cash and cash equivalents, end of year	\$ 35,215	\$ 107,853	\$ -	\$ 11,470
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ -	\$ 107,426	\$ -	\$ -
Cash and investments held by fiscal agent	-	1	-	314
Restricted cash and investments held by City	35,215	-	-	4,147
Restricted cash and investments held by fiscal agent	-	426	-	7,009
Total cash and cash equivalents, end of year	\$ 35,215	\$ 107,853	\$ -	\$ 11,470

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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 129,649
Payments to suppliers	(9)	37	-	(19,073)
Payments to employees	-	(7)	-	(37,195)
Claims and judgements paid	-	-	-	(17)
<b>Net cash provided by (used for) operating activities</b>	<b>(9)</b>	<b>30</b>	<b>-</b>	<b>73,364</b>
<b>Cash flows from noncapital financing activities:</b>				
Interfund cashflow loans	-	52,493	-	-
Transfers in from other funds	-	-	-	93
Transfers out to other funds	-	-	-	(13,694)
Interfund loan repayments	-	(7,705)	-	11,075
Intergovernmental revenue received	-	-	-	807
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>-</b>	<b>44,788</b>	<b>-</b>	<b>(1,719)</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(12,193)	(57,744)	-	(88,298)
Proceeds from sale of capital assets	-	-	-	1,743
Proceeds from issuance of debt	-	13,861	-	13,861
Principal payments on capital debt	(785)	-	-	(11,258)
Interest payments on capital debt	(2,591)	(163)	-	(18,662)
Transfers in from other funds	3,375	-	(17,388)	-
Transfers out to other funds	-	-	17,388	(548)
Capital contributions received	-	-	-	4,953
Loan repayments received	-	-	-	99
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(12,194)</b>	<b>(44,046)</b>	<b>-</b>	<b>(98,110)</b>
<b>Cash flows from investing activities:</b>				
Collection of interest and investment	56	(772)	-	6,868
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,147)</b>	<b>-</b>	<b>-</b>	<b>(19,597)</b>
Cash and cash equivalents, beginning of year	12,737	-	-	174,725
<b>Cash and cash equivalents, end of year</b>	<b>\$ 590</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,128</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 107,426
Cash and investments held by fiscal agent	-	-	-	315
Restricted cash and investments held by City	590	-	-	39,952
Restricted cash and investments held by fiscal agent	-	-	-	7,435
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 590</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,128</b>

(continued)

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (19)	\$ 49,215	\$ (343)	\$ (2,757)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation/amortization expense	19	17,424	192	2,757
Special item - sale of water	-	2,553	-	-
<b>Changes in assets, liabilities, and deferred outflows and inflows of resources:</b>				
Accounts receivable, net	-	(1,301)	-	-
Inventories	-	194	-	-
Prepaid items	-	(7)	-	-
Accounts payable	68	(87)	(43)	-
Accrued payroll	-	264	-	-
Accrued compensated absences	-	889	-	-
Accrued claims and judgements	-	(40)	-	-
Deposits	-	(5)	-	-
Unearned revenue	-	534	-	-
Net pension liability and related deferred outflows/inflows of resources	-	3,877	-	-
Net OPEB liability and related deferred outflows/inflows of resources	-	(41)	-	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 68</b>	<b>\$ 73,469</b>	<b>\$ (194)</b>	<b>\$ -</b>
<b>Noncash investing, capital and financing activities:</b>				
Contributions of capital assets	\$ -	\$ 4,392	\$ -	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	121	-	-
Amortization of bond premium and discount	-	1,277	-	1,111
Amortization of bond loss on refunding	-	(328)	-	-
Amortization of bond gain on refunding	-	190	-	-
Amortization of bond prepaid insurance	-	(23)	-	-
Capital asset acquisitions on accounts payable	105	1,368	56	-

(continued)

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	2017 Water Revenue Bonds Fund	Drinking Water SRF Loan Fund	Eliminations	Total Water Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (857)	\$ (399)	\$ -	\$ 44,840
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	848	429	-	21,669
Special item - sale of water	-	-	-	2,553
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	-	-	-	(1,301)
Inventories	-	-	-	194
Prepaid items	-	-	-	(7)
Accounts payable	-	-	-	(62)
Accrued payroll	-	-	-	254
Accrued compensated absences	-	-	-	889
Accrued claims and judgements	-	-	-	(40)
Deposits	-	-	-	(5)
Unearned revenue	-	-	-	534
Net pension liability and related deferred outflows/inflows of resources	-	-	-	3,877
Net OPEB liability and related deferred outflows/inflows of resources	-	-	-	(41)
Net cash provided by (used for) operating activities	<u>\$ (9)</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 73,364</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 4,392
Transfer of capital assets from governmental funds, net of depreciation	-	-	-	121
Amortization of bond premium and discount	328	-	-	2,716
Amortization of bond loss on refunding	-	-	-	(328)
Amortization of bond gain on refunding	-	-	-	190
Amortization of bond prepaid insurance	-	-	-	(23)
Capital asset acquisitions on accounts payable	-	11,371	-	12,900

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**WASTEWATER FUND**

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**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ -	\$ 52,732	\$ -
Receivables, net:			
Accounts	276	12,103	-
Loans	-	139	-
Intergovernmental	-	-	374
Interest	-	338	-
Due from other funds	-	374	-
Inventories	-	45	-
Prepaid items	-	3	-
<b>Total current assets</b>	<b>276</b>	<b>65,734</b>	<b>374</b>
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	5,446	821	-
Cash and investments held by fiscal agent	-	-	-
Loans receivable	-	142	-
Capital assets:			
Land	-	1,138	-
Buildings and improvements	-	16,115	-
Machinery and equipment	-	4,846	-
Transmission and distribution systems	1,013	160,221	6,679
Construction in progress	1,241	4,616	-
Software	-	801	-
Less: accumulated depreciation/amortization	(53)	(82,168)	(98)
<b>Total noncurrent assets</b>	<b>7,647</b>	<b>106,532</b>	<b>6,581</b>
<b>Total assets</b>	<b>7,923</b>	<b>172,266</b>	<b>6,955</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	-	1,709	-
Deferred outflows related to OPEB	-	243	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>1,952</b>	<b>-</b>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	2013 Wastewater Revenue Bonds Fund	2019 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 52,732
Receivables, net:				
Accounts	-	-	-	12,379
Loans	-	-	-	139
Intergovernmental	-	-	-	374
Interest	-	-	-	338
Due from other funds	-	-	(374)	-
Inventories	-	-	-	45
Prepaid items	-	-	-	3
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>(374)</b>	<b>66,010</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	471	18,935	-	25,673
Cash and investments held by fiscal agent	1,020	-	-	1,020
Loans receivable	-	-	-	142
Capital assets:				
Land	-	-	-	1,138
Buildings and improvements	12,041	3,068	-	31,224
Machinery and equipment	301	-	-	5,147
Transmission and distribution systems	20,712	7,253	-	195,678
Construction in progress	330	212	-	6,369
Software	97	2,746	-	3,644
Less: accumulated depreciation/amortization	(1,787)	(242)	-	(84,348)
<b>Total noncurrent assets</b>	<b>33,185</b>	<b>31,972</b>	<b>-</b>	<b>185,917</b>
<b>Total assets</b>	<b>33,185</b>	<b>31,972</b>	<b>(374)</b>	<b>251,927</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	-	-	-	1,709
Deferred outflows related to OPEB	-	-	-	243
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,952</b>

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**City of Sacramento  
Wastewater Fund  
Combining Schedule of Net Position**  
June 30, 2019  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	143	13,856	-
Due to other funds	-	-	374
Accrued payroll	-	397	-
Accrued compensated absences	-	48	-
Interest payable	-	16	-
Accrued claims and judgements	-	80	-
Revenue and other bonds payable, net	-	-	-
Notes payable	-	783	-
Total current liabilities	143	15,180	374
Noncurrent liabilities:			
Accrued compensated absences	-	673	-
Net OPEB liability	-	6,122	-
Revenue and other bonds payable, net	-	-	-
Notes payable	-	716	-
Net pension liability	-	13,106	-
Total noncurrent liabilities	-	20,617	-
Total liabilities	143	35,797	374
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	-	251	-
Deferred inflows related to OPEB	-	723	-
Total deferred inflows of resources	-	974	-
<b>NET POSITION</b>			
Net investment in capital assets	2,201	104,070	6,581
Restricted for:			
Capital projects	5,579	-	-
Unrestricted	-	33,377	-
Total net position (deficit)	\$ 7,780	\$ 137,447	\$ 6,581

(continued)

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Net Position**  
June 30, 2019  
(in thousands)

	2013 Wastewater Revenue Bonds Fund	2019 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	330	-	14,329
Due to other funds	-	-	(374)	-
Accrued payroll	-	-	-	397
Accrued compensated absences	-	-	-	48
Interest payable	438	338	-	792
Accrued claims and judgements	-	-	-	80
Revenue and other bonds payable, net	717	296	-	1,013
Notes payable	-	-	-	783
Total current liabilities	1,155	964	(374)	17,442
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	673
Net OPEB liability	-	-	-	6,122
Revenue and other bonds payable, net	29,100	31,635	-	60,735
Notes payable	-	-	-	716
Net pension liability	-	-	-	13,106
Total noncurrent liabilities	29,100	31,635	-	81,352
Total liabilities	30,255	32,599	(374)	98,794
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	-	-	-	251
Deferred inflows related to OPEB	-	-	-	723
Total deferred inflows of resources	-	-	-	974
<b>NET POSITION</b>				
Net investment in capital assets	3,972	41	-	116,865
Restricted for:				
Capital projects	-	-	-	5,579
Unrestricted	(1,042)	(668)	-	31,667
Total net position (deficit)	\$ 2,930	\$ (627)	\$ -	\$ 154,111

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Revenues,  
Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>Operating revenues:</b>			
<b>Charges for services:</b>			
User fees and charges	\$ -	\$ 41,185	\$ -
Charge to other agencies for contract services	-	1,090	-
<b>Total operating revenues</b>	<b>-</b>	<b>42,275</b>	<b>-</b>
<b>Operating expenses:</b>			
Employee services	-	10,942	-
Services and supplies	-	15,753	-
Depreciation/amortization	10	3,275	53
Claims and judgements	-	22	-
<b>Total operating expenses</b>	<b>10</b>	<b>29,992</b>	<b>53</b>
<b>Operating income (loss)</b>	<b>(10)</b>	<b>12,283</b>	<b>(53)</b>
<b>Nonoperating revenues (expenses):</b>			
Interest and investment revenue	118	1,814	-
Interest expense	-	(44)	-
<b>Total nonoperating revenues (expenses)</b>	<b>118</b>	<b>1,770</b>	<b>-</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>108</b>	<b>14,053</b>	<b>(53)</b>
Capital contributions	393	851	611
Transfers in	-	164	-
Transfers out	-	(6,764)	-
<b>Changes in net position</b>	<b>501</b>	<b>8,304</b>	<b>558</b>
<b>Total net position, beginning of year</b>	<b>7,279</b>	<b>129,143</b>	<b>6,023</b>
<b>Total net position (deficit), end of year</b>	<b>\$ 7,780</b>	<b>\$ 137,447</b>	<b>\$ 6,581</b>

**City of Sacramento  
Wastewater Fund  
Combining Schedule of Revenues,  
Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	2013 Wastewater Revenue Bonds Fund	2019 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>Operating revenues:</b>				
<b>Charges for services:</b>				
User fees and charges	\$ -	\$ -	\$ -	\$ 41,185
Charge to other agencies for contract services	-	-	-	1,090
<b>Total operating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,275</b>
<b>Operating expenses:</b>				
Employee services	-	51	-	10,993
Services and supplies	18	585	-	16,356
Depreciation/amortization	537	242	-	4,117
Claims and judgements	-	-	-	22
<b>Total operating expenses</b>	<b>555</b>	<b>878</b>	<b>-</b>	<b>31,488</b>
<b>Operating income (loss)</b>	<b>(555)</b>	<b>(878)</b>	<b>-</b>	<b>10,787</b>
<b>Nonoperating revenues (expenses):</b>				
Interest and investment revenue	52	103	-	2,087
Interest expense	(1,262)	(265)	-	(1,571)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,210)</b>	<b>(162)</b>	<b>-</b>	<b>516</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(1,765)</b>	<b>(1,040)</b>	<b>-</b>	<b>11,303</b>
Capital contributions	-	-	-	1,855
Transfers in	1,954	413	(2,367)	164
Transfers out	-	-	2,367	(4,397)
<b>Changes in net position</b>	<b>189</b>	<b>(627)</b>	<b>-</b>	<b>8,925</b>
<b>Total net position, beginning of year</b>	<b>2,741</b>	<b>-</b>	<b>-</b>	<b>145,186</b>
<b>Total net position (deficit), end of year</b>	<b>\$ 2,930</b>	<b>\$ (627)</b>	<b>\$ -</b>	<b>\$ 154,111</b>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ -	\$ 41,087	\$ -
Payments to suppliers	-	(16,070)	-
Payments to employees	-	(9,867)	-
Claims and judgements paid	-	(34)	-
<b>Net cash provided by (used for) operating activities</b>	<b>-</b>	<b>15,696</b>	<b>-</b>
<b>Cash flows from noncapital financing activities:</b>			
Interfund cashflow loans	-	(374)	374
Transfers in from other funds	-	164	-
Transfers out to other funds	-	(4,331)	-
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>-</b>	<b>(4,541)</b>	<b>374</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(317)	2,997	(1,194)
Proceeds from issuance of debt	-	-	-
Principal payments on capital debt	-	(767)	-
Interest payments on capital debt	-	(52)	-
Transfers in from other funds	-	-	-
Transfers out to other funds	-	(2,433)	-
Capital contributions received	436	-	1,401
Loan repayments received	-	136	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>119</b>	<b>(119)</b>	<b>207</b>
<b>Cash flows from investing activities:</b>			
Collection of interest and investment	118	1,731	-
<b>Net increase in cash and cash equivalents</b>	<b>237</b>	<b>12,767</b>	<b>581</b>
Cash and cash equivalents, beginning of year	5,209	40,786	(581)
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,446</b>	<b>\$ 53,553</b>	<b>\$ -</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>			
Cash and investments held by City	\$ -	\$ 52,732	\$ -
Restricted cash and investments held by City	5,446	821	-
Restricted cash and investments held by fiscal agent	-	-	-
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 5,446</b>	<b>\$ 53,553</b>	<b>\$ -</b>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	2013 Wastewater Revenue Bonds Fund	2019 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 41,087
Payments to suppliers	(18)	(585)	-	(16,673)
Payments to employees	-	(51)	-	(9,918)
Claims and judgements paid	-	-	-	(34)
<b>Net cash provided by (used for) operating activities</b>	<b>(18)</b>	<b>(636)</b>	<b>-</b>	<b>15,042</b>
<b>Cash flows from noncapital financing activities:</b>				
Interfund cashflow loans	-	-	-	-
Transfers in from other funds	-	-	-	164
Transfers out to other funds	-	-	-	(4,331)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,167)</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	18	(12,950)	-	(11,446)
Proceeds from issuance of debt	-	32,005	-	32,005
Principal payments on capital debt	(630)	-	-	(1,397)
Interest payments on capital debt	(1,327)	-	-	(1,379)
Transfers in from other funds	1,954	413	(2,367)	-
Transfers out to other funds	-	-	2,367	(66)
Capital contributions received	-	-	-	1,837
Loan repayments received	-	-	-	136
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>15</b>	<b>19,468</b>	<b>-</b>	<b>19,890</b>
<b>Cash flows from investing activities:</b>				
Collection of interest and investment	52	103	-	2,004
<b>Net increase in cash and cash equivalents</b>	<b>49</b>	<b>18,935</b>	<b>-</b>	<b>32,569</b>
Cash and cash equivalents, beginning of year	1,442	-	-	46,856
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,491</b>	<b>\$ 18,935</b>	<b>\$ -</b>	<b>\$ 79,425</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 52,732
Restricted cash and investments held by City	471	18,935	-	25,673
Restricted cash and investments held by fiscal agent	1,020	-	-	1,020
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 1,491</b>	<b>\$ 18,935</b>	<b>\$ -</b>	<b>\$ 79,425</b>

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**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (10)	\$ 12,283	\$ (53)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	10	3,275	53
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	-	(608)	-
Prepaid items	-	(2)	-
Accounts payable	-	(315)	-
Accrued payroll	-	(56)	-
Accrued compensated absences	-	104	-
Accrued claims and judgements	-	(12)	-
Net pension liability and related deferred outflows/inflows of resources	-	996	-
Net OPEB liability and related deferred outflows/inflows of resources	-	31	-
Net cash provided by (used for) operating activities	\$ -	\$ 15,696	\$ -
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ 602	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	249	-
Amortization of bond premium and discount	-	-	-
Capital asset acquisitions on accounts payable	-	1,314	-

(continued)

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	2013 Wastewater Revenue Bonds Fund	2019 Wastewater Revenue Bonds Fund	Eliminations	Total Wastewater Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (555)	\$ (878)	\$ -	\$ 10,787
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	537	242	-	4,117
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	-	-	-	(608)
Prepaid items	-	-	-	(2)
Accounts payable	-	-	-	(315)
Accrued payroll	-	-	-	(56)
Accrued compensated absences	-	-	-	104
Accrued claims and judgements	-	-	-	(12)
Net pension liability and related deferred outflows/inflows of resources	-	-	-	996
Net OPEB liability and related deferred outflows/inflows of resources	-	-	-	31
Net cash provided by (used for) operating activities	\$ (18)	\$ (636)	\$ -	\$ 15,042
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 602
Transfer of capital assets from governmental funds, net of depreciation	-	-	-	249
Amortization of bond premium and discount	57	73	-	130
Capital asset acquisitions on accounts payable	-	330	-	1,644



**COMMUNITY CENTER**

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**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	Total Community Center Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 41,291	\$ -	\$ -	\$ 41,291
Cash and investments held by fiscal agent	147	-	-	147
Receivables, net:				
Taxes	3,645	-	-	3,645
Accounts	327	-	-	327
Interest	1,306	-	-	1,306
Prepaid items	3	-	-	3
Total current assets	46,719	-	-	46,719
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	-	244,290	20,304	264,594
Cash and investments held by fiscal agent	9,862	2,211	126	12,199
Capital assets:				
Land	21,740	-	-	21,740
Buildings and improvements	113,040	-	-	113,040
Machinery and equipment	4,913	-	-	4,913
Construction in progress	15,729	53,267	-	68,996
Software	46	-	-	46
Less: accumulated depreciation/amortization	(67,913)	-	-	(67,913)
Total noncurrent assets	97,417	299,768	20,430	417,615
Total assets	144,136	299,768	20,430	464,334
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,371	-	-	1,371
Deferred outflows related to OPEB	168	-	-	168
Total deferred outflows of resources	1,539	-	-	1,539

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**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Net Position**  
 June 30, 2019  
 (in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	Total Community Center Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,571	7,916	2	10,489
Accrued payroll	263	-	-	263
Accrued compensated absences	44	-	-	44
Due to other funds	250	-	-	250
Interest payable	135	1,095	63	1,293
Unearned revenue	472	-	-	472
Accrued claims and judgements	9	-	-	9
Revenue and other bonds payable, net	7,271	1,100	-	8,371
Total current liabilities	11,015	10,111	65	21,191
Noncurrent liabilities:				
Accrued compensated absences	372	-	-	372
Advances from other funds	5,330	-	-	5,330
Net OPEB liability	1,836	-	-	1,836
Revenue and other bonds payable, net	7,686	293,425	20,610	321,721
Net pension liability	7,932	-	-	7,932
Total noncurrent liabilities	23,156	293,425	20,610	337,191
Total liabilities	34,171	303,536	20,675	358,382
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	185	-	-	185
Deferred inflows related to OPEB	217	-	-	217
Total deferred inflows of resources	402	-	-	402
<b>NET POSITION</b>				
Net investment in capital assets	83,441	-	-	83,441
Unrestricted	27,661	(3,768)	(245)	23,648
Total net position (deficit)	\$ 111,102	\$ (3,768)	\$ (245)	\$ 107,089

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**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	Eliminations	Total Community Center Fund
<b>Operating revenues:</b>					
<b>Charges for services:</b>					
User fees and charges	\$ 2,856	\$ -	\$ -	\$ -	\$ 2,856
Rents and concessions	5,827	-	-	-	5,827
Miscellaneous	43	-	-	-	43
Total operating revenues	8,726	-	-	-	8,726
<b>Operating expenses:</b>					
Employee services	6,281	-	-	-	6,281
Services and supplies	6,621	2,280	171	-	9,072
Depreciation/amortization	1,936	-	-	-	1,936
Claims and judgements	1	-	-	-	1
Total operating expenses	14,839	2,280	171	-	17,290
Operating loss	(6,113)	(2,280)	(171)	-	(8,564)
<b>Nonoperating revenues (expenses):</b>					
Interest and investment revenue	2,068	4,399	304	-	6,771
Transient occupancy taxes	29,477	-	-	-	29,477
Interest expense	(1,242)	(8,022)	(504)	-	(9,768)
Total nonoperating revenues (expenses)	30,303	(3,623)	(200)	-	26,480
Income (loss) before transfers	24,190	(5,903)	(371)	-	17,916
Transfers in	-	2,135	126	(2,261)	-
Transfers out	(4,690)	-	-	2,261	(2,429)
Changes in net position	19,500	(3,768)	(245)	-	15,487
Total net position, beginning of year	91,602	-	-	-	91,602
Total net position (deficit), end of year	\$ 111,102	\$ (3,768)	\$ (245)	\$ -	\$ 107,089

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	Eliminations	Total Community Center Fund
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 7,655	\$ -	\$ -	\$ -	\$ 7,655
Payments to suppliers	(6,562)	(2,280)	(169)	-	(9,011)
Payments to employees	(5,862)	-	-	-	(5,862)
Claims and judgements paid	(6)	-	-	-	(6)
Net cash used for operating activities	(4,595)	(2,280)	(169)	-	(7,044)
<b>Cash flows from noncapital financing activities:</b>					
Transient occupancy taxes	29,638	-	-	-	29,638
Transfers out to other funds	(2,429)	-	-	-	(2,429)
Interfund loan repayments	(19,084)	-	-	-	(19,084)
Net cash provided by noncapital financing activities	8,125	-	-	-	8,125
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	5,781	(45,351)	-	-	(39,570)
Proceeds from issuance of debt	-	295,260	20,610	-	315,870
Principal payments on capital debt	(6,926)	-	-	-	(6,926)
Interest payments on capital debt	(997)	(7,662)	(441)	-	(9,100)
Transfers in from other funds	-	2,135	126	(2,261)	-
Transfers out to other funds	(2,261)	-	-	2,261	-
Net cash provided by (used for) capital and related financing activities	(4,403)	244,382	20,295	-	260,274
<b>Cash flows from investing activities:</b>					
Collection of interest and investment	998	4,399	304	-	5,701
Loan repayments received	43	-	-	-	43
Net cash provided by investing activities	1,041	4,399	304	-	5,744
Net increase in cash and cash equivalents	168	246,501	20,430	-	267,099
Cash and cash equivalents, beginning of year	51,132	-	-	-	51,132
Cash and cash equivalents, end of year	\$ 51,300	\$ 246,501	\$ 20,430	\$ -	\$ 318,231
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>					
Cash and investments held by City	\$ 41,291	\$ -	\$ -	\$ -	\$ 41,291
Cash and investments held by fiscal agent	147	-	-	-	147
Restricted cash and investments held by City	-	244,290	20,304	-	264,594
Restricted cash and investments held by fiscal agent	9,862	2,211	126	-	12,199
Total cash and cash equivalents, end of year	\$ 51,300	\$ 246,501	\$ 20,430	\$ -	\$ 318,231

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	Eliminations	Total Community Center Fund
Reconciliation of operating loss to net cash used for operating activities:					
Operating loss	\$ (6,113)	\$ (2,280)	\$ (171)	\$ -	\$ (8,564)
Adjustments to reconcile operating loss to net cash used for operating activities:					
Depreciation/amortization expense	1,936	-	-	-	1,936
Changes in assets, liabilities, and deferred outflows and inflows of resources:					
Accounts receivable, net	(69)	-	-	-	(69)
Prepaid items	3	-	-	-	3
Accounts payable	36	-	2	-	38
Accrued payroll	(4)	-	-	-	(4)
Accrued compensated absences	(34)	-	-	-	(34)
Accrued claims and judgements	(5)	-	-	-	(5)
Unearned revenue	(1,002)	-	-	-	(1,002)
Net pension liability and related deferred outflows/inflows of resources	742	-	-	-	742
Net OPEB liability and related deferred outflows/inflows of resources	(85)	-	-	-	(85)
Net cash used for operating activities	<u>\$ (4,595)</u>	<u>\$ (2,280)</u>	<u>\$ (169)</u>	<u>\$ -</u>	<u>\$ (7,044)</u>
Noncash investing, capital and financing activities:					
Amortization of bond premium and discount	\$ (25)	\$ 733	\$ -	\$ -	\$ 708
Capital asset acquisitions on accounts payable	(1,046)	(7,916)	-	-	(8,962)

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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.

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
 June 30, 2019  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 16,961	\$ 99,777	\$ 116,738
Cash and investments held by fiscal agent	-	219	219
Receivables, net:			
Accounts	48	128	176
Interest	-	411	411
Due from other funds	-	1,481	1,481
Prepaid items	4,199	-	4,199
<b>Total current assets</b>	<b>21,208</b>	<b>102,016</b>	<b>123,224</b>
Noncurrent assets:			
Advances to other funds	-	12,022	12,022
Capital assets:			
Buildings and improvements	7,159	-	7,159
Machinery and equipment	543	-	543
Vehicles	168,903	-	168,903
Software	256	-	256
Construction in progress	307	-	307
Less: accumulated depreciation/amortization	(100,930)	-	(100,930)
<b>Total noncurrent assets</b>	<b>76,238</b>	<b>12,022</b>	<b>88,260</b>
<b>Total assets</b>	<b>97,446</b>	<b>114,038</b>	<b>211,484</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,219	870	2,089
Deferred outflows related to OPEB	244	64	308
<b>Total deferred outflows of resources</b>	<b>1,463</b>	<b>934</b>	<b>2,397</b>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
 June 30, 2019  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,590	492	3,082
Accrued payroll	350	268	618
Accrued compensated absences	47	32	79
Interest payable	3	-	3
Unearned revenue	-	315	315
Accrued claims and judgements	20	19,779	19,799
Capital leases payable	15	-	15
Revenue and other bonds payable, net	384	-	384
<b>Total current liabilities</b>	<b>3,409</b>	<b>20,886</b>	<b>24,295</b>
Noncurrent liabilities:			
Accrued compensated absences	562	379	941
Accrued claims and judgements	-	65,714	65,714
Net OPEB liability	6,390	1,047	7,427
Revenue and other bonds payable, net	421	-	421
Net pension liability	8,761	5,144	13,905
<b>Total noncurrent liabilities</b>	<b>16,124</b>	<b>72,284</b>	<b>88,408</b>
<b>Total liabilities</b>	<b>19,533</b>	<b>93,170</b>	<b>112,703</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	138	69	207
Deferred inflows related to OPEB	752	123	875
<b>Total deferred inflows of resources</b>	<b>890</b>	<b>192</b>	<b>1,082</b>
<b>NET POSITION</b>			
Net investment in capital assets	75,418	-	75,418
Unrestricted	3,068	21,610	24,678
<b>Total net position</b>	<b>\$ 78,486</b>	<b>\$ 21,610</b>	<b>\$ 100,096</b>

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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, 2019  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 49,482	\$ 36,104	\$ 85,586
Miscellaneous	8	-	8
Total operating revenues	<u>49,490</u>	<u>36,104</u>	<u>85,594</u>
Operating expenses:			
Employee services	8,417	4,869	13,286
Services and supplies	22,217	7,403	29,620
Depreciation/amortization	11,923	-	11,923
Insurance premiums	-	5,835	5,835
Claims and judgements	-	20,255	20,255
Total operating expenses	<u>42,557</u>	<u>38,362</u>	<u>80,919</u>
Operating income (loss)	<u>6,933</u>	<u>(2,258)</u>	<u>4,675</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	312	4,006	4,318
Revenue from other agencies	-	18	18
Insurance and other claim recoveries	-	360	360
Interest expense	(10)	-	(10)
Gain (loss) on disposition of capital assets	(480)	-	(480)
Total nonoperating revenues (expenses)	<u>(178)</u>	<u>4,384</u>	<u>4,206</u>
Income (loss) before transfers	6,755	2,126	8,881
Transfers in	412	-	412
Transfers out	(709)	-	(709)
Changes in net position	6,458	2,126	8,584
Total net position, beginning of year	<u>72,028</u>	<u>19,484</u>	<u>91,512</u>
Total net position, end of year	<u>\$ 78,486</u>	<u>\$ 21,610</u>	<u>\$ 100,096</u>



**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>Cash flows from operating activities:</b>			
Receipts from interfund services provided	\$ 49,485	\$ 104,832	\$ 154,317
Payments to suppliers	(21,159)	(83,328)	(104,487)
Payments to employees	(7,509)	(4,405)	(11,914)
Claims and judgements paid	(9)	(13,507)	(13,516)
<b>Net cash provided by operating activities</b>	<b>20,808</b>	<b>3,592</b>	<b>24,400</b>
<b>Cash flows from noncapital financing activities:</b>			
Transfers out to other funds	(643)	-	(643)
Collections on interfund loans	-	575	575
Loans made to other funds	-	(1,231)	(1,231)
Intergovernmental revenue received	-	18	18
Claim and judgement recoveries	-	933	933
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(643)</b>	<b>295</b>	<b>(348)</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(25,422)	-	(25,422)
Proceeds from sale of capital assets	667	-	667
Principal payments on capital debt	(392)	-	(392)
Interest payments on capital debt	(51)	-	(51)
Transfers in from other funds	346	-	346
<b>Net cash used for capital and related financing activities</b>	<b>(24,852)</b>	<b>-</b>	<b>(24,852)</b>
<b>Cash flows from investing activities:</b>			
Collection of interest and investment	312	4,060	4,372
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,375)</b>	<b>7,947</b>	<b>3,572</b>
Cash and cash equivalents, beginning of year	21,336	92,049	113,385
<b>Cash and cash equivalents, end of year</b>	<b>\$ 16,961</b>	<b>\$ 99,996</b>	<b>\$ 116,957</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>			
Cash and investments held by City	\$ 16,961	\$ 99,777	\$ 116,738
Cash and investments held by fiscal agent	-	219	219
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 16,961</b>	<b>\$ 99,996</b>	<b>\$ 116,957</b>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
 For the Fiscal Year Ended June 30, 2019  
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 6,933	\$ (2,258)	\$ 4,675
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>			
Depreciation/amortization expense	11,923	-	11,923
<b>Changes in assets, liabilities, and deferred outflows and inflows of resources:</b>			
Accounts receivable, net	(5)	19	14
Accounts payable	1,057	(1,406)	(349)
Accrued payroll	(2)	80	78
Accrued compensated absences	(23)	61	38
Unearned revenue	-	24	24
Accrued claims and judgements	(9)	6,748	6,739
Net pension liability and related deferred outflows/inflows of resources	893	341	1,234
Net OPEB liability and related deferred outflows/inflows of resources	41	(17)	24
<b>Net cash provided by operating activities</b>	<b>\$ 19,874</b>	<b>\$ 3,268</b>	<b>\$ 23,142</b>
<b>Noncash investing, capital and financing activities:</b>			
Amortization of bond premium, discount	\$ 40	\$ -	\$ 40
Decrease in prepaid items for capital assets	1,022	-	1,022
Capital asset acquisitions on accounts payable	871	-	871

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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.

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**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Net Position**

June 30, 2019  
(in thousands)

	Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ 74,506	\$ 92,236	\$ 166,742
Receivables, net:			
Interest	251	314	565
Total assets	<u>74,757</u>	<u>92,550</u>	<u>167,307</u>
<b>NET POSITION</b>			
Held in trust	<u>\$ 74,757</u>	<u>\$ 92,550</u>	<u>\$ 167,307</u>

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Changes in Net Position**

For the Fiscal Year Ended June 30, 2019  
(in thousands)

	Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions:			
From investment activities:			
Net appreciation in fair value of investments	\$ 718	\$ 1,221	\$ 1,939
Interest	1,550	2,077	3,627
Total investment earnings	2,268	3,298	5,566
Less investment expenses:			
Banking, interest, and fiscal agent expenses	156	-	156
Net income from investment activities	2,112	3,298	5,410
Deposits	75,019	2,806	77,825
Total additions	77,131	6,104	83,235
Deductions:			
Withdrawals	72,676	33	72,709
Changes in net position	4,455	6,071	10,526
Net position, beginning of year	70,302	86,479	156,781
Net position, end of year	<u>\$ 74,757</u>	<u>\$ 92,550</u>	<u>\$ 167,307</u>

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2019  
(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	\$ 1,849	\$ 1,062	\$ 1,077	\$ 1,834
Cash and investments held by fiscal agent	889	995	976	908
Receivables, net:				
Accounts	8	9	8	9
<b>Total assets</b>	<b>\$ 2,746</b>	<b>\$ 2,066</b>	<b>\$ 2,061</b>	<b>\$ 2,751</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8	\$ 2	\$ 10	\$ -
Due to bondholders	2,738	28	15	2,751
<b>Total liabilities</b>	<b>\$ 2,746</b>	<b>\$ 30</b>	<b>\$ 25</b>	<b>\$ 2,751</b>

<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	\$ 13,257	\$ 21,584	\$ 19,509	\$ 15,332
Cash and investments held by fiscal agent	17,010	16,236	14,852	18,394
Receivables, net:				
Taxes	165	356	231	290
Interest	33	46	33	46
<b>Total assets</b>	<b>\$ 30,465</b>	<b>\$ 38,222</b>	<b>\$ 34,625</b>	<b>\$ 34,062</b>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 451	\$ 80	\$ 371
Due to bondholders	30,465	3,842	616	33,691
<b>Total liabilities</b>	<b>\$ 30,465</b>	<b>\$ 4,293</b>	<b>\$ 696</b>	<b>\$ 34,062</b>

<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	\$ 15,106	\$ 22,646	\$ 20,586	\$ 17,166
Cash and investments held by fiscal agent	17,899	17,231	15,828	19,302
Receivables, net:				
Taxes	165	356	231	290
Accounts	8	9	8	9
Interest	33	46	33	46
<b>Total assets</b>	<b>\$ 33,211</b>	<b>\$ 40,288</b>	<b>\$ 36,686</b>	<b>\$ 36,813</b>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 8	\$ 453	\$ 90	\$ 371
Due to bondholders	33,203	3,870	631	36,442
<b>Total liabilities</b>	<b>\$ 33,211</b>	<b>\$ 4,323</b>	<b>\$ 721</b>	<b>\$ 36,813</b>

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# Statistical Section

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## 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 well-being 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				
	2010	2011	2012	2013	2014
<b>Governmental activities</b>					
Net investment in capital assets	\$ 1,286,576	\$ 1,328,932	\$ 1,367,540	\$ 1,369,377	\$ 1,393,447
Restricted for:					
Capital projects	186,619	156,157	149,904	131,822	116,271
Debt service	494	1,105	1,101	641	652
Public works programs	-	21,484	18,103	16,756	16,462
Economic development programs	-	-	-	23,979	22,493
Ambulance services	-	-	-	-	-
Other programs	32,443	23,544	23,274	21,087	22,315
Trust and endowments:					
Expendable	4,690	5,659	6,870	7,225	7,928
Nonexpendable	1,934	1,934	878	878	878
Unrestricted	76,953	16,107	6,128	1,837	30,170
<b>Total governmental activities net position</b>	<b>\$ 1,589,709</b>	<b>\$ 1,554,922</b>	<b>\$ 1,573,798</b>	<b>\$ 1,573,602</b>	<b>\$ 1,610,616</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 691,197	\$ 701,157	\$ 705,527	\$ 720,039	\$ 733,980
Restricted for:					
Capital projects	25,781	30,184	33,209	33,168	33,255
Other programs	-	-	530	349	1,215
Unrestricted	106,148	113,804	123,265	140,385	177,814
<b>Total business-type activities net position</b>	<b>\$ 823,126</b>	<b>\$ 845,145</b>	<b>\$ 862,531</b>	<b>\$ 893,941</b>	<b>\$ 946,264</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 1,977,773	\$ 2,030,089	\$ 2,073,067	\$ 2,089,416	\$ 2,127,427
Restricted for:					
Capital projects	212,400	186,341	183,113	164,990	149,526
Debt service	494	1,105	1,101	641	652
Public works programs	-	21,484	18,103	16,756	16,462
Economic development programs	-	-	-	23,979	22,493
Ambulance services	-	-	-	-	-
Other programs	32,443	23,544	23,804	21,436	23,530
Trust and endowments:					
Expendable	4,690	5,659	6,870	7,225	7,928
Nonexpendable	1,934	1,934	878	878	878
Unrestricted	183,101	129,911	129,393	142,222	207,984
<b>Total primary government net position</b>	<b>\$ 2,412,835</b>	<b>\$ 2,400,067</b>	<b>\$ 2,436,329</b>	<b>\$ 2,467,543</b>	<b>\$ 2,556,880</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 fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.  
 (3) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.  
 (4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
 (5) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.  
 (6) Fiscal year 2017 beginning net position was restated due to the implementation of GASB 75.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Net Position by Component** <sup>(1) (2) (3) (4) (5) (6)</sup>  
**Last Ten Fiscal Years**  
 (accrual basis accounting, in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Governmental activities</b>					
Net investment in capital assets	\$ 1,445,139	\$ 1,497,796	\$ 1,296,493	\$ 1,335,576	\$ 1,267,837
Restricted for:					
Capital projects	116,910	80,054	119,131	136,831	166,705
Debt service	665	1,203	872	606	686
Public works programs	19,027	20,521	18,866	24,750	27,792
Economic development programs	17,280	16,888	16,251	44,920	48,878
Ambulance services	1,085	1,085	-	-	-
Other programs	26,735	28,381	23,645	26,786	39,380
Trust and endowments:					
Expendable	7,789	8,008	8,545	8,656	9,197
Nonexpendable	878	878	878	878	878
Unrestricted	(591,896)	(581,697)	(443,845)	(667,254)	(606,222)
<b>Total governmental activities net position</b>	<b>\$ 1,043,612</b>	<b>\$ 1,073,117</b>	<b>\$ 1,040,836</b>	<b>\$ 911,749</b>	<b>\$ 955,131</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 748,312	\$ 785,353	\$ 807,004	\$ 869,183	\$ 925,128
Restricted for:					
Capital projects	33,914	40,772	39,155	38,473	40,411
Other programs	1,730	2,203	2,607	2,633	2,963
Unrestricted	107,305	123,842	150,049	124,001	138,742
<b>Total business-type activities net position</b>	<b>\$ 891,261</b>	<b>\$ 952,170</b>	<b>\$ 998,815</b>	<b>\$ 1,034,290</b>	<b>\$ 1,107,244</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 2,193,451	\$ 2,283,149	\$ 2,103,497	\$ 2,204,759	\$ 2,192,965
Restricted for:					
Capital projects	150,824	120,826	158,286	175,304	207,116
Debt service	665	1,203	872	606	686
Public works programs	19,027	20,521	18,866	24,750	27,792
Economic development programs	17,280	16,888	16,251	44,920	48,878
Ambulance services	1,085	1,085	-	-	-
Other programs	28,465	30,584	26,252	29,419	42,343
Trust and endowments:					
Expendable	7,789	8,008	8,545	8,656	9,197
Nonexpendable	878	878	878	878	878
Unrestricted	(484,591)	(457,855)	(293,796)	(543,253)	(467,480)
<b>Total primary government net position</b>	<b>\$ 1,934,873</b>	<b>\$ 2,025,287</b>	<b>\$ 2,039,651</b>	<b>\$ 1,946,039</b>	<b>\$ 2,062,375</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 fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.  
 (3) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.  
 (4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
 (5) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.  
 (6) Fiscal year 2017 beginning net position was restated due to the implementation of GASB 75.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position <sup>(1) (2) (3)</sup>  
Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Expenses <sup>(3)</sup></b>					
<i>Governmental activities</i>					
General government	\$ 44,278	\$ 42,238	\$ 40,846	\$ 36,681	\$ 41,190
Police	152,922	159,908	153,392	157,432	157,248
Fire	109,210	111,174	116,418	117,451	125,461
Public works	-	-	-	126,636	103,632
General services <sup>(4)</sup>	26,110	22,614	23,083	15,343	13,807
Transportation	89,358	97,350	98,384	-	-
Economic development <sup>(5)</sup>	9,815	10,467	9,704	10,468	17,080
Convention and cultural services	18,064	21,348	19,857	19,537	17,916
Youth, parks, and community enrichment	51,984	56,162	45,448	48,457	52,336
Code enforcement	10,984	-	-	-	-
Community development	18,848	25,821	24,286	29,253	26,484
Neighborhood services	1,105	-	-	-	-
Library	16,827	14,635	13,301	13,753	13,720
Interest on long-term debt	29,658	24,903	23,583	22,420	22,178
Total governmental activities expenses	579,163	586,620	568,302	597,431	591,052
<i>Business-type activities</i>					
Water	60,902	63,073	67,335	68,643	66,627
Wastewater	17,389	18,990	20,491	22,776	25,673
Storm drainage	37,040	37,815	37,692	36,755	36,664
Solid waste	47,076	48,203	53,205	49,794	49,014
Community center	19,563	18,530	18,125	17,251	17,204
Parking	16,390	15,786	15,732	15,358	15,238
Child development	6,797	6,274	5,885	6,116	6,297
Marina	1,625	2,662	2,008	-	-
Total business-type activities expenses	206,782	211,333	220,473	216,693	216,717
Total primary government expenses	\$ 785,945	\$ 797,953	\$ 788,775	\$ 814,124	\$ 807,769

Notes: (1) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.

(4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

(5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position <sup>(1) (2) (3)</sup>  
Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Expenses <sup>(3)</sup></b>					
<i>Governmental activities</i>					
General government	\$ 52,474	\$ 59,037	\$ 59,033	\$ 100,625	\$ 116,282
Police	166,797	164,750	176,955	199,746	203,303
Fire	127,561	137,859	146,693	160,216	169,819
Public works	103,088	121,184	106,328	122,340	132,958
General services <sup>(4)</sup>	15,619	-	-	-	-
Transportation	-	-	-	-	-
Economic development <sup>(5)</sup>	11,075	13,049	13,397	-	-
Convention and cultural services	19,441	24,139	20,380	21,066	30,907
Youth, parks, and community enrichment	56,573	53,911	50,156	55,518	61,225
Code enforcement	-	-	-	-	-
Community development	30,221	36,251	41,726	50,879	60,466
Neighborhood services	-	-	-	-	-
Library	15,629	16,294	16,122	17,376	18,687
Interest on long-term debt	29,046	30,404	27,626	23,144	23,454
Total governmental activities expenses	627,524	656,878	658,416	750,910	817,101
<i>Business-type activities</i>					
Water	69,428	73,150	80,176	87,745	99,029
Wastewater	25,432	25,348	29,075	28,251	33,059
Storm drainage	41,830	40,971	40,479	41,199	40,186
Solid waste	47,149	47,703	51,693	56,698	57,408
Community center	17,690	17,277	16,607	17,958	27,058
Parking	13,704	14,451	11,955	13,475	14,354
Child development	6,151	5,519	5,743	6,589	6,766
Marina	-	-	-	-	-
Total business-type activities expenses	221,384	224,419	235,728	251,752	277,860
Total primary government expenses	\$ 848,908	\$ 881,297	\$ 894,144	\$ 1,002,662	\$ 1,094,961

Notes: (1) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.

(4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

(5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position <sup>(1) (2) (3)</sup>  
Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 6,614	\$ 5,827	\$ 5,608	\$ 6,924	\$ 7,270
Police	4,098	10,316	9,714	9,693	10,804
Fire	22,711	21,998	21,643	24,288	26,155
Public works	-	-	-	28,321	30,337
General services <sup>(4)</sup>	9,964	10,442	10,965	3,175	1,756
Transportation	28,857	28,614	28,309	-	-
Economic development <sup>(5)</sup>	8,497	9,136	8,800	8,685	8,205
Convention and cultural services	9,689	9,364	7,985	8,817	9,311
Youth, parks, and community enrichment	10,122	10,039	11,579	10,604	13,359
Code enforcement	5,627	-	-	-	-
Community development	8,752	15,409	15,459	15,423	17,141
Neighborhood services	166	-	-	-	-
Library	-	-	-	33	59
Total charge for services	115,097	121,145	120,062	115,963	124,397
Operating grants and contributions	59,179	51,289	54,287	81,822	47,430
Capital grants and contributions	90,888	69,234	112,247	69,323	89,539
Total governmental activities program revenues	265,164	241,668	286,596	267,108	261,366
<i>Business-type activities</i>					
Charge for services					
Water	70,463	79,315	79,809	88,754	94,382
Wastewater	20,284	21,360	21,513	25,134	28,493
Storm drainage	34,082	34,160	34,545	35,682	38,049
Solid waste	58,901	62,906	64,055	60,295	58,561
Community center	7,020	6,780	7,521	7,130	7,718
Parking	18,784	18,660	18,769	18,823	18,643
Child development	5,473	5,309	5,232	5,426	5,632
Marina	1,782	1,464	1,359	-	-
Total charge for services	216,789	229,954	232,803	241,244	251,478
Operating grants and contributions	2,381	2,358	3,744	1,095	1,963
Capital grants and contributions	14,148	10,417	5,289	7,480	4,403
Total business-type activities program revenues	233,318	242,729	241,836	249,819	257,844
Total primary government program revenues	\$ 498,482	\$ 484,397	\$ 528,432	\$ 516,927	\$ 519,210
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (313,999)	\$ (344,952)	\$ (281,706)	\$ (330,323)	\$ 261,366
Business-type activities	26,536	31,396	21,363	33,126	208,830
Total primary government net expenses	\$ (287,463)	\$ (313,556)	\$ (260,343)	\$ (297,197)	\$ 470,196

Notes: (1) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.  
 (3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
 (4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.  
 (5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.

**City of Sacramento  
Changes in Net Position <sup>(1) (2) (3)</sup>  
Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 6,436	\$ 7,103	\$ 6,573	\$ 19,438	\$ 22,908
Police	11,583	11,022	13,068	12,586	14,550
Fire	32,264	31,204	30,897	42,898	42,866
Public works	32,840	37,179	42,897	50,159	52,901
General services <sup>(4)</sup>	1,251	-	-	-	-
Transportation	-	-	-	-	-
Economic development <sup>(5)</sup>	7,659	7,889	9,140	-	-
Convention and cultural services	9,303	10,085	10,860	12,556	12,622
Youth, parks, and community enrichment	15,004	13,792	12,954	13,065	13,365
Code enforcement	-	-	-	-	-
Community development	25,069	27,025	32,428	36,019	38,218
Neighborhood services	-	-	-	-	-
Library	29	-	-	-	-
Total charge for services	141,438	145,299	158,817	186,621	197,430
Operating grants and contributions	52,306	35,442	36,938	41,811	55,535
Capital grants and contributions	115,354	122,528	86,856	101,476	98,903
Total governmental activities program revenues	309,098	303,269	282,611	329,908	351,868
<i>Business-type activities</i>					
Charge for services					
Water	100,523	98,533	108,867	119,379	127,868
Wastewater	32,223	31,532	34,311	37,596	42,275
Storm drainage	37,646	40,166	40,124	39,512	39,969
Solid waste	59,095	60,253	61,548	63,556	63,864
Community center	8,748	8,782	9,488	9,848	8,726
Parking	16,595	17,646	18,374	19,003	19,735
Child development	5,553	6,073	5,713	6,419	6,547
Marina	-	-	-	-	-
Total charge for services	260,383	262,985	278,425	295,313	308,784
Operating grants and contributions	2,142	3,435	3,967	2,179	3,300
Capital grants and contributions	7,292	7,433	6,229	23,726	20,457
Total business-type activities program revenues	269,817	273,853	288,621	321,218	332,541
Total primary government program revenues	\$ 578,915	\$ 577,122	\$ 571,232	\$ 651,126	\$ 684,409
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (318,426)	\$ (353,609)	\$ (375,805)	\$ (421,002)	\$ (465,233)
Business-type activities	48,433	49,434	52,893	69,466	54,681
Total primary government net expenses	\$ (269,993)	\$ (304,175)	\$ (322,912)	\$ (351,536)	\$ (410,552)

Notes: (1) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".  
 (2) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.  
 (3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
 (4) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.  
 (5) The Department of Economic Development has been reallocated to the Departments of General Government in FY18.



**City of Sacramento  
Changes in Net Position <sup>(1) (2) (3)</sup>  
Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 123,681	\$ 118,801	\$ 114,874	\$ 114,451	\$ 122,477
Utility user taxes	58,693	58,907	58,787	59,066	59,613
Other taxes	18,591	18,327	17,403	27,943	61,584
Sales taxes shared state revenue	46,769	47,680	50,683	52,300	56,575
In-lieu sales tax	14,332	14,548	14,081	16,113	16,823
Grants and other intergovernmental revenue not restricted to specific programs	4,591	2,610	-	-	-
Investment earnings	11,508	6,260	10,953	10,101	10,136
Miscellaneous	12,743	12,464	11,005	9,749	8,853
Contributions to permanent fund	-	4	1	1	1
Gain (loss) on disposition of capital assets	-	2,336	-	-	4,567
Special items	-	-	-	26,208	(2,500)
Transfers	19,365	28,229	22,722	19,002	28,571
<b>Total governmental activities</b>	<b>310,273</b>	<b>310,166</b>	<b>300,509</b>	<b>334,934</b>	<b>366,700</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	14,233	15,403	15,781	16,555	17,943
Investment earnings	4,964	3,449	2,957	1,299	3,294
Miscellaneous	-	-	-	-	3
Gain (loss) on disposition of capital assets	17	-	7	-	-
Special items	-	-	-	-	18,527
Transfers	(19,365)	(28,229)	(22,722)	(19,002)	(28,571)
<b>Total business-type activities</b>	<b>(151)</b>	<b>(9,377)</b>	<b>(3,977)</b>	<b>(1,148)</b>	<b>11,196</b>
<b>Total primary government</b>	<b>\$ 310,122</b>	<b>\$ 300,789</b>	<b>\$ 296,532</b>	<b>\$ 333,786</b>	<b>\$ 377,896</b>
<b>Change in Net Position</b>					
Governmental activities	\$ (3,726)	\$ (34,786)	\$ 18,803	\$ 4,611	\$ 366,700
Business-type activities	26,385	22,019	17,386	31,978	11,196
<b>Total primary government</b>	<b>\$ 22,659</b>	<b>\$ (12,767)</b>	<b>\$ 36,189</b>	<b>\$ 36,589</b>	<b>\$ 377,896</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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento  
Changes in Net Position <sup>(1) (2) (3)</sup>  
Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 129,714	\$ 138,354	\$ 146,697	\$ 156,710	\$ 170,439
Utility user taxes	59,947	61,404	62,997	62,989	60,128
Other taxes	66,205	70,761	77,608	83,981	105,997
Sales taxes shared state revenue	58,476	67,983	81,296	82,987	93,770
In-lieu sales tax	16,632	14,387	-	-	-
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	-	-
Investment earnings	8,769	11,328	9,178	5,593	20,923
Miscellaneous	11,060	12,954	14,221	17,328	14,834
Contributions to permanent fund	1	-	-	-	-
Gain (loss) on disposition of capital assets	5,340	-	(79,916)	-	-
Special items	-	(8,830)	-	-	7,000
Transfers	32,148	14,773	31,443	34,525	35,524
<b>Total governmental activities</b>	<b>388,292</b>	<b>383,114</b>	<b>343,524</b>	<b>444,113</b>	<b>508,615</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	20,108	21,800	23,866	26,839	29,477
Investment earnings	1,567	4,428	1,292	1,013	20,020
Miscellaneous	5	20	37	-	-
Gain (loss) on disposition of capital assets	-	-	17	424	1,747
Special items	4,554	-	-	-	2,553
Transfers	(32,148)	(14,773)	(31,443)	(34,525)	(35,524)
<b>Total business-type activities</b>	<b>(5,914)</b>	<b>11,475</b>	<b>(6,248)</b>	<b>(6,212)</b>	<b>18,273</b>
<b>Total primary government</b>	<b>\$ 382,378</b>	<b>\$ 394,589</b>	<b>\$ 337,276</b>	<b>\$ 437,901</b>	<b>\$ 526,888</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 69,866	\$ 29,505	\$ (32,281)	\$ 23,111	\$ 43,382
Business-type activities	42,519	60,909	47,180	63,254	72,954
<b>Total primary government</b>	<b>\$ 112,385</b>	<b>\$ 90,414</b>	<b>\$ 14,899</b>	<b>\$ 86,365</b>	<b>\$ 116,336</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.

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				
	2010	2011	2012	2013	2014
<b>General Fund</b>					
Reserved for:					
Noncurrent assets	\$ 514	\$ -	\$ -	\$ -	\$ -
Encumbrances	6,301	-	-	-	-
Inventories and prepaids	304	-	-	-	-
Unreserved	47,988	-	-	-	-
Nonspendable:					
Prepaid items	-	63	23	24	66
Due from Other Funds	-	-	-	-	-
Noncurrent assets	-	245	71	48	-
Restricted:					
Capital projects	-	-	-	-	3,401
Ambulance service	-	-	-	-	-
Other programs	-	86	64	40	21
Committed:					
Economic uncertainty	-	14,340	20,263	27,765	33,714
Capital projects	-	19,612	21,542	21,789	21,728
Community center theater renovation	-	-	-	8,500	8,500
B Street Theater project	-	-	-	-	-
Fire programs	-	-	-	-	-
Pension	-	-	-	-	-
OPEB	-	-	-	2,000	-
SOXEA labor for FY2020	-	-	-	-	-
Homeless programs	-	-	-	-	1,000
Gas tax	-	-	-	-	-
Other programs	-	12,468	9,349	9,347	12,909
Assigned:					
Unrealized investment gains	-	972	402	-	173
Next year's budget	-	5,138	9,354	10,446	-
Unassigned	-	-	-	-	17,395
<b>Total general fund</b>	<b>\$ 55,107</b>	<b>\$ 52,924</b>	<b>\$ 61,068</b>	<b>\$ 79,959</b>	<b>\$ 98,907</b>
<b>All Other Governmental Funds</b>					
Reserved for:					
Noncurrent assets	\$ 1,149	\$ -	\$ -	\$ -	\$ -
Encumbrances	30,000	-	-	-	-
Debt service	20,269	-	-	-	-
Inventories and prepaids	35	-	-	-	-
Trust obligations	1,934	-	-	-	-
Capital projects	2,210	-	-	-	-
Unreserved, reported in:					
Special revenue funds	93,583	-	-	-	-
Capital projects funds	100,308	-	-	-	-
Debt service funds	10,047	-	-	-	-
Permanent funds	2,798	-	-	-	-
Nonspendable:					
Prepaid items	-	30	29	44	24
Noncurrent assets	-	1,577	605	530	451
Permanent fund principal	-	1,934	878	878	878
Restricted:					
Capital projects	-	161,365	150,475	135,069	126,262
Debt service	-	20,870	18,230	17,472	17,548
Public works programs	-	-	-	13,781	11,830
Ambulance service	-	-	-	-	-
Economic development programs	-	-	-	23,970	22,484
Other programs	-	50,264	50,026	31,115	29,924
Committed:					
Capital projects	-	606	469	3,666	4,024
Grant retention	-	-	-	-	4,049
Debt service	-	2,278	2,278	2,278	6,583
B Street Theater project	-	-	-	-	-
Economic development programs	-	-	-	-	5,125
Other programs	-	646	2,096	6,266	25,498
Assigned:					
Debt service	-	2,878	2,068	1,805	973
Unrealized investment gains	-	120	42	100	47
Other programs	-	2,281	4,063	3,758	4,047
Unassigned	-	(31,287)	(48,094)	(29,711)	(22,121)
<b>Total all other governmental funds</b>	<b>\$ 262,333</b>	<b>\$ 213,562</b>	<b>\$ 183,195</b>	<b>\$ 211,021</b>	<b>\$ 237,614</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.

**City of Sacramento  
Fund Balances, Governmental Funds <sup>(1) (2)</sup>  
Last Ten Fiscal Years  
(modified accrual basis of accounting, in thousands)**

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>General Fund</b>					
Reserved for:					
Noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	-	-
Inventories and prepaids	-	-	-	-	-
Unreserved	-	-	-	-	-
Nonspendable:					
Prepaid items	7	2	12	45	-
Due from Other Funds	-	-	3,800	3,800	-
Noncurrent assets	4	-	-	-	-
Restricted:					
Capital projects	2,562	1,860	-	-	-
Ambulance service	1,085	1,085	-	-	-
Other programs	7	17	17	-	-
Committed:					
Economic uncertainty	38,967	46,950	49,644	52,700	55,200
Capital projects	32,987	37,526	49,265	37,583	39,995
Community center theater renovation	8,500	8,500	-	-	-
B Street Theater project	2,500	-	-	-	-
Fire programs	4,420	5,720	1,386	6,189	9,568
Pension	-	-	-	5,000	13,500
OPEB	6,717	6,752	5,324	2,619	6,644
SOXEA labor for FY2020	-	-	-	-	4,256
Homeless programs	750	250	-	-	-
Gas tax	-	-	2,087	2,087	2,087
Other programs	8,860	13,953	19,280	37,325	46,652
Assigned:					
Unrealized investment gains	50	732	-	-	381
Next year's budget	-	-	-	-	-
Unassigned	16,028	26,649	24,739	25,021	32,923
<b>Total general fund</b>	<b>\$ 123,444</b>	<b>\$ 149,996</b>	<b>\$ 155,554</b>	<b>\$ 172,369</b>	<b>\$ 210,606</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	24	-	-	-	-
Noncurrent assets	369	283	193	98	-
Permanent fund principal	878	878	878	878	878
Restricted:					
Capital projects	124,790	138,562	149,664	159,439	163,772
Debt service	20,218	51,691	58,904	28,539	28,119
Public works programs	-	14,522	13,152	18,857	22,071
Ambulance service	13,842	-	-	-	-
Economic development programs	17,271	-	-	-	-
Other programs	27,029	27,793	28,818	35,025	48,003
Committed:					
Capital projects	3,355	7,017	9,359	18,245	14,407
Grant retention	-	500	-	-	-
Debt service	5,660	8,733	19,110	21,543	17,291
B Street Theater project	16,391	21,360	-	-	-
Economic development programs	-	-	-	-	-
Other programs	50,001	51,024	56,715	40,683	48,478
Assigned:					
Debt service	717	2,547	2,406	2,008	2,700
Unrealized investment gains	15	40	-	-	51
Other programs	2,344	60	-	360	18
Unassigned	(26,554)	(19,657)	(18,037)	(22,656)	(18,503)
<b>Total all other governmental funds</b>	<b>\$ 256,850</b>	<b>\$ 321,740</b>	<b>\$ 362,710</b>	<b>\$ 347,939</b>	<b>\$ 396,158</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.

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Revenues</b>					
Taxes	\$ 260,749	\$ 254,705	\$ 256,564	\$ 265,605	\$ 320,832
Intergovernmental	174,214	125,758	154,937	154,556	105,172
Charges for services	62,962	67,831	62,760	66,369	71,889
Fines, forfeits and penalties	12,116	11,093	11,591	9,892	11,221
Interest, rents, and concessions	10,928	9,627	15,494	13,909	14,417
Community service fees	7,875	3,647	3,058	7,136	4,693
Assessment levies	31,970	33,482	35,294	37,621	38,668
Contributions and donations	7,972	9,440	6,170	14,269	43,018
Miscellaneous	196	411	2,090	2,441	570
<b>Total revenues</b>	<b>568,984</b>	<b>515,994</b>	<b>548,258</b>	<b>572,798</b>	<b>610,480</b>
<b>Expenditures</b>					
General government	27,471	26,049	24,610	22,712	26,170
Police	147,059	144,061	142,204	138,779	138,653
Fire	102,430	97,573	98,749	99,630	107,538
Public works	-	-	-	34,995	34,706
General services <sup>(2)</sup>	21,025	19,353	19,388	10,306	9,564
Transportation	31,023	29,708	33,183	-	-
Neighborhood services	1,007	-	-	-	-
Convention and cultural services	13,196	13,291	10,670	8,804	10,481
Economic development <sup>(3)</sup>	9,136	9,819	9,396	10,221	12,418
Youth, parks, and community enrichment <sup>(4)</sup>	40,312	36,650	30,393	32,257	35,632
Code enforcement	10,279	-	-	-	-
Community development	15,873	23,307	21,819	23,568	23,902
Library	12,366	12,368	11,739	12,362	12,482
Utilities	67	137	97	979	607
Nondepartmental	26,818	33,407	32,269	-	36,965
Citywide and community support	-	-	33,105	-	36,965
Capital outlay	156,146	91,902	118,259	116,705	106,840
Debt service					
City					
Principal	18,577	44,189	21,595	19,470	26,218
Interest and fiscal charges	29,697	25,209	24,028	22,949	22,772
Bond issuance costs	-	-	-	-	-
Subtotal - debt service	48,274	69,398	45,623	42,419	48,990
<b>Total Expenditures</b>	<b>662,482</b>	<b>607,073</b>	<b>598,399</b>	<b>587,842</b>	<b>604,948</b>
Excess (deficiency) of revenues over (under) expenditures	(93,498)	(91,079)	(50,141)	(15,044)	5,532
<b>Other Financing Sources (uses)</b>					
Transfers in	53,621	58,006	55,435	55,166	63,584
Transfers out	(30,241)	(27,025)	(27,590)	(27,450)	(34,527)
Issuance of long-term debt	22,963	6,808	73	-	6,050
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	2,336	-	-	4,902
Proceeds of long-term capital-related debt	-	-	-	2,837	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>46,343</b>	<b>40,125</b>	<b>27,918</b>	<b>30,553</b>	<b>40,009</b>
<b>Special items</b>	-	-	-	31,208	-
<b>Changes in fund balances</b>	<b>\$ (47,155)</b>	<b>\$ (50,954)</b>	<b>\$ (22,223)</b>	<b>\$ 46,717</b>	<b>\$ 45,541</b>
Debt services as a percentage of noncapital expenditures	9.35%	13.06%	9.41%	8.35%	9.49%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.  
(2) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.  
(3) The Department of Economic Development has been reallocated to the Department of General Government in FY18.  
(4) The Department of Parks and Recreation has been renamed to the Department of Youth, Parks, and Community Enrichment in FY19.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Revenues</b>					
Taxes	\$ 334,649	\$ 365,482	\$ 382,155	\$ 406,011	\$ 434,759
Intergovernmental	111,017	128,190	73,082	80,415	97,658
Charges for services	86,061	89,765	105,446	121,368	131,609
Fines, forfeits and penalties	11,403	12,720	11,429	12,643	16,397
Interest, rents, and concessions	12,681	15,221	14,220	10,794	24,907
Community service fees	7,869	16,460	29,740	30,654	30,651
Assessment levies	41,884	43,475	44,339	47,048	52,476
Contributions and donations	45,177	35,820	33,637	14,253	49,053
Miscellaneous	501	2,761	383	731	718
<b>Total revenues</b>	<b>651,242</b>	<b>709,894</b>	<b>694,431</b>	<b>723,917</b>	<b>838,228</b>
<b>Expenditures</b>					
General government	28,491	34,197	41,413	72,772	85,272
Police	149,446	152,245	159,572	169,273	182,538
Fire	110,585	119,814	127,970	136,161	144,043
Public works	35,502	42,194	45,457	49,841	51,289
General services <sup>(2)</sup>	10,058	-	-	-	-
Transportation	-	-	-	-	-
Neighborhood services	-	-	-	-	-
Convention and cultural services	10,978	11,738	12,838	14,372	15,117
Economic development <sup>(3)</sup>	10,797	9,871	13,270	-	-
Youth, parks, and community enrichment <sup>(4)</sup>	38,894	37,801	38,707	38,615	40,866
Code enforcement	-	-	-	-	-
Community development	26,819	34,110	40,499	45,787	54,342
Library	14,496	14,771	14,903	16,421	17,732
Utilities	522	701	1,583	2,034	2,495
Nondepartmental	-	-	-	-	-
Citywide and community support	37,216	47,961	48,435	46,576	42,827
Capital outlay	128,605	337,817	82,465	90,387	78,175
Debt service					
City					
Principal	23,699	16,481	26,677	48,445	56,284
Interest and fiscal charges	33,493	24,822	28,555	24,529	24,818
Bond issuance costs	-	5,483	49	1,415	116
Subtotal - debt service	57,192	84,838	57,281	74,389	81,218
<b>Total Expenditures</b>	<b>659,803</b>	<b>928,058</b>	<b>684,303</b>	<b>756,638</b>	<b>796,914</b>
Excess (deficiency) of revenues over (under) expenditures	(8,561)	(218,164)	10,038	(32,721)	41,314
<b>Other Financing Sources (uses)</b>					
Transfers in	69,117	306,810	66,386	70,558	69,931
Transfers out	(33,267)	(270,358)	(31,871)	(35,801)	(33,114)
Issuance of long-term debt	3,984	401,943	1,976	8	1,325
Premium on long term debt	-	13,972	-	-	-
Proceeds from sale of property	12,500	-	-	-	-
Proceeds of long-term capital-related debt	-	-	-	-	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	(133,931)	-	-	-
<b>Total other financing sources (uses)</b>	<b>52,334</b>	<b>318,436</b>	<b>36,491</b>	<b>34,765</b>	<b>38,142</b>
<b>Special items</b>	-	(8,830)	-	-	7,000
<b>Changes in fund balances</b>	<b>\$ 43,773</b>	<b>\$ 91,442</b>	<b>\$ 46,529</b>	<b>\$ 2,044</b>	<b>\$ 86,456</b>
Debt services as a percentage of noncapital expenditures	10.46%	12.71%	9.27%	10.59%	11.11%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.  
(2) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.  
(3) The Department of Economic Development has been reallocated to the Department of General Government in FY18.  
(4) The Department of Parks and Recreation has been renamed to the Department of Youth, Parks, and Community Enrichment in FY19.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Tax Revenues by Source, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

Fiscal Year	Property <sup>(2)</sup>	Tax Increment	Sales & Use	Utility Users	Others	Total
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
2017	159,566 <sup>(2)</sup>	-	125,560 <sup>(3)</sup>	62,997	34,032	382,155
2018	170,701 <sup>(2)</sup>	-	131,371 <sup>(3)</sup>	62,989	40,950	406,011
2019	173,307 <sup>(2)</sup>	-	157,816 <sup>(3)</sup>	60,128	43,508	434,759

Notes: (1) In lieu sales tax is reported as property tax in fiscal year 2009 and subsequent fiscal years.  
(2) Includes residual property tax from redevelopment agency dissolution.  
(3) Includes Measure U local sales and use tax.

**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			
2010	\$ 37,446,222	\$ 1,819,726	\$ 11,937	\$ 39,277,885	\$ 499,878	\$ 38,778,007	1.00
2011	36,388,660	1,742,824	11,977	38,143,461	496,459	37,647,002	1.00
2012	35,267,406	1,711,462	12,132	36,991,000	488,888	36,502,112	1.00
2013	34,332,037	1,626,943	13,157	35,972,137	477,326	35,494,811	1.00
2014	35,829,529	1,546,891	12,381	37,388,801	464,546	36,924,255	1.00
2015	37,918,666	1,585,876	18,173	39,522,715	455,212	39,067,503	1.00
2016	39,823,777	1,513,519	9,267	41,346,563	448,778	40,897,785	1.00
2017	42,300,010	1,623,203	9,193	43,932,406	446,690	43,485,716	1.00
2018	45,389,674	1,692,375	8,974	47,091,023	445,647	46,645,376	1.00
2019	48,919,753	1,868,599	8,701	50,797,053	444,652	50,352,401	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:  
a) annual inflation up to 2%;  
b) current market value at time of ownership change;  
c) market value for new construction

Estimated actual value of taxable property cannot easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes.

(2) This 1 % is shared by all taxing agencies for which the subject property resides within.

Source: County of Sacramento, Office of Auditor/Controller

Sources: (A) City of Sacramento Comprehensive Annual Financial Reports  
(B) Finance Department, City of Sacramento

**City of Sacramento  
Direct and Overlapping Property Tax Rates <sup>(1)</sup>  
Per \$100 of Assessed Value  
Last Ten Fiscal Years**

Fiscal Year End June 30	Basic County, City, and School Levy <sup>(2)</sup>	County of Sacramento	Schools	Special Districts	Total
2010	1.0000	—	0.1035	—	1.1035
2011	1.0000	—	0.1069	—	1.1069
2012	1.0000	—	0.1174	—	1.1174
2013	1.0000	—	0.1192	—	1.1192
2014	1.0000	—	0.1406	—	1.1406
2015	1.0000	—	0.1325	—	1.1325
2016	1.0000	—	0.1426	—	1.1426
2017	1.0000	—	0.1418	—	1.1418
2018	1.0000	—	0.1365	—	1.1365
2019	1.0000	—	0.1295	—	1.1295

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.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento  
Principal Property Taxpayers  
For the Fiscal Year and Nine Years Ago**  
(in thousands)

Taxpayer	2019			2010		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Sacramento Kings	\$ 411,411	1	0.82 %	\$ -	-	- %
SG Downtown	218,247	2	0.43	-	-	-
400 Capitol Mall Owner LP	179,143	3	0.36	-	-	-
Arden Fair Associates	147,235	4	0.29	130,092	4	0.33
500 Capitol Mall LLC	141,721	5	0.28	-	-	-
621 Capitol Mall LLC	134,067	6	0.27	95,387	8	0.24
GV/Hi PK TOWER OWNER LLC	122,910	7	0.24	-	-	-
300 Capitol Assoc NF LP	117,700	8	0.23	135,252	3	0.35
M&H RLTY Partners VI Limited Partnership	107,601	9	0.21	91,154	9	0.23
HP Hood LLC	105,132	10	0.21	-	-	-
Hines VAF II Sacramento	-	-	-	479,888	1	1.23
Teachers Ins. Annuity	-	-	-	168,732	2	0.43
CIM Sacramento LLC	-	-	-	129,852	5	0.33
Downtown Plaza LLC	-	-	-	128,747	6	0.33
CLPF Promenade LP	-	-	-	125,265	7	0.32
Sacramento Equities REIT	-	-	-	89,250	10	0.23
	1,685,167		3.34	1,573,619		4.02
All other taxpayers	48,667,234		96.66	37,204,388		95.98
Total	\$ 50,352,401		100.00 %	38,778,007		100.00 %

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2017	149,456 <sup>(2)(3)</sup>	147,960	99.00%	1,496	149,456	100.00%
2018	158,378 <sup>(2)(3)</sup>	156,689	98.93%	1,689	158,378	100.00%
2019	170,117 <sup>(2)(3)</sup>	168,637	99.13%	1,480	170,117	100.00%

Notes: (1) Property taxes in 2007 and subsequent years till 2016 include in lieu sales tax revenue from prior year. Program was started in 2007 and ceased in 2017.  
 (2) Total actual tax levy amount is not available from Sacramento County; amount provided is an estimate.  
 (3) Includes residual property taxes resulting from the redevelopment agency dissolution.

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Source: City of Sacramento, Finance Department

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
 (in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases	
2010	\$ 496,641	\$ 746	\$ 11,203	\$ 302,064	\$ 56,307	\$ 8,295	\$ 875,256
2011	477,588	677	9,910	289,950	56,388	7,066	841,579
2012	457,324	605	8,439	277,241	55,131	11,693	810,433
2013 <sup>(1)</sup>	435,962	530	9,446	542,347	52,536	9,466	1,050,287
2014 <sup>(2)</sup>	419,477	16,053	13,562	540,117	33,288	6,098	1,028,595
2015	398,544	15,680	10,456	519,869	29,844	4,075	978,468
2016 <sup>(3)</sup>	627,351	15,290	7,294	493,406	26,340	8,654	1,178,335
2017 <sup>(4)</sup>	606,097	14,883	4,455	533,751	22,748	5,574	1,187,508
2018	564,929	14,459	2,299	510,016	22,919	3,685	1,118,307
2019 <sup>(5)</sup>	513,186	14,014	1,011	831,547	33,185	2,340	1,395,283

Notes:

- (1) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
  - (2) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
  - (3) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.
  - (4) In 2017, \$53 million of revenue bonds were issued for improvements to the City's municipal water system.
  - (5) In 2019, \$284 million of revenue bonds were issued for the renovation of the City's Convention Center, Community Center Theater, and Memorial Auditorium. In 2019, \$25 million of revenue bonds were issued for improvements to the City's wastewater system.
- NA Personal income data was not available.

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
 (in thousands, except Population and Per Capita)

Fiscal Year	Percentage of Personal Income	Population	Per Capita
2010	NA	486,189	\$ 1,800
2011	NA	469,566	1,792
2012	NA	470,956	1,721
2013 <sup>(1)</sup>	NA	473,509	2,218
2014 <sup>(2)</sup>	NA	475,122	2,165
2015	NA	480,105	2,038
2016 <sup>(3)</sup>	NA	485,683	2,426
2017 <sup>(4)</sup>	NA	493,025	2,409
2018	NA	501,344	2,231
2019 <sup>(5)</sup>	NA	508,172	2,746

Notes:

- (1) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
  - (2) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
  - (3) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.
  - (4) In 2017, \$53 million of revenue bonds were issued for improvements to the City's municipal water system.
  - (5) In 2019, \$284 million of revenue bonds were issued for the renovation of the City's Convention Center, Community Center Theater and Memorial Auditorium. In 2019, \$25 million of revenue bonds were issued for improvements to the City's wastewater system.
- 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)

Fiscal Year	Total Gross General Obligation Bonds	Amounts Restricted for Principal Repayments	Total Net General Obligation Bonds	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Net Bonded Debt Per Capita
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	-	-	-	40,897,785	0.00%	485,683	-
2017	-	-	-	43,485,716	0.00%	493,025	-
2018	-	-	-	46,645,376	0.00%	501,344	-
2019	-	-	-	50,352,401	0.00%	508,172	-

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, 2019**

(in thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Overlapping Tax and Assessment Debt:</b>			
Los Rios Community College District	\$ 396,190	25.969 %	\$ 102,887
Elk Grove Unified School District	193,000	11.334	21,875
Natomas Unified School District	234,513	85.301	200,042
Sacramento Unified School District	470,328	84.981	399,689
San Juan Unified School District	606,881	2.950	17,903
Twin Rivers Unified School District :			-
Twin Rivers Unified School District (former Elementary School District bonds)	62,885	48.059	30,222
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	209,004	47.934	100,184
Robla School District	83,888	54.071	45,359
City of Sacramento Community Facilities Districts	162,735	100.000	162,735
Elk Grove Unified School District Community Facilities District No. 1	197,766	11.334	22,415
City of Sacramento 1915 Act Bonds	2,915	100.000	2,915
California Statewide Community Development Authority Assessment District Bonds	505	100.000	505
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	273,395	85.335	233,302
Sacramento Area Flood Control Agency Natomas Local Assessment District	33,005	82.936	27,373
<b>Subtotal - Overlapping Tax and Assessment debt</b>			<b>1,367,406</b>
<b>Direct and Overlapping General Fund Debt:</b>			
Sacramento County General Fund Obligations	174,028	31.528	54,868
Sacramento County Pension Obligations	885,670	31.528	279,234
Sacramento County Board of Education Certificates of Participation	3,975	31.528	1,253
Elk Grove Unified School District Certificates of Participation	12,612	11.334	1,429
Natomas Unified School District Certificates of Participation	56,450	85.301	48,152
Sacramento Unified School District Certificates of Participation	63,120	84.981	53,640
San Juan Unified School District Certificates of Participation	126	2.950	4
Twin Rivers Unified School District Certificates of Participation	60,440	47.934	28,971
Arcade Creek Recreation and Park District General Fund Obligations	265	1.196	3
Fulton-El Camino Recreation and Park District General Fund Obligations	1,190	17.090	203
<b>Subtotal - Lease Obligation Debt</b>			<b>467,757</b>
<b>Total Overlapping Debt</b>			<b>1,835,163</b>
City of Sacramento Direct Debt			528,211
<b>Total Direct and Overlapping Debt</b>			<b>\$ 2,363,374</b>

Note: (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City of Sacramento. This schedule estimates the portion of outstanding debt of 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		
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	40,897,785	6,134,668	-	-	-	6,134,668	0.00%
2017	43,485,716	6,522,857	-	-	-	6,522,857	0.00%
2018	46,645,376	6,996,806	-	-	-	6,996,806	0.00%
2019	50,352,401	7,552,860	-	-	-	7,552,860	0.00%

**City of Sacramento  
Demographic and Economic Statistics for Sacramento County  
Last Ten Years**

Year	Population (A)	Personal Income (in millions of dollars) (B)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment (C)	Unemployment Rate (D)
2010	1,445,327	NA	NA	NA	NA	237,916	12.6 %
2011	1,428,355	NA	NA	NA	NA	237,567	12.7
2012	1,435,153	NA	NA	NA	NA	237,362	11.1
2013	1,445,806	NA	NA	NA	NA	238,290	8.7
2014	1,454,406	NA	NA	NA	NA	240,216	7.1
2015	1,470,912	\$ 64,638	\$ 43,944	34	NA	241,022	5.8
2016	1,495,297	69,590	46,539	33	NA	242,725	5.8
2017	1,514,770	72,894	48,122	34	NA	244,394	5.4
2018	1,529,501	76,776	50,197	34	N/A	245,906	4.2
2019	1,546,174	81,242	52,544	34	N/A	246,663	3.9

Sources: (A) City of Sacramento Comprehensive Annual Financial Reports.  
(B) County of Sacramento, Office of Auditor/Controller.

Sources: (A) California Department of Finance - Population estimates as of January 1st of each year: <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/e-1/>  
(B) US Bureau of Economic Analysis, report on Local Area Personal Income as of March 31 each year: <https://www.bea.gov/>  
(C) California Department of Education, report on Sacramento County as of June 30 each year: <http://dq.cde.ca.gov/dataquest/>  
(D) 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)	2019			2010		
	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	76,131	1	11.20%	73,273	1	11.96%
UC Davis Health System	12,674	2	1.86%	8,496	3	1.39%
Kaiser Permanente	11,404	3	1.68%	7,979	4	1.30%
Sacramento County	11,330	4	1.67%	13,304	2	2.17%
U.S. Government	10,227	5	1.50%	-	-	-
Sutter Health	8,809	6	1.30%	7,314	5	1.19%
Dignity Health	7,000	7	1.03%	-	-	-
Elk Grove Unified School District	6,381	8	0.94%	6,391	7	1.04%
Intel Corporation	6,200	9	0.91%	6,000	8	0.98%
San Juan Unified School District	5,289	10	0.78%	5,190	10	0.85%
Apple, Inc.	5,000	11	0.74%	-	-	-
Sacramento City Unified School District	-	-	-	6,500	6	1.06%
Mercy/Catholic Healthcare West	-	-	-	5,922	9	0.97%
City of Sacramento	-	-	-	4,556	11	0.74%

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 679,600 (per Employment Development Department website) in June 2019.

Sources: (A) Sacramento Business Journal, May 31, 2019. 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				
	2010	2011	2012	2013	2014
Merged Downtown					
Secured	\$ 2,656,453	\$ 2,504,312	\$ 2,427,850	\$ 2,366,130	\$ 2,300,993
Unsecured	172,285	160,110	145,125	137,567	132,581
Utility	997	997	997	770	770
Total	<u>\$ 2,829,735</u>	<u>\$ 2,665,419</u>	<u>\$ 2,573,972</u>	<u>\$ 2,504,467</u>	<u>\$ 2,434,344</u>
Del Paso Heights					
Secured	\$ 317,546	\$ 305,405	\$ 286,172	\$ 276,998	\$ 289,856
Unsecured	37,627	17,112	10,267	9,550	12,659
Utility	1	1	1	1	1
Total	<u>\$ 355,174</u>	<u>\$ 322,518</u>	<u>\$ 296,440</u>	<u>\$ 286,549</u>	<u>\$ 302,516</u>
Alkali Flat					
Secured	\$ 132,387	\$ 128,304	\$ 121,651	\$ 119,184	\$ 112,883
Unsecured	4,759	3,740	2,962	4,982	3,224
Utility	-	-	-	-	-
Total	<u>\$ 137,146</u>	<u>\$ 132,044</u>	<u>\$ 124,613</u>	<u>\$ 124,166</u>	<u>\$ 116,107</u>
Oak Park					
Secured	\$ 460,439	\$ 438,987	\$ 428,226	\$ 427,642	\$ 466,006
Unsecured	13,418	10,613	8,973	9,898	9,763
Utility	-	-	-	-	-
Total	<u>\$ 473,857</u>	<u>\$ 449,600</u>	<u>\$ 437,199</u>	<u>\$ 437,540</u>	<u>\$ 475,769</u>
River District (formerly Richards Blvd)					
Secured	\$ 454,256	\$ 405,518	\$ 403,771	\$ 396,061	\$ 375,825
Unsecured	45,813	41,732	31,661	33,655	29,486
Utility	4,200	4,200	4,264	4,779	4,779
Total	<u>\$ 504,269</u>	<u>\$ 451,450</u>	<u>\$ 439,696</u>	<u>\$ 434,495</u>	<u>\$ 410,090</u>
North Sacramento					
Secured	\$ 563,978	\$ 555,744	\$ 526,139	\$ 506,029	\$ 498,272
Unsecured	33,239	36,014	35,875	39,802	36,413
Utility	-	-	-	-	-
Total	<u>\$ 597,217</u>	<u>\$ 591,758</u>	<u>\$ 561,814</u>	<u>\$ 545,831</u>	<u>\$ 534,685</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.  
(2) One percent is the maximum tax rate by state law.

**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				
	2015	2016	2017	2018	2019
Merged Downtown					
Secured	\$ 2,344,213	\$ 2,461,341	\$ 2,682,975	\$ 3,294,112	\$ 3,572,623
Unsecured	138,662	124,172	110,587	131,439	147,725
Utility	770	748	748	748	696
Total	<u>\$ 2,483,645</u>	<u>\$ 2,586,261</u>	<u>\$ 2,794,310</u>	<u>\$ 3,426,299</u>	<u>\$ 3,721,044</u>
Del Paso Heights					
Secured	\$ 311,285	\$ 317,886	\$ 338,354	\$ 380,389	\$ 414,850
Unsecured	14,464	13,621	15,440	14,149	21,771
Utility	1	1	1	1	1
Total	<u>\$ 325,750</u>	<u>\$ 331,508</u>	<u>\$ 353,795</u>	<u>\$ 394,539</u>	<u>\$ 436,622</u>
Alkali Flat					
Secured	\$ 120,103	\$ 123,251	\$ 136,555	\$ 158,376	\$ 198,843
Unsecured	3,504	2,963	2,996	2,920	3,485
Utility	-	-	-	-	-
Total	<u>\$ 123,607</u>	<u>\$ 126,214</u>	<u>\$ 139,551</u>	<u>\$ 161,296</u>	<u>\$ 202,328</u>
Oak Park					
Secured	\$ 476,624	\$ 501,132	\$ 567,966	\$ 610,203	\$ 686,458
Unsecured	9,483	24,938	27,750	28,003	31,947
Utility	-	-	-	-	-
Total	<u>\$ 486,107</u>	<u>\$ 526,070</u>	<u>\$ 595,716</u>	<u>\$ 638,206</u>	<u>\$ 718,405</u>
River District (formerly Richards Blvd)					
Secured	\$ 403,452	\$ 393,540	\$ 404,183	\$ 413,627	\$ 444,699
Unsecured	35,352	37,314	34,732	36,120	37,676
Utility	4,779	2,591	2,591	2,591	2,464
Total	<u>\$ 443,583</u>	<u>\$ 433,445</u>	<u>\$ 441,506</u>	<u>\$ 452,338</u>	<u>\$ 484,839</u>
North Sacramento					
Secured	\$ 509,637	\$ 523,526	\$ 555,437	\$ 556,306	\$ 605,147
Unsecured	40,115	36,778	36,563	36,555	43,011
Utility	-	-	-	-	-
Total	<u>\$ 549,752</u>	<u>\$ 560,304</u>	<u>\$ 592,000</u>	<u>\$ 592,861</u>	<u>\$ 648,158</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.

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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				
	2010	2011	2012	2013	2014
Franklin Boulevard					
Secured	\$ 571,385	\$ 571,094	\$ 554,662	\$ 553,114	\$ 556,190
Unsecured	44,573	41,821	38,551	39,862	37,903
Utility	-	-	-	-	-
Total	<u>\$ 615,958</u>	<u>\$ 612,915</u>	<u>\$ 593,213</u>	<u>\$ 592,976</u>	<u>\$ 594,093</u>
Stockton Boulevard					
Secured	\$ 390,475	\$ 372,566	\$ 355,452	\$ 334,059	\$ 345,330
Unsecured	16,598	17,048	17,468	17,101	17,293
Utility	-	-	-	-	-
Total	<u>\$ 407,073</u>	<u>\$ 389,614</u>	<u>\$ 372,920</u>	<u>\$ 351,160</u>	<u>\$ 362,623</u>
Army Depot					
Secured	\$ 835,497	\$ 826,480	\$ 810,113	\$ 790,956	\$ 826,125
Unsecured	120,863	119,918	116,198	116,489	149,382
Utility	578	578	579	943	943
Total	<u>\$ 956,938</u>	<u>\$ 946,976</u>	<u>\$ 926,890</u>	<u>\$ 908,388</u>	<u>\$ 976,450</u>
65th Street					
Secured	\$ 224,753	\$ 242,905	\$ 230,618	\$ 229,458	\$ 228,785
Unsecured	25,010	25,040	25,808	17,346	14,536
Utility	-	-	-	-	-
Total	<u>\$ 249,763</u>	<u>\$ 267,945</u>	<u>\$ 256,426</u>	<u>\$ 246,804</u>	<u>\$ 243,321</u>
Railyards					
Secured	\$ 49,467	\$ 71,772	\$ 80,928	\$ 84,191	\$ 80,200
Unsecured	-	251	3,521	4,548	4,454
Utility	641	680	768	771	-
Total	<u>\$ 50,108</u>	<u>\$ 72,703</u>	<u>\$ 85,217</u>	<u>\$ 89,510</u>	<u>\$ 84,654</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.  
(2) One percent is the maximum tax rate by state law.

**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				
	2015	2016	2017	2018	2019
Franklin Boulevard					
Secured	\$ 482,823	\$ 474,370	\$ 497,711	\$ 544,375	\$ 578,295
Unsecured	32,000	31,565	35,431	34,068	33,800
Utility	-	-	-	-	-
Total	<u>\$ 514,823</u>	<u>\$ 505,935</u>	<u>\$ 533,142</u>	<u>\$ 578,443</u>	<u>\$ 612,095</u>
Stockton Boulevard					
Secured	\$ 364,463	\$ 384,262	\$ 403,482	\$ 442,555	\$ 471,634
Unsecured	17,731	16,742	15,941	15,798	18,937
Utility	-	-	-	-	-
Total	<u>\$ 382,194</u>	<u>\$ 401,004</u>	<u>\$ 419,423</u>	<u>\$ 458,353</u>	<u>\$ 490,571</u>
Army Depot					
Secured	\$ 864,133	\$ 928,249	\$ 979,664	\$ 1,052,144	\$ 1,130,114
Unsecured	139,964	110,209	106,652	111,552	115,208
Utility	943	1,072	1,072	1,072	1,072
Total	<u>\$ 1,005,040</u>	<u>\$ 1,039,530</u>	<u>\$ 1,087,388</u>	<u>\$ 1,164,768</u>	<u>\$ 1,246,394</u>
65th Street					
Secured	\$ 231,632	\$ 243,684	\$ 276,299	\$ 350,567	\$ 425,730
Unsecured	17,543	14,033	15,339	17,768	22,692
Utility	-	-	-	-	-
Total	<u>\$ 249,175</u>	<u>\$ 257,717</u>	<u>\$ 291,638</u>	<u>\$ 368,335</u>	<u>\$ 448,422</u>
Railyards					
Secured	\$ 75,245	\$ 68,288	\$ 62,600	\$ 66,406	\$ 67,471
Unsecured	5,973	10,940	7,310	7,151	11,438
Utility	-	-	-	-	-
Total	<u>\$ 81,218</u>	<u>\$ 79,228</u>	<u>\$ 69,910</u>	<u>\$ 73,557</u>	<u>\$ 78,909</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.  
(2) One percent is the maximum tax rate by state law.

**City of Sacramento  
 Successor Agency Trust Fund  
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>  
 Merged Downtown  
 As of June 30, 2019  
 (in thousands)**

<u>Assessee</u>	<u>Taxable Value <sup>(3)</sup></u>	<u>Assessee's Value <sup>(3)</sup></u>	<u>Value Difference</u>	<u>Percentage of Total Taxable Value</u>
WIP 800 J LOFTS LIMITED PARTNERSHIP	\$ 60,630	\$ 48,000	\$ (12,630)	4.22%
WIP 800 J LOFTS LIMITED PARTNERSHIP	59,441	17,831	(41,610)	13.89%
400 R STREET OWNER	24,200	12,100	(12,100)	4.04%
1800 3RD STREET OWNER LLC	15,585	7,790	(7,795)	2.60%
1800 3RD STREET OWNER LLC	15,585	7,793	(7,792)	2.60%
400 R STREET OWNER	13,200	6,600	(6,600)	2.20%
1801 3RD STREET (SACRAMENTO) OWNER LLC	10,630	811	(9,819)	3.28%
1801 3RD STREET (SACRAMENTO) OWNER LLC	10,630	5,315	(5,315)	1.77%
500 R STREET (SACRAMENTO) OWNER LLC	9,100	4,550	(4,550)	1.52%
500 R STREET (SACRAMENTO) OWNER LLC	9,100	901	(8,199)	2.74%
Sub Total	228,101	111,691	(116,410)	38.86%
All Other Taxpayers	71,441	-	-	-
Total	<u>\$ 299,542</u>	<u>\$ 111,691</u>	<u>\$ (116,410)</u>	<u>38.86%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
 (2) Information for prior years is not readily available and is not statistically significant.  
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2019.

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, 2019  
 (in thousands)**

<u>Assessee</u>	<u>Taxable Value <sup>(3)</sup></u>	<u>Assessee's Value <sup>(3)</sup></u>	<u>Value Difference</u>	<u>Percentage of Total Taxable Value</u>
MONA SUE AYERS	\$ 120	\$ 52	\$ (68)	56.67%
Sub Total	120	52	(68)	56.67%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 120</u>	<u>\$ 52</u>	<u>\$ (68)</u>	<u>56.67%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
 (2) Information for prior years is not readily available and is not statistically significant.  
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2019.

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, 2019**  
(in thousands)

<u>Assessee</u>	<u>Taxable Value <sup>(3)</sup></u>	<u>Assessee's Value <sup>(3)</sup></u>	<u>Value Difference</u>	<u>Percentage of Total Taxable Value</u>
HEARST-ARGYLE STATIONS	\$ 16,072	\$ 5,661	\$ (10,411)	63.30%
HEARST-ARGYLE STATIONS	376	287	(89)	0.54%
Sub Total	16,448	5,948	(10,500)	63.84%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 16,448</u>	<u>\$ 5,948</u>	<u>\$ (10,500)</u>	<u>63.84%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
(2) Information for prior years is not readily available and is not statistically significant.  
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2019.

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, 2019**  
(in thousands)

<u>Assessee</u>	<u>Taxable Value <sup>(3)</sup></u>	<u>Assessee's Value <sup>(3)</sup></u>	<u>Value Difference</u>	<u>Percentage of Total Taxable Value</u>
WALGREEN CO	\$ 176	\$ 95	\$ (81)	23.75%
WALGREEN CO	165	88	(77)	22.58%
Sub Total	341	183	(158)	46.33%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 341</u>	<u>\$ 183</u>	<u>\$ (158)</u>	<u>46.33%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
(2) Information for prior years is not readily available and is not statistically significant.  
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2019.

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, 2019  
 (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>
JMDH REAL ESTATE SACRAMENTO LLC	\$ 6,270	\$ 3,135	\$ (3,135)	26.36%
ZIMMER US INC	3,116	1,386	(1,730)	14.55%
ZIMMER US INC	2,508	875	(1,633)	13.73%
Sub Total	11,894	5,396	(6,498)	54.63%
All Other Taxpayers	-	-	-	-
Total	\$ 11,894	\$ 5,396	\$ (6,498)	54.63%

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 July 1, 2019.

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, 2019  
 (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>
SAM ALKAKOS	\$ 3,540	\$ 2,123	\$ (1,417)	35.59%
WALGREEN CO	232	120	(112)	2.81%
WALGREEN CO	209	102	(107)	2.69%
Sub Total	3,981	2,345	(1,636)	41.10%
All Other Taxpayers	-	-	-	-
Total	\$ 3,981	\$ 2,345	\$ (1,636)	41.10%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
 (2) Information for prior years is not readily available and is not statistically significant.  
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2019.

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, 2019  
 (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>
6200 FRANKLIN LLC	\$ 20,153	\$ 10,077	\$ (10,076)	12.43%
6200 FRANKLIN LLC	19,318	14,875	(4,443)	5.48%
6200 FRANKLIN LLC	18,427	14,875	(3,552)	4.38%
CVS CAREMARK CORP/CHERYL	7,682	3,840	(3,842)	4.74%
MACY'S WEST STORES	6,533	3,023	(3,510)	4.33%
MACY'S WEST STORES	6,334	5,153	(1,181)	1.46%
OREILLY AUTO PARTS	2,417	1,208	(1,209)	1.49%
MELISSA ANN GEORGE	193	130	(63)	0.08%
<b>Sub Total</b>	<b>81,057</b>	<b>53,181</b>	<b>(27,876)</b>	<b>34.39%</b>
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 81,057</b>	<b>\$ 53,181</b>	<b>\$ (27,876)</b>	<b>34.39%</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 July 1, 2019.

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, 2019  
 (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>
EKG INVESTORS LLC	\$ 4,160	\$ 3,500	\$ (660)	3.43%
EKG INVESTORS LLC	3,463	2,950	(513)	2.66%
EKG INVESTORS LLC	3,370	2,950	(420)	2.18%
EKG INVESTORS LLC	2,930	2,000	(930)	4.83%
EKG INVESTORS LLC	2,230	1,875	(355)	1.84%
EKG INVESTORS LLC	1,570	995	(575)	2.98%
H/S ENERGY LLC	1,540	920	(620)	3.22%
<b>Sub Total</b>	<b>19,263</b>	<b>15,190</b>	<b>(4,073)</b>	<b>21.14%</b>
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 19,263</b>	<b>\$ 15,190</b>	<b>\$ (4,073)</b>	<b>21.14%</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 July 1, 2019.

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, 2019**  
(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>
PW FUND B LP	\$ 16,639	\$ 8,320	\$ (8,319)	23.82%
PW FUND B LP	8,730	4,365	(4,365)	12.50%
SOUTHDOWN CALIF CEMENT, LLC DBA CEM	5,896	1,000	(4,896)	14.02%
PW FUND B LP	2,453	1,226	(1,227)	3.51%
RICHARD N REESE FAMILY LLC	1,141	780	(361)	1.03%
CBIP LLC	66	31	(35)	0.10%
<b>Sub Total</b>	<b>34,925</b>	<b>15,722</b>	<b>(19,203)</b>	<b>54.98%</b>
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 34,925</b>	<b>\$ 15,722</b>	<b>\$ (19,203)</b>	<b>54.98%</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 July 1, 2019.

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, 2019**  
(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	\$ 27,962	\$ 26,632	\$ (1,330)	3.28%
ACADEMY ON 65TH STATE OWNER LLC	4,075	408	(3,667)	9.05%
ACADEMY ON 65TH STREET OWNER LLC	4,075	408	(3,667)	9.05%
7400 14TH LLC	2,227	1,447	(780)	1.93%
DORRIS LUMBER/MOULDING COMPANY	2,162	20	(2,142)	5.29%
<b>Sub Total</b>	<b>40,501</b>	<b>28,915</b>	<b>(11,586)</b>	<b>28.61%</b>
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 40,501</b>	<b>\$ 28,915</b>	<b>\$ (11,586)</b>	<b>28.61%</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 July 1, 2019.

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, 2019  
 (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>
SIMS METAL MGMT	\$ 1,243	\$ 622	\$ (621)	29.07%
SIMS METAL MGMT	893	446	(447)	20.93%
Sub Total	2,136	1,068	(1,068)	50.00%
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 2,136</b>	<b>\$ 1,068</b>	<b>\$ (1,068)</b>	<b>50.00%</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 July 1, 2019.

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)**

<b>Assessee</b>	<b>2019</b>		<b>2010</b>	
	<b>Taxable Value <sup>(1)</sup></b>	<b>Rank</b>	<b>Taxable Value</b>	<b>Rank</b>
City of Sacramento (Sacramento Downtown Arena LLC)	\$ 403,605	1	\$ -	-
SG Downtown LLC	200,213	2	-	-
400 Capitol Mall Owner LP	182,725	3	-	-
SRI Eleven 621 Capitol Mall LLC	164,220	4	-	-
500 Capitol Mall LLC	144,555	5	-	-
PAC West Office Equities Limited Partnership	140,274	6	-	-
GV/Hi Pk Tower Owner LLC	125,368	7	-	-
300 Capitol Associates NF LP	117,700	8	115,866	2
CIM/J Street Hotel Sacramento LP (PMC Commercial Trust)	100,407	9	88,122	6
GSA Sacramento CA LLC	96,965	10	-	-
Hines Sacramento Wells Fargo Center	-	-	206,544	1
621 Capitol Mall	-	-	113,820	3
Downtown Plaza	-	-	97,119	4
CIM/980 9th St	-	-	94,708	5
Sacramento Equities REIT	-	-	82,617	7
1415 Meridian Plaza LLC/Valley View Invest	-	-	81,781	8
500 Capitol Mall	-	-	76,047	9
Capitol Regency LLC	-	-	60,996	10
Sub Total	1,676,032	39.31%	1,017,620	37.92%
All Other Taxpayers	2,587,717	60.69%	1,666,287	62.08%
<b>Total</b>	<b>\$ 4,263,749</b>	<b>100.00%</b>	<b>\$ 2,683,907</b>	<b>100.00%</b>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2018-19 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	2019			2010		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Greater Sacramento Urban League	\$ 6,716	1	1.43%	\$ 5,848	2	1.60%
Research Properties	5,794	2	1.24%	5,045	4	1.46%
BM Ventures LLC	5,724	3	1.22%	4,735	6	1.37%
Mercy Housing California 80 LP	3,999	4	0.85%	-	-	-
Randall Kent Douglas	3,175	5	0.68%	-	-	-
Ramon Canyon Associates LP	3,151	6	0.67%	-	-	-
John A/Leta K Nichols 1994 Rev Trst	3,051	7	0.65%	2,657	8	0.77%
Reg Real Estate/Investments CA LLC	2,821	8	0.60%	-	-	-
4555 Carmichael LLC	2,555	9	0.54%	-	-	-
US Rentals Inc	2,464	10	0.53%	-	-	-
North Avenue Apartments	-	-	-	8,455	1	2.44%
Village Park Housing Association	-	-	-	5,363	3	1.55%
Norwood Housing Associates LP	-	-	-	5,012	5	1.45%
Woodhaven Senior Residences	-	-	-	4,256	7	1.23%
Lundbom Family Trust	-	-	-	2,392	9	0.69%
Del Paso Housing Associates	-	-	-	2,474	10	0.71%
Sub Total	39,450		8.41%	46,237		13.35%
All Other Taxpayers	429,628		91.59%	300,006		86.65%
Total	\$ 469,078		100.00%	\$ 346,243		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2018-19 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	2019			2010		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Efren R Cola LTD	\$ 22,577	1	9.90%	\$ -	-	-
Hearst-Argyle Stations Inc	18,453	2	8.09%	9,519	1	7.38%
GMA Investors LP	8,350	3	3.66%	7,271	2	5.64%
Realty Advisors Inc	7,938	4	3.48%	6,911	3	5.36%
J Squared Revocable Trust	3,484	5	1.53%	-	-	-
Blackpine City Flats LLC	3,131	6	1.37%	-	-	-
1001 G State Rehabilitation Limited Partnership	2,971	7	1.30%	-	-	-
1220 E State LLC	2,971	8	1.30%	-	-	-
520 Ninth St	2,381	9	1.04%	2,073	10	1.61%
Ng-Yu Trust	2,244	10	0.98%	-	-	-
MND Creamery LLC	-	-	-	6,814	4	5.28%
Washington SHRWD II LP	-	-	-	5,567	5	4.32%
Boys and Girls Club	-	-	-	4,456	6	3.46%
Norman/Sara Evans 1990 Trust	-	-	-	4,291	7	3.33%
US Housing Partners II LP	-	-	-	3,957	8	3.07%
James Fortino Trust/Court on G Inc.	-	-	-	2,227	9	1.73%
Sub Total	74,500		32.67%	53,086		41.16%
All Other Taxpayers	153,534		67.33%	75,878		58.84%
Total	\$ 228,034		100.00%	\$ 128,964		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2018-19 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	2019			2010		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Regents University CA	\$ 22,889	1	2.86%	\$ -	-	-
Christian Brothers High School of Sacramento Inc	21,545	2	2.69%	-	-	-
Rainbow Baking Co of Sac Valley (BBU INC)	11,600	3	1.45%	14,619	2	2.11%
University of the Pacific	9,973	4	1.24%	-	-	-
Great Chi Investment LLC	6,138	5	0.77%	-	-	-
Broadway/Stockton Food Source Inv LLC	5,667	6	0.71%	5,139	5	0.74%
Crestwood-Medical Center Hospital	4,767	7	0.60%	4,141	7	0.60%
Security Public Storage - Sacramento	4,125	8	0.51%	3,520	8	0.51%
Edmar Invs LLC (Walgreens)	3,512	9	0.44%	3,058	9	0.44%
University of the Pacific	3,373	10	0.42%	-	-	-
Glassrock Partnership	-	-	-	19,824	1	2.87%
GCCFC 2005 GGS Y Street Limited Partnership	-	-	-	9,904	3	1.43%
Ticon III LP/Douglas Brown	-	-	-	5,804	4	0.84%
Donald/Virginia Compton Family Trust	-	-	-	4,381	6	0.63%
Campbell Taggart Baking Company	-	-	-	2,121	10	0.31%
Sub Total	93,589		11.68%	72,511		10.48%
All Other Taxpayers	707,505		88.32%	619,234		89.52%
Total	<u>\$ 801,094</u>		<u>100.00%</u>	<u>\$ 691,745</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 2018-19 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	2019			2010		
	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	\$ 99,132	1	20.88%	\$ 27,845	2	7.29%
Grove River District LLC	37,559	2	7.91%	7,680	7	2.01%
Scannell Properties 310 LLC	14,535	3	3.06%	-	-	-
Township Nine Ave LLC	9,809	4	2.07%	-	-	-
444 N3	7,744	5	1.63%	-	-	-
DFN LLC	7,036	6	1.48%	-	-	-
Detmer Family Limited Partnership	6,866	7	1.45%	-	-	-
Sandman Property LLC	6,464	8	1.36%	-	-	-
JMDH Real Estate Sacramento LLC	6,395	9	1.35%	-	-	-
American Rivers Invs Incorporated	6,250	10	1.32%	-	-	-
Grove Investment Company	-	-	-	30,188	1	7.90%
RECP HAW Sacramento LLC	-	-	-	18,007	3	4.71%
Mendell Allan/ETAL	-	-	-	12,547	4	3.28%
BREILO Props LLC	-	-	-	10,415	5	2.73%
Capitol Station 65 LLC	-	-	-	9,229	6	2.42%
HKM	-	-	-	7,032	8	1.84%
Bank of America	-	-	-	6,118	9	1.60%
Dos Rios Venture	-	-	-	5,965	10	1.56%
Sub Total	201,790		42.49%	135,026		35.35%
All Other Taxpayers	273,068		57.51%	246,984		64.65%
Total	<u>\$ 474,858</u>		<u>100.00%</u>	<u>\$ 382,010</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 2018-19 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	2019			2010		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Seven Up Bottling Company of San Francisco	\$ 39,363	1	5.78%	\$ 9,549	6	1.78%
Price Company	26,313	2	3.86%	17,747	2	3.32%
Ominet Sacramento Jardinette LLC	16,908	3	2.48%	-	-	-
Sacramento Healthcare Investors LP	15,939	4	2.34%	-	-	-
McCuen Acoma Street Investors	13,035	5	1.91%	11,350	5	2.12%
Roseville Life Properties	11,098	6	1.63%	-	-	-
SSCA 1300 El Camino Ave LLC	9,103	7	1.34%	-	-	-
Plaza Ave Apartments LLC	7,612	8	1.12%	-	-	-
Recreational Equipment Inc	7,365	9	1.08%	-	-	-
Sent Expo Pointe LLC	7,200	10	1.06%	8,483	7	1.58%
PD Hotel Associates LLC	-	-	-	21,309	1	3.98%
JB Management LP	-	-	-	28,981	3	5.41%
North Sacramento Land Company	-	-	-	12,007	4	2.24%
HOF Financial I LLC	-	-	-	7,866	8	1.47%
Dos Robles Limited Partnership	-	-	-	7,076	9	1.32%
2006 Tcherkoyan Family Trust	-	-	-	7,065	10	1.32%
Sub Total	153,936		22.60%	131,433		24.56%
All Other Taxpayers	527,139		77.40%	403,791		75.44%
Total	\$ 681,075		100.00%	\$ 535,224		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2018-19 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	2019			2010		
	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	\$ 20,556	1	3.34%	\$ -	-	-
United States Cold Storage Calif	10,355	2	1.68%	7,971	4	1.56%
Hillside Apartments LLC	8,015	3	1.30%	-	-	-
Sacramento Children's Home (Garfield Beach CVS LLC)	7,835	4	1.27%	5,291	7	1.03%
Greystone Place Invs LLC	7,269	5	1.18%	-	-	-
ARB Invs	7,163	6	1.16%	-	-	-
Rosedown Associates LLC	6,551	7	1.06%	7,556	6	1.48%
ABF Freight System Inc	4,927	8	0.80%	-	-	-
Extra Space Properties Two LLC	4,725	9	0.77%	7,772	5	1.52%
Campus Plaza Associates	4,724	10	0.77%	-	-	-
Campbell Soup	-	-	-	38,175	1	7.46%
Western Village LP	-	-	-	13,150	2	2.57%
Preservation Southpointe LLP	-	-	-	10,406	3	2.03%
TESCO Controls Inc.	-	-	-	4,739	8	0.93%
Sei/PSP Vi Joint Ventures	-	-	-	4,024	9	0.79%
Bowling Green Associates	-	-	-	3,899	10	0.76%
Sub Total	82,120		13.35%	102,983		20.14%
All Other Taxpayers	533,051		86.65%	408,410		79.86%
Total	\$ 615,171		100.00%	\$ 511,393		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
 (2) Based on total adjusted 2018-19 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	2019			2010		
	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	\$ 14,661	1	2.87%	\$ 11,909	4	2.82%
EKG Investors LLC	14,260	2	2.79%	13,602	1	3.22%
Sustained Invs LLC	10,877	3	2.13%	-	-	-
ESP 135 LLC	9,333	4	1.83%	-	-	-
John M/Nancy M Kehriotis Living Trust	8,326	5	1.63%	7,250	7	1.72%
NT Stockton Invs LLC	7,940	6	1.55%	6,659	9	1.58%
Long Sight Properties LLC	6,643	7	1.30%	-	-	-
Brittany Arms LLC	6,373	8	1.25%	5,549	10	1.31%
Monument Properties Sacramento LLC	6,319	9	1.24%	-	-	-
Little Saigon Plaza Sacramento	6,049	10	1.18%	-	-	-
BE Saigon Plaza LLC	-	-	-	17,505	2	4.14%
Lemon Hill Housing Associates LP	-	-	-	16,146	3	3.82%
Sommerset Place Limited Partnership	-	-	-	9,667	5	2.29%
Gonzalez, Jaime/Gloria	-	-	-	9,248	6	2.19%
Shiloh Arms LTD	-	-	-	8,851	8	1.62%
Sub Total	90,781		17.78%	104,386		24.69%
All Other Taxpayers	419,861		82.22%	318,320		75.31%
Total	\$ 510,642		100.00%	\$ 422,706		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2018-19 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	2019			2010		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Watt Elder Creek Holdings LLC	\$ 12,600	1	1.43%	\$ -	-	-
Elder Crk Transf/Recov Inc (Allied Waste Indus Inc)	11,287	2	1.28%	9,958	2	1.19%
Pitalo John E	4,958	3	0.56%	-	-	-
Power Inn Business Park LLC	4,793	4	0.54%	-	-	-
Younger Creek Management LLC	3,381	5	0.38%	-	-	-
PW Fund B LP	3,309	6	0.38%	-	-	-
AVJOG Sacramento LLC	2,780	7	0.32%	-	-	-
3RE2 LLC	2,463	8	0.28%	-	-	-
Preet LLC	2,460	9	0.28%	-	-	-
Fedex Ground Package System Inc	2,428	10	0.28%	-	-	-
R/G Hayward LLC	-	-	-	15,612	1	1.86%
Ballantyne Diana S/Mark C/Jan W Leo	-	-	-	7,829	3	0.93%
Engineered Polymer Solutions	-	-	-	7,704	4	0.92%
California Emergency Foodlink	-	-	-	7,229	5	0.86%
C/S Logistics Sacramento/TRA	-	-	-	6,991	6	0.83%
Buzz Oates LLC	-	-	-	6,504	7	0.77%
Kennedy Estates Housing Associates	-	-	-	6,444	8	0.77%
A/W Investments LLC	-	-	-	5,752	9	0.68%
Teichert Land Company	-	-	-	5,609	10	0.67%
Sub Total	50,459		5.74%	79,632		9.48%
All Other Taxpayers	829,076		94.26%	760,135		90.52%
Total	\$ 879,535		100.00%	\$ 839,767		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2018-19 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	2019		Percentage of Total Taxable Value <sup>(2)</sup>		2010		Percentage of Total Taxable Value	
	Taxable Value <sup>(1)</sup>	Rank	Taxable Value	Rank	Taxable Value	Rank	Taxable Value	Rank
NB Element DST	\$ 83,523	1	15.65%		\$ -		-	
AMCAL Sacramento LLC	80,316	2	15.05%		-		-	
SSC Sacramento Apartments LLC	73,868	3	13.84%		-		-	
Nancy C Cleavinger Revocable Trust (65th and Folsom)	30,304	4	5.68%		-		-	
Target Corporation	28,123	5	5.27%		15,171	3	5.22%	
Jackson IV LLC	17,079	6	3.20%		-		-	
65th St Village LLC (65th & Folsom LP)	11,777	7	2.21%		10,222	4	3.52%	
CPCA 7716 Folsom Blvd LLC	11,049	8	2.07%		-		-	
Academy on 65th State Owner LLC	11,042	9	2.07%		-		-	
Atlas Disposal Industries LLC	6,494	10	1.22%		-		-	
Valeo Sacramento	-	-	-		36,226	1	12.47%	
Sally R Davis Trust	-	-	-		26,468	2	9.11%	
Farming Company Folsom Blvd LLC Etal	-	-	-		10,144	5	3.49%	
Dimension Properties LLC	-	-	-		5,560	6	1.91%	
7301 14th Ave LLC	-	-	-		4,965	7	1.71%	
Kenneth/Susan Cathchol Family 2005 Revocable Trust	-	-	-		4,907	8	1.69%	
American River Self Storage LP	-	-	-		4,550	9	1.57%	
2800 Pico Associates LLC	-	-	-		4,061	10	1.40%	
Sub Total	353,575		66.27%		122,274		42.10%	
All Other Taxpayers	180,001		33.73%		168,150		57.90%	
Total	\$ 533,576		100.00%		\$ 290,424		100.00%	

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2018-19 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	2019		Percentage of Total Taxable Value <sup>(2)</sup>		2010		Percentage of Total Taxable Value	
	Taxable Value <sup>(1)</sup>	Rank	Taxable Value	Rank	Taxable Value	Rank	Taxable Value	Rank
Downtown Railyard Venture LLC	\$ 17,323	1	24.23%		\$ -		-	
Pac West Office Equities Limited Partnership	14,800	2	20.70%		-		-	
1238 Sutter Street LLC	7,699	3	10.77%		-		-	
Sutter HOJ LP	5,046	4	7.06%		-		-	
Sacramento Co Emp Credit Union	4,682	5	6.55%		3,787	5	3.96%	
PDRA/Company LLC	4,083	6	5.71%		3,556	6	3.72%	
PLF Bldg LLC	3,846	7	5.38%		-		-	
Strumwasser Michael J	3,376	8	4.72%		2,939	7	3.08%	
Bowman/Bay Building Joint Venture	2,442	9	3.42%		2,126	8	2.23%	
Kaiser Foundation Hosps	1,872	10	2.62%		-		-	
IA Sacramento Development LLC	-	-	-		46,833	1	49.02%	
CCAA Partners LLC/Bruce W. Bell/Etal	-	-	-		14,906	2	15.60%	
New Baytree LLC	-	-	-		9,046	3	9.47%	
REA Limited Partnership	-	-	-		5,406	4	5.66%	
CNPA Services Inc	-	-	-		1,598	9	1.67%	
John Morgan/Nelly B Palino/Eddie Cuevas	-	-	-		1,564	10	1.64%	
Sub Total	65,169		91.15%		91,761		96.05%	
All Other Taxpayers	6,326		8.85%		3,775		3.95%	
Total	\$ 71,495		100.00%		\$ 95,536		100.00%	

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2018-19 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 Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2009-10	\$ 42,878	\$ 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 (4)
2015-16	49,142	690	5,766	42,686	11,794	3.62	15,610	27,404	1.56 (4)
2016-17	53,765	709	1,201	51,855	11,793	4.40	14,059	25,852	2.01 (5)
2017-18	67,464	823	11,550	55,091	398	138.42	24,270	24,668	2.23 (5)
2018-19	73,805	867	13,766	59,172	10,423	5.68	15,194	25,617	2.31 (6)

**Merged Downtown**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
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 (4)
2015-16	27,081	372	2,415	24,294	11,395	2.13	146	11,541	2.11 (4)
2016-17	27,978	376	485	27,117	11,395	2.38	146	11,541	2.35 (5)
2017-18	37,146	451	5,665	31,030	-	-	146	146	212.53 (5)
2018-19	38,341	459	6,191	31,691	10,025	3.16	43	10,068	3.15

**Del Paso Heights**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
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 (4)
2015-16	3,190	45	384	2,761	-	-	14	14	197.21 (4)
2016-17	3,524	45	100	3,379	-	-	14	14	241.36 (4)
2017-18	3,978	50	638	3,290	-	-	14	14	235.00 (4)
2018-19	4,406	52	785	3,569	-	-	14	14	254.93 (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 subordinate debts and a majority of the senior debts were refunded in 2015.
- (5) 1993 Merged Downtown TABS were paid off in 2018.
- (6) Total Debt Service includes \$13,166 related to the 2015 Tax Allocation Refunding Bonds, Series A and B not allocated between project areas.

Source: County of Sacramento, Office of Auditor/Controller

**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 Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
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)
2016-17	1,347	17	26	1,304	-	-	469	469	2.78
2017-18	1,791	29	317	1,445	-	-	471	471	3.07
2018-19	2,075	24	424	1,627	-	-	472	472	3.45

**Oak Park**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
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 (4)
2015-16	4,915	70	613	4,232	-	-	34	34	124.47 (4)
2016-17	5,843	75	176	5,592	-	-	34	34	164.47 (4)
2017-18	6,213	79	1,091	5,043	-	-	34	34	148.32 (4)
2018-19	7,160	84	1,465	5,611	-	-	34	34	165.03 (4)

**River District**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
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 (3)
2013-14	1,025	20	259	746	-	-	646	646	1.15 (3)
2014-15	1,542	23	280	1,239	-	-	642	642	1.93 (4)
2015-16	1,544	22	288	1,234	-	-	229	229	5.39 (4)
2016-17	1,633	22	29	1,582	-	-	229	229	6.91 (4)
2017-18	1,793	23	338	1,432	-	-	230	230	6.23 (4)
2018-19	2,203	25	428	1,750	-	-	228	228	7.68 (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 subordinate debts and a majority of the senior debts were refunded in 2015.

Source: County of Sacramento, Office of Auditor/Controller

A-144



**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 Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2009-10	\$ 3,087	\$ 36	\$ 237	\$ 2,814	\$ 530	5.30	NA	NA	NA
2010-11	2,722	45	209	2,468	528	4.68	NA	NA	NA
2011-12	2,439	44	187	2,208	539	4.10	\$ 629	\$ 1,168	1.89 (1)
2012-13	2,323	44	165	2,114	537	3.94	779	1,316	1.61
2013-14	2,303	38	247	2,018	524	3.85	778	1,302	1.55 (2)
2014-15	2,689	37	262	2,390	530	4.51	772	1,302	1.84
2015-16	2,819	40	282	2,497	218	11.45	375	593	4.21 (4)
2016-17	2,951	41	-	2,910	218	13.35	374	592	4.92
2017-18	3,229	40	323	2,866	218	13.15	377	595	4.82
2018-19	3,824	45	388	3,391	218	15.56	375	593	5.72

**Franklin Boulevard**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2009-10	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2010-11	NA	NA	NA	NA	NA	-	NA	NA	NA
2011-12	\$ 2,225	\$ 39	\$ 184	\$ 2,002	-	-	\$ 100	\$ 100	20.02 (1)
2012-13	2,354	41	195	2,118	-	-	109	109	19.43
2013-14	2,414	38	189	2,187	-	-	99	99	22.09
2014-15	952	24	117	811	-	-	99	99	8.19 (3)
2015-16	1,640	23	116	1,501	-	-	41	41	36.61
2016-17	2,050	25	-	2,025	-	-	41	41	49.39
2017-18	2,511	30	217	2,264	-	-	41	41	55.22
2018-19	2,826	33	256	2,537	-	-	41	41	61.88

**Stockton Boulevard**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2009-10	\$ 1,957	\$ 22	\$ 405	\$ 1,529	\$ 187	8.19	NA	NA	NA
2010-11	1,611	26	317	1,268	191	6.63	NA	NA	NA
2011-12	1,496	26	387	1,083	180	6.02	\$ 250	\$ 430	2.52 (1)
2012-13	1,369	24	329	1,016	191	5.32	261	452	2.25
2013-14	1,420	24	377	1,019	180	5.66	245	425	2.40
2014-15	1,755	24	446	1,285	180	7.14	246	426	3.02
2015-16	1,933	28	526	1,379	180	7.66	149	329	4.19 (4)
2016-17	2,238	28	65	2,145	180	11.92	149	329	6.52
2017-18	2,598	33	770	1,795	180	9.97	167	347	5.17
2018-19	2,966	35	911	2,020	180	11.22	169	349	5.79

Notes:

NA Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

(2) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.

(3) Revised to correct total tax increment received.

(4) Various subordinate debts and a majority of the senior debts were refunded in 2015.

Source: County of Sacramento, Office of Auditor/Controller

**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 Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2009-10	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	\$ 2,617	\$ 44	\$ 523	\$ 2,050	-	-	\$ 737	\$ 737	2.78 (1)
2012-13	2,342	43	452	1,847	-	-	748	748	2.47
2013-14	3,200	50	643	2,507	-	-	735	735	3.41
2014-15	3,556	50	699	2,807	-	-	739	739	3.80
2015-16	3,944	56	847	3,041	-	-	267	267	11.39 (2)
2016-17	4,579	58	236	4,285	-	-	267	267	16.05
2017-18	5,428	67	1,376	3,985	-	-	268	268	14.87
2018-19	6,755	73	1,882	4,800	-	-	266	266	18.05

**65th Street**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2009-10	NA	NA	NA	NA	\$ -	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	\$ 1,035	\$ 17	\$ 207	\$ 811	-	-	\$ 524	\$ 524	1.55 (1)
2012-13	923	16	181	726	-	-	523	523	1.39
2013-14	834	14	185	635	-	-	506	506	1.25
2014-15	1,030	14	197	819	-	-	500	500	1.64
2015-16	1,067	16	228	823	-	-	388	388	2.12 (2)
2016-17	1,540	19	79	1,442	-	-	388	388	3.72
2017-18	2,578	29	784	1,765	-	-	387	387	4.56
2018-19	3,249	37	1,036	2,176	-	-	386	386	5.64

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.

Source: County of Sacramento, Office of Auditor/Controller

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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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Citywide and community support	-	-	-	23	23	21	5	5	5	5
Code enforcement	90	-	-	-	-	-	-	-	-	-
Community development	107	170	166	159	163	166	219	227	250	273
Convention and cultural services	206	196	194	133	138	126	120	116	115	115
Development services	-	-	-	-	-	-	-	-	-	-
Economic development	22	18	14	11	11	11	11	12	- (2)	-
Fire	582	611	589	527	642	657	674	678	672	681
General government	329	319	312	305	320	325	370	431	512	531
General services	257	247	225	368	367	372	- (1)	-	-	-
Neighborhood services	9	-	-	-	-	-	-	-	-	-
Youth, parks, and community enrichment	680	648	579	553	577	568	599	683	616	619
Planning	-	-	-	-	-	-	-	-	-	-
Police	1,091	1,060	900	847	940	973	1,033	1,052	1,030	1,034
Public works	-	-	-	395	406	415	732	725	723	735
Transportation	424	409	409	-	-	-	-	-	-	-
Utilities	752	698	698	505	510	522	538	528	546	562
<b>Total</b>	<b>4,549</b>	<b>4,376</b>	<b>4,086</b>	<b>3,826</b>	<b>4,097</b>	<b>4,156</b>	<b>4,301</b>	<b>4,457</b>	<b>4,469</b>	<b>4,555</b>

Notes: (1) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology and Public Works.  
(2) The Department of Economic Development has been reallocated to the Department of General Government.

**City of Sacramento  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Police</b>										
Adult arrests	20,555	19,885	17,058	18,650	19,570	18,113	16,778	14,476	13,350	13,975
Citizen initiated calls for service with officer responses	176,157	168,207	154,193	154,233	118,975	141,181	149,275	148,663	152,597	161,914
<b>Fire</b> <sup>(1)</sup>										
Number of incidents	59,608 <sup>(2)</sup>	71,111	73,343	74,427	75,000	80,596	85,742	90,018	92,026	93,836
Number of structure fires	359 <sup>(2)</sup>	606	652	680	586	784	756	735	767	998
Number of construction inspections/reviews	2,790	NA	NA	4,568 <sup>(3)</sup>	4,761	3,234	4,181	8,268 <sup>(3)</sup>	10,102	9,830
<b>General services</b>										
Number of animal licenses issued	17,094	17,132	17,318	15,810 <sup>(4)</sup>	15,057	8,995	12,016 <sup>(5)</sup>	14,428	23,799	31,507
Number of animal outplacements	3,300	2,901	3,750	5,521 <sup>(6)</sup>	6,167	7,447	8,789	9,248	9,589	8,529
<b>Public works</b>										
Number of traffic investigations completed	903	712 <sup>(6)</sup>	717	821	936	678	896	1,001	1,041	613
Number of parking citations issued	240,248	184,216 <sup>(6)</sup>	164,492	165,700	171,066	196,566	192,706	183,326	197,170	200,338
<b>Convention and cultural services</b>										
Number of Community Convention Center events	453	417	389	378	378	358	408	430	372	229
Community Convention Center event attendance	780,000	873,577	796,000	645,000 <sup>(7)</sup>	881,253	775,253	744,145	905,733 <sup>(8)</sup>	1,034,980	902,110
Number of Zoo attendance	481,452	486,518	526,959	508,061	512,758	549,407	533,368	500,573	600,935	427,440
<b>Youth, parks, and community enrichment</b>										
Number of students enrolled in START	8,563	7,437	5,795 <sup>(9)</sup>	5,330	5,603	6,867	4,534 <sup>(9)</sup>	2,785 <sup>(9)</sup>	711 <sup>(9)</sup>	477
Number of students enrolled in 4th R	2,600	2,142	3,899	1,949	1,955	2,007	1,863	1,180	2,419 <sup>(9)</sup>	2,250
Number of lunches served through food programs	120,726 <sup>(10)</sup>	133,687	42,848 <sup>(6)</sup>	- <sup>(10)</sup>	-	-	-	-	-	-
<b>Community development</b> <sup>(11)</sup>										
Number of building permits issued	11,786	11,474	11,545	12,146	13,950	14,002	17,041	18,701	20,582	19,365
Building permit valuation (in million of dollars)	543	387	291	301	362	544	778	1,267	1,243	1,809
Vehicles abated by City	6,944	429	254 <sup>(12)</sup>	282	343	306	772	1,644	2,606	2,880
Notice and orders issued on housing and dangerous buildings	305	250	188 <sup>(13)</sup>	253	154	279	239	206	382	369
<b>Water</b>										
Number of accounts	136,600	136,812	137,148	135,353	135,590	134,971	136,130	139,238	140,735	142,831
Amount distributed/pumped (million of gallons)	38,453	37,363	38,692	40,034	34,896	29,557	27,324	28,511	30,800	28,478
<b>Wastewater</b>										
Number of accounts	76,385	76,394	76,477	76,494	76,657	76,471	76,849	77,137	77,521	78,125
Amount distributed/pumped (million of gallons)	14,302	NA	10,695	6,805 <sup>(14)</sup>	10,603	10,605	10,025	10,025	9,025	6,366
<b>Storm drainage</b>										
Number of accounts	132,506	133,188	133,814	134,651	135,834	136,850	137,754	139,198	140,934	142,858
Amount distributed/pumped (million of gallons)	27,288	NA	28,445	17,602	14,885 <sup>(15)</sup>	24,179	20,225	46,964 <sup>(16)</sup>	18,321 <sup>(16)</sup>	33,624 <sup>(16)</sup>
<b>Solid waste</b>										
Residential garbage disposed (in Tons)	112,203	110,103	106,085	109,141	109,060	111,140	112,497	118,355	118,437	138,049
Commercial garbage disposed (in Tons)	17,688	12,918 <sup>(17)</sup>	12,251	1,222	- <sup>(18)</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 is available.  
(3) In FY10, the decrease in number of lunches served through food programs was due to a decrease in number of sites in operation from 112 to 43. The sites were scaled back to better manage the program and reduce waste.  
(4) In FY11, the reason for the significant drop in the number of traffic investigations completed was due to the decrease in calls from the General Public. In addition, FY11 onwards, Maintenance Calls were excluded.  
(5) There were 4 fewer parking enforcement officers, and (6) the staff were fatigued.  
(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 Altas Disposal and California State University, Sacramento to Allied Waste.  
(7) In FY12, the number of school sites the City of Sacramento served under START program was reduced from 57 to 46, thus reducing the total number of students enrolled.  
(8) In FY12, the number of lunches served through food programs decreased significantly because the federal grant for this program ended in September 2011.  
(9) The number of students enrolled in 4th R program has been declining since FY09 due to substantial decline in the subside-side of enrollees. Due to the recession many parents/guardians lost their employment and were not pursuing post secondary education/skill training which make them ineligible to receive these subsidies because the requirement for eligibility is either employment or post secondary education/skill training. In addition, there was also some decline in fee based enrollment.  
(10) In FY12, the number of vehicles abated by City decreased significantly due to the slow economic conditions which led to people holding onto their vehicles longer as well as turning in vehicles for the cost of parts or scrap metal.  
(11) In FY12, the number of complaints for housing and dangerous buildings declined largely due to proactive inspections performed under the City's Rental Housing Inspection Program which led to decrease in notice and orders issued on housing and dangerous buildings.  
(12) Fire Prevention has been working diligently to improve the way they track inspection data. Therefore, current year data is more accurate than prior years data.  
(13) In FY13, the number of animal licenses issued declined largely due to economic downturn as pet owners make tough choices licensing suffered.  
(14) Partnership with outside agencies in California and other states resulted in an increase in the number of animal outplacements in FY13.  
(15) In FY13, the number of entertainment events at Memorial Auditorium declined largely due to a major stage extension maintenance/replacement project that limited its use for approximately four months, no sold-out and extended-run performances. FY12 included sold out extended run performances of Wicked.  
(16) In FY13, the summer food program is terminated.  
(17) The reduction in flows has occurred due to water conservation efforts and reduced system infiltration caused by the below normal rainfall influence on the water table. There was less rainfall in FY13 than in FY12.  
(18) Prior to FY13, reported as Development and Code Enforcement Departments.  
(19) Amount of storm drainage distributed/pumped is dependent on rainfall. There was less rainfall in FY14 than in FY13 and FY12.  
(20) Solid Waste commercial garbage collection was discontinued in October 2012.  
(21) In FY16, the number of animal licenses issued increased due to the implementation of web licensing.  
(22) In FY16 attendance for the START program decreased due to Elk Grove School District not participating in the program.  
(23) In FY17, the number of construction inspections doubled.  
(24) In FY17, the number of attendees increased due to increase in events held at the center.  
(25) In FY17, the number of students enrolled in START decreased due to the closure of 18 sites (10 Sacramento City Unified School District and 8 Twin Rivers Unified School District sites).  
(26) Amount of storm drainage distributed/pumped is dependent on rainfall.  
(27) In FY18, the number of students enrolled in START decreased due to reduced funding and non renewal of 21st century federal grant.  
(28) In FY18, the number of students enrolled in 4th R Program increased due to the addition of new site, i.e. Paso Verde. An average of 100 participants enrolled monthly at this site.

Source: Various City of Sacramento Departments

**City of Sacramento  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Police</b>										
Number of stations <sup>(1)</sup>	4	4	4	4	4	4	4	4	4	4
<b>Police</b>										
Number of patrol units <sup>(2)</sup>	242	242	242	263	243	226	231	234	229	190
Number of aircraft	3	3	4	4	4	4	4	4	5	5
Number of watercraft	2	2	3	3	3	2 <sup>(11)</sup>	2	5	4	4
<b>Fire</b>										
Number of stations	23	23	24	24	24	24	24	24	24	24
Number of fire suppression, support or prevention vehicles	160	160	159	159	159	159	162	162	162	162
Number of watercraft	NA	NA	NA	NA	NA	1 <sup>(11)</sup>	1	1	6	6
<b>Public works</b>										
Miles of streets	3,903	3,108	3,108	3,965	3,077	3,059	3,059	3,075	3,062	3,118
Number of street lights	41,262	41,301	41,679	41,788	42,048	42,225	42,627	42,914	43,223	43,438
Number of City parking spaces <sup>(5)</sup>	8,484	8,484	8,484	8,484	8,484	4,775 <sup>(12)</sup>	4,775	4,775	4,775	4,775
Miles of off-street bikeways	78	82	82	83	84	57	57	57	88	88
<b>Youth, parks, and community enrichment</b>										
Number of parks	212	213	213	222	222	222	225	227	227	213
Park acreage <sup>(6)</sup>	3,171	3,171	3,150 <sup>(6)</sup>	3,161 <sup>(10)</sup>	3,161	3,161	3,183	3,177	3,177	3,340
Number of community centers <sup>(7)</sup>	13	13	13	13	13	13	13	13	14	14
Number of swimming pools (including wading pools)	26	26	26	26	26	26	27	27	27	27
<b>Water</b>										
Miles of water mains and distribution lines <sup>(8)(7)</sup>	1,724	1,596	1,599	1,599	1,597	1,727	1,599	1,604	1,607	1,603
<b>Sewers and storm drainage</b>										
Miles of sanitary sewers and storm drainage <sup>(8)</sup>	1,950	1,954	1,951	1,951	1,951	1,873	1,869	1,876	1,960	1,961
<b>Off-street parking</b>										
Number of City garages and open parking lots	10	10	10	10	10	7 <sup>(12)</sup>	7	7	7	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	475	475	475	475	475	475	475	475	475	475

Notes: (1) From FY2008 onwards, police stations refer to stations plus police headquarters.  
(2) From FY2010 onwards, patrol units include cars and motorcycles.  
(3) From FY2009 onwards, City parking spaces is defined as only those which are City-owned.  
(4) Golf course acreage is not included from FY2005 onwards.  
(5) Does not include neighborhood centers.  
(6) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.  
(7) From FY2009 onwards, does not include miles for private mains and mains owned by other agencies.  
(8) Non-pipe elements may have been included in years prior to FY2009.  
(9) In 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.  
(10) In FY2013, the City added 10.78 acres in 6 parks (all in the River District in the Central City), Beroud Richards Plaza (0.12 ac.), Cannery Plaza parkade (0.19 ac.), Pennington Paseo (0.21 ac.), Victory Promenade (0.49 ac.), 7th Street Promenade (1.0 ac.) and Tomerato's 9 Park (8.77 ac.).  
(11) In FY2015, Police Department transfer one of their watercraft to Fire Department.  
(12) 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**

	2019	2010
Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
Number of budgeted positions	4,555	4,549
Area in square miles	100	99
Altitude in feet	20	20
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	4	4
Number of police personnel sworn / civilian (actual)	688/319	705/466
Number of patrol units	190	242
<b>Fire</b>		
Number of stations	24	23
Number of fire personnel sworn / unsworn	643/68.5	591/43
Number of fire protection, support and prevention vehicles	162	160
<b>Utilities</b>		
Miles of water mains and distribution lines <sup>(1)</sup>	1,603	1,724
Annual water production in gallons	28 Billion	38.5 billion
Miles of sanitary sewers and storm drainage	1,961	1,950
<b>Public works</b>		
Miles of streets	3,118	3,063
Number of street lights	43,438	41,252
Number of City managed parking lots / spaces	20/4616	19/10,280
Miles of off-street bikeways	88	78
Boat harbor slips	475	475
<b>Convention and cultural services</b>		
Golf courses	6	6
Zoo animals <sup>(2)</sup>	450	502
Fairytale town attendance for year	250,368	228,126
Crocker Art Museum attendance for year	257,674	92,442
Community Convention Center attendance for year	902,110	780,000
<b>Youth, parks, and community enrichment</b>		
Parks	213	212
Park acreage <sup>(3)</sup>	3,340	3,173
Camp Sacramento attendance for year	3,113	2,901
Community centers	14	13
Neighborhood centers	3	8
Swimming pools	12	12
Baseball fields <sup>(4)</sup>	95	49
Soccer fields	108	132
Ball courts	127	164
<b>Library</b>		
Library branches	12	28
Library books and audiovisual recordings in circulation	1,615,490	1,970,552

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) Zoo animals number is comprised of animals on-site (either owned by zoo or owned by other entity).  
(3) Golf course acreage is not included from FY2005 onwards.  
(4) This includes softball, little league and adult baseball from FY2011 onwards.

Source: Various City of Sacramento departments and publications

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**APPENDIX B**  
**GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING**  
**THE CITY OF SACRAMENTO**

This Appendix B provides general information of the City of Sacramento (the “City”). The information is historical, and does not account for the potential impacts of the COVID-19 pandemic.

**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 January 1 for each year.

**POPULATION ESTIMATES<sup>(1)</sup>  
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO  
AND THE STATE OF CALIFORNIA  
FOR SELECTED CALENDAR YEARS 2010 THROUGH 2019**

<b>Year<sup>(2)</sup></b>	<b>City of Sacramento</b>	<b>Average Annual % Change</b>	<b>County of Sacramento</b>	<b>Average Annual % Change</b>	<b>State of California</b>	<b>Average Annual % Change</b>
2010	466,488	-	1,420,434	-	37,309,382	-
2015	482,714	0.68%	1,482,542	0.85%	38,915,880	0.84%
2016	486,111	0.70	1,496,619	0.94	39,189,035	0.70
2017	493,025	1.42	1,514,770	1.21	39,523,613	0.90
2018	501,344	1.40	1,529,501	1.10	39,809,693	0.80
2019	508,172	1.50	1,546,174	1.00	39,927,315	0.50

<sup>(1)</sup> Totals are estimates and may not add due to rounding.

<sup>(2)</sup> The population estimates incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

## Industry and Employment

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

Set forth below are data reflecting the civilian labor force, employment, and unemployment for the Sacramento Metropolitan Statistical Area, which includes El Dorado, Placer, Sacramento, and Yolo Counties. These figures might not accurately reflect employment trends in the City.

**SACRAMENTO METROPOLITAN STATISTICAL AREA  
CIVILIAN LABOR FORCE, EMPLOYMENT, AND  
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY**

<b>LABOR FORCE:</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Labor force <sup>(1)</sup>	1,052,800	1,068,300	1,075,300	1,089,600	1,101,000
Employment	991,200	1,012,000	1,026,400	1,048,200	1,061,400
Unemployment	61,700	56,000	48,900	41,400	39,600
Unemployment Rate	5.9%	5.3%	4.5%	3.8%	3.6%
<b>EMPLOYMENT INDUSTRY:</b>					
Total All Industries <sup>(2)</sup>	927,700	959,300	979,200	1,007,400	1,027,300
Total Farm	9,400	9,700	9,800	9,100	8,800
Total Non-farm	918,400	949,600	969,400	998,300	1,018,500
Mining & Logging	400	400	400	500	500
Construction	50,300	55,000	58,700	64,500	68,400
Manufacturing	36,400	36,200	35,700	36,000	36,500
Trade, Transportation & Utilities	147,000	151,900	154,500	159,900	161,700
Information	14,200	13,800	12,600	12,400	11,900
Financial Activities	50,900	51,800	52,400	53,400	52,500
Professional & Business Services	120,100	127,800	130,000	133,500	134,900
Education & Health Services	140,900	146,500	153,600	159,800	166,400
Leisure & Hospitality	95,400	99,800	103,300	106,200	109,200
Other Services	30,900	31,700	33,000	34,200	35,100
Total Government	232,000	234,700	235,200	238,000	241,400
Federal Government	13,700	14,000	14,200	14,100	14,200
State and Local Government	218,200	220,600	221,000	223,800	227,200

<sup>(1)</sup> Labor-force data are by place of residence and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work and excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: Labor Market Information Division of the California State Employment Development Department.

The table below identifies the major private-sector employers and the major public-sector employers for the greater Sacramento area (Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties). Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail, and financial services. Major public-sector employers include the State and the County. The data provided are through December 2019 and may not reflect subsequent changes in work force.

**SACRAMENTO COUNTY  
MAJOR PRIVATE AND PUBLIC SECTOR EMPLOYERS IN 2019**

<b>Company</b>	<b>Type of Business</b>	<b>No. of Full-Time Employees</b>
State of California	Government	76,131 <sup>(1)</sup>
UC Davis Health System	Health Care	12,674
Kaiser Permanente	Healthcare	11,404
Sacramento County	County Government	11,330
U.S. Government	Government	10,227
Sutter Health	Healthcare	8,809
Dignity Health	Healthcare	7,000
Elk Grove Unified School District	School District	6,381
Intel Corp.	Semiconductor Manufacturer	6,200
San Juan Unified School District	Public School District	5,289
Apple Inc.	Research and Development	5,000 <sup>(2)</sup>
City of Sacramento	Municipal Government	4,773
Sacramento City Unified School District	Public School District	4,200
Health Net	Healthcare	3,300
Los Rios Community College District	Two-year Community College	3,281
Raley's	Grocery Store Chain	3,240
California State University Sacramento	University	3,118 <sup>(3)</sup>
VSP Global	Vision Care	2,317
Sacramento Municipal Utility District	Municipal Electric Company	2,208
Folsom Cordova Unified School District	Public School District	2,178

<sup>(1)</sup> Includes 7,010 intermittent employees.

<sup>(2)</sup> Estimate based on previously published information.

<sup>(3)</sup> Includes 918 part-time employees.

Source: Sacramento Business Journal, 2020 Book of Lists

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

**UNEMPLOYMENT STATISTICS  
Calendar Year**

	2015	2016	2017	2018	2019
Sacramento	6.3%	5.5%	4.7%	3.9%	3.7%
California	6.2	5.5	4.8	4.2	4.0
National	5.3	4.9	4.4	3.9	3.7

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



**MEDIAN HOUSEHOLD INCOME  
Calendar Year**

	<u>City of Sacramento</u>	<u>State of California</u>	<u>United States</u>
2018	\$58,456	\$71,228	\$60,293
2017	\$54,615	\$67,169	\$57,652
2016	\$52,071	\$63,783	\$55,322
2015	\$50,739	\$61,818	\$53,889
2014	\$50,013	\$61,489	\$53,482

Source: United States Census Bureau

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

<u>Year</u>	<u>Per Capita Income</u>
2018	\$30,487
2017	28,671
2016	27,146
2015	26,208
2014	26,020

Source: United States Census Bureau

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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”), the Second Supplemental Indenture, dated as of June 1, 2017 (the “Second Supplemental Indenture”) and as further supplemented by the Third Supplemental Indenture, dated as of May 1, 2020 (the “Third Supplemental Indenture” and, together with the Original Indenture, as supplemented, the First Supplemental Indenture, and the Second 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.

“Series 2020 Bonds” means the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) 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 Obligations Fund described above that are required to be made on a given date have been made, the Trustee shall deposit in the Fees and Expenses Fund the amounts necessary for payment of Fee and Expense Obligations owing on such date.

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

### **Establishment and Application of Funds and Accounts**

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

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

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

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “\_\_\_\_\_ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. Not later than the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the City, apply moneys in such Sinking Account to the purchase of Term Bonds of

such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding the Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during that period and prior to giving notice of redemption, the City has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to the Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce the Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the City by the Trustee. Any amounts remaining in a Sinking Account on September 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Revenue Fund. All Term Bonds purchased from a Sinking Account or deposited by the City with the Trustee in a 12-month period ending September 1 (or in a six-month period ending March 1 or September 1 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next March 1 or September 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City.

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

The Series 2020 Bonds are not Participating Bonds under the Indenture.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund (which, subject to the other provisions of the Indenture, shall be transferred by the Trustee to the City), or in substitution of any Reserve Facility that is part of the Bond Reserve Requirement relating to one or more Series of Bonds, the City may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, that, together with cash, Investment Securities, or other Reserve Facilities (as described in the next paragraph), then on deposit in a Reserve Fund, will equal the applicable Bond Reserve Requirement. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in the Indenture as described in this paragraph. At least one year prior to the

stated expiration of such letter of credit, the City shall deliver one of the following to the Trustee; (1) a replacement letter of credit, (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of the Indenture as described in the next paragraph. Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the Order of the City. If the City shall fail to deposit a replacement letter of credit, extension or replacement Reserve Facility with the Trustee, the City shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the applicable Bond Reserve Requirement will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Bond Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in a Reserve Fund one week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

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

Subject to the Indenture, all amounts in the Reserve Fund (including all amounts that may be obtained from a Reserve Facility on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee, as follows: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which the Reserve Fund relates; or (ii) together with any other moneys available therefor, (a) for the payment or redemption of all Bonds then Outstanding of the Series to which the Reserve Fund relates, or (b) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which the Reserve Fund relates, provided, however, that if funds on deposit in the Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which the Reserve Fund relates, the amount on deposit in the Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (c) for the payment of the final principal and interest payment of the Bonds of such Series.

Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in the Reserve Fund prior to applying amounts held in the form of Reserve Facilities in the Reserve Fund. If the Trustee has applied all cash and Investment Securities and more than one Reserve Facility is being held on deposit in the Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of,

Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Bonds of such Series, shall so notify the City thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

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

Unless the City shall otherwise direct in writing, any amounts in the Reserve Fund in excess of the applicable Bond Reserve Requirement shall be transferred by the Trustee to the Revenue Fund on the Business Day following September 1 of each year; provided that such amounts shall be transferred only from available sources held in the Reserve Fund other than any Reserve Facility. In addition, amounts on deposit in the Reserve Fund shall be transferred by the Trustee to the City (1) upon the defeasance, retirement or refunding of Bonds of the Series to which such Reserve Fund relates provided that such transfer shall not be made unless (a) immediately thereafter all of the Bonds to which the Reserve Fund relates shall be deemed to have been paid pursuant to the defeasance provisions of the Indenture or (b) the amount remaining in the Reserve Fund after such transfer shall not be less than the applicable Bond Reserve Requirement; or (2) upon the replacement of cash on deposit in the Reserve Fund with one or more Reserve Facilities in accordance with the Indenture as described in the second and third paragraphs of this section, subject in the case of both clauses (1) and (2) to the requirements of the applicable Tax Certificate.

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

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



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

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

### **Payment Provisions Applicable to Interest Rate Swap Agreements**

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

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

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

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

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

### **Investment in Funds and Accounts**

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

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

### **Issuance of Additional Bonds and Other Obligations**

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

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

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

proceeds of the sale of such Series of Bonds or from other funds of the City or from both such sources or may be made in the form of a Reserve Facility.

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

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

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

(a) an allowance for System Net Revenues that would have been derived from each new connection to the 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 (this “**Certificate**”) is executed and delivered by the CITY OF SACRAMENTO (the “**City**”) in connection with the issuance of its Water Revenue Bonds, Series 2020 (Federally Taxable) (the “**Series 2020 Bonds**”). The Series 2020 Bonds are being issued under an Indenture, dated as of March 1, 2013, as supplemented by the Third Supplemental Indenture dated as of May 1, 2020, between the City and U.S. Bank National Association, as trustee (as supplemented, the “**Indenture**”). In connection with the Series 2020 Bonds the City as follows:

1. **Purpose of this Certificate.** The City is executing and delivering this Certificate for the benefit of the Holders and Beneficial Owners of the Series 2020 Bonds and to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “**SEC**”).
2. **Definitions.** In addition to the definitions set forth above or in the Indenture, which apply to any capitalized term used in this 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 as required by, and as described in, sections 3 and 4 of this Certificate.
  - “Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020 Bonds (including persons holding Series 2020 Bonds through nominees, depositories, or other intermediaries).
  - “EMMA System” means the MSRB’s Electronic Municipal Market Access system or any other electronic system the MSRB designates to perform the function of the EMMA System.
  - “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). “Financial Obligation” does not include municipal securities (defined in the Rule) as to which final official statements (defined in the Rule) have been provided to the MSRB consistent with the Rule.
  - “Listed Event” means any of the events listed in section 5(a) of this Certificate.
  - “MSRB” means the Municipal Securities Rulemaking Board.
  - “Official Statement” means the Official Statement relating to the Series 2020 Bonds, dated April 23, 2020.
  - “Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

- “State” means the State of California.
- “Underwriters” means the underwriters listed on the cover page of the Official Statement.

**3. Provision of Annual Reports.**

- (a) The City shall provide to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report that is consistent with the requirements of section 4 of this Certificate. The City shall do this not later than the end of the ninth month after the end of the City’s Fiscal Year (currently June 30), commencing with the report for the 2019-20 Fiscal Year, The Annual Report may be submitted as a single document or as separate documents composing a package and may cross-reference other information as provided in section 4 of this Certificate, except that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, then the City shall give notice of the change in the same manner as for notice 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.

**4. Content of Annual Reports.** The City’s Annual Report must contain or incorporate by reference the following:

- (a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If, however, the City’s audited financial statements are not available by the time the Annual Report is required by section 3(a) to be filed, then the Annual Report must contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
- (b) Numerical or tabular data of the type contained in the following tables in the Official Statement, to reflect actual results of the most recently completed fiscal year (projections need not be updated):
  - (1) Table 2 – Water Production by Source
  - (2) Table 5 – Number of Connections by User Type

- (3) Table 6 – Largest Customers by Service Charge Revenues
- (4) Table 8 – Selected Monthly Rates
- (5) Table 9 – Uncollected Water System Charges
- (6) Table 11 – Summary of Historical Operating Results

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 SEC, subject to the following: if a document included by reference is a final official statement, then it must be available from the MSRB, and the City shall clearly identify the document by reference.

## 5. **Reporting of Significant Events.**

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020 Bonds in a timely manner, but not more than 10 business days after the event:
  - (1) Principal and interest payment delinquencies.
  - (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
  - (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (4) Substitution of credit or liquidity providers, or their failure to perform.
  - (5) Issuance by the Internal Revenue Service of a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
  - (6) Tender offers.
  - (7) Defeasances.
  - (8) Rating changes.
  - (9) Bankruptcy, insolvency, receivership, or similar event of the City.

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: if a receiver, fiscal agent, or similar officer is appointed for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City; or if such jurisdiction has been assumed by leaving the existing

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.
- (b) The City shall give, or cause to be given, in accordance with section 5(c), notice of the occurrence of any of the following events with respect to the Series 2020 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 2020 Bonds or other material events affecting the tax status of the Series 2020 Bonds;
  - (2) Modifications to rights of holders of the Series 2020 Bonds.
  - (3) Optional, unscheduled, or contingent bond calls.
  - (4) Release, substitution, or sale of property securing repayment of the Series 2020 Bonds.
  - (5) Non-payment related defaults.
  - (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
  - (7) Appointment of a successor or additional trustee or the change of name of a trustee.
  - (8) Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect holders of the Series 2020 Bonds.
- (c) If the City obtains knowledge of the occurrence of a Listed Event described in section 5(b), the City shall determine, as soon as possible, if the Listed Event would be material under applicable federal securities laws. If the City determines that the Listed Event would be



material, then the City shall file a notice of the occurrence with the EMMA System in a timely manner, but not more than 10 business days after the occurrence.

6. **Termination of Reporting Obligation.** The City's obligations under this Certificate will terminate (a) upon the legal defeasance, prior redemption, or payment in full of all of the Series 2020 Bonds; (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 2020 Bonds; or (c) if the Series 2020 Bonds otherwise cease to be subject to the requirements of the Rule. If termination occurs before the final maturity of the Series 2020 Bonds, the City shall give notice of the termination in the same manner as for notice of a Listed Event under section 5(c).
7. **Amendment and Waiver.** Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:
  - (a) If the amendment or waiver relates to 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 2020 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 2020 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.
  - (c) The amendment or waiver either (1) is approved by the Holders of the Series 2020 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 2020 Bonds.
  - (d) The City shall describe the amendment or waiver in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its effect on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment or waiver relates to the accounting principles to be followed in preparing financial statements, then the City shall give notice of the change in the same manner as for notice of a Listed Event under section 5(c), and the Annual Report for the year in which the change is made must present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. **Additional Information.** This Certificate does not prevent the City (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to that required by this Certificate. If the City includes any information in an Annual Report or a notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, the City will not be obligated to update that information or include it in any future Annual Report or notice of occurrence of a Listed Event.
9. **Default.** If the City fails to comply with any provision of this Certificate, then the Underwriters or any Holder or Beneficial Owner of the Series 2020 Bonds may take any actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate is not an Event of Default under the Indenture, and the sole remedy if the City fails to comply with this Certificate is an action to compel compliance.
10. **Beneficiaries.** This Certificate inures solely to the benefit of the City, the Underwriters, and the Holders and Beneficial Owners from time to time of the Series 2020 Bonds, and it creates no rights in any other person or entity.

(Signature Page Follows)

Dated: May 6, 2020

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: \$\_\_\_\_\_ Water Revenue Bonds, Series 2020 (Federally Taxable)

Date of Issuance: \_\_\_\_\_, 2020

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 Third Supplemental Indenture dated as of May 1, 2020, 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

## APPENDIX E

### PROPOSED FORM OF BOND COUNSEL OPINION

May 6, 2020

City of Sacramento  
Sacramento, California

City of Sacramento  
Water Revenue Refunding Bonds, Series 2020  
(Federally Taxable)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with the issuance of \$188,390,000 aggregate principal amount of City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Bonds”), issued pursuant to an Indenture, dated as of March 1, 2013 (the “Original Indenture”), as supplemented to the date hereof, including as supplemented by a Third Supplemental Indenture, dated as of May 1, 2020, each between the City and U.S. Bank National Association, as trustee (the “Trustee”). The Original Indenture, as so supplemented, is referred to herein as the “Indenture.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; 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 original delivery of the Bonds on 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 original delivery of the Bonds on 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. We call attention to the fact that the rights and obligations under the Bonds and the Indenture 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 or having the effect of 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 April 23, 2020 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 exempt from State personal income taxes. We observe that interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We express no opinion regarding any 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, will act as securities depository for the Series 2020 Bonds. The Series 2020 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 2020 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 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 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 2020 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 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 Series 2020 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 2020 Bonds; DTC's records reflect only the

identity of the Direct Participants to whose accounts such Series 2020 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 Series 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2020 Bonds documents. For example, Beneficial Owners of Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 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 2020 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2020 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 2020 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2020 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 2020 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 2020 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 2020 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.





