

City of San Pablo, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30TH 2018





CITY^{OF} SAN PABLO

City of New Directions



CITY OF SAN PABLO, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

PREPARED BY THE
FINANCE DEPARTMENT



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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CITY_{OF} SAN PABLO

City of New Directions



Letter of Transmittal

January 11, 2019

Dear Mayor, Members of the City Council and Citizens of the City of San Pablo:

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) within six months of the close of each fiscal year. Therefore, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of San Pablo, California for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the information—including all disclosures—rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of San Pablo. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

Accounting for all of the City's activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City's recorded financial data. The Finance Department, in conjunction with the City's management team, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met, while recognizing that this assurance is not absolute. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. City administration believes the existing internal control systems are adequate to provide reasonable assurance that the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "unmodified" auditor's report issued in 2018.

Letter of Transmittal

INDEPENDENT AUDIT

The City Council is responsible for: 1) assuring the City administration fulfills its responsibilities in the preparation of the financial statements; and 2) engaging certified public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial reporting. The Government Code of the State of California requires general law cities, which includes the City of San Pablo, to have its financial statements audited by an independent certified public accountant.

Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion on the City's financial statements in accordance with auditing standards generally accepted in the United States of America. To ensure complete independence, Maze & Associates Corporation has full and complete access to meet with the City Council and to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor's report on the basic financial statements is the first item in the accompanying Financial Section.

In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related requirements identified in the Office of Management and Budget Circular A-133. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements.

Profile of San Pablo

The City of San Pablo was incorporated in 1948 as a general law city under the laws of the State of California. Located in West Contra Costa County along Interstate 80, San Pablo is just minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. The City is governed by a five-member City Council, under the Council-Manager form of government. As of January 1, 2018, the State Department of



Finance listed the City's population at 31,593 encompassed within its 2.6 square miles. The City ended fiscal year 2017/18 with a Total Operating Funds Budget of \$41.2 million and 190.3 full-time equivalent (FTE) employees.

Over the years, the City has become a thriving residential and business community. San Pablo is home to Contra Costa Community College and is fortunate to have a wealth of community resources, including a library, computer education center, a childcare facility, a regional healthcare facility and a career center.



Letter of Transmittal

Many multilingual nonprofits, like First 5 and Lao Family Community Development, round out the diverse support services offered to residents. The City also offers youth programs at the award-winning San Pablo Community Center and senior services at the Senior Center to meet a variety of needs and interests, in addition to being recognized nationally and regionally for innovative and cutting-edge programs. Historically one of the oldest Spanish settlements in the region, San Pablo's city hall with fountains and plazas reflects that heritage.

The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation and General Administrative services. Each of these services is funded through the City's annual budget and can be found in this document.

BUDGET POLICIES / PROCESS

The City's quadrennial budget serves as the foundation for planning and controlling the City's finances. As such, the City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the quadrennial appropriated budget approved by the City Council. Budgetary control is established at the fund level. Budgets are prepared and expenditures recorded at the object of expenditure level. The accounting records are maintained using either the accrual basis or modified accrual basis of accounting, as appropriate. The City also maintains an encumbrance accounting system as one technique for accomplishing budgetary control.



City of San Pablo

Quadrennial Operating
Budget FY 2018-2021



In fiscal year 2016/17, the City began preparations for its first quadrennial budget process. The budget looks out four years with a major budget update every two years, creating a forward-thinking, living document that undergoes constant review and makes for seamless transition between budgets. Individual departments can prioritize and recommend near-term budgetary funding requirements while City management can see the impact of those decisions over time and still meet City Council long-term strategic goals and initiatives. In this way, the City has bridged the gap between annual operational plans and long-term financial plans.

After departmental funding requests are submitted and reviewed by the City Manager's Office and the Finance Division, they are balanced and prioritized to fit with current financial obligations and within the constraints of projected revenue assumptions. The

balanced budget is then proposed to the Budget, Fiscal and Legislative Standing Committee before

*Letter of Transmittal*

presentation to City Council at a scheduled public Budget Workshop in May or June with final budget adoption happening at a City Council meeting in June pursuant to the City's Municipal Code requirements. Although still in its infancy, this new quadrennial budget process is proving extremely valuable in managing the vagaries of budgetary planning that are subject to the changing statewide political landscape and economic cycles over which the City has no control (e.g. changes in PERS pension liability formulas).

Activities of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds are included in the quadrennial appropriated budget. Budget-to-actual comparisons are included in the Summary Schedules Section for the General Fund, certain Special Revenue Funds and certain Debt Service Funds.

Certain funds are not legally required to adopt quadrennial operating budgets as their appropriations are either: (1) established by the related bond documentation, (2) other legal agreements, or (3) are multi-year projects covered through the Capital Improvement Program (CIP) Budget whose budget cycle exceeds one fiscal year. The only City fund meeting these criteria is the Public Works Construction Capital Projects Fund.

ECONOMIC OUTLOOK

The City can be characterized as an older community that is almost completely built out. Since the 2000 U.S. Census, the City population has remained relatively constant, with minimal residential development activity. Although property values plummeted during the Great

Fiscal Year Ending June 30	Secured	Unsecured	Total Taxable Assessed Value	Total Taxable Assessed Value
2014	1,244,136,495	44,270,604	1,244,138,509	1,288,407,099
2015	1,420,050,225	44,184,743	1,420,052,240	1,464,234,968
2016	1,556,312,280	46,435,464	1,556,314,296	1,602,747,744
2017	1,676,817,299	45,076,140	1,676,819,316	1,721,893,439
2018	1,808,565,819	45,161,702	1,808,567,837	1,853,727,521

Source: Contra Costa County Auditor Controller

Recession, they have been regaining value over time and are nearing their 2007 peak values. Indeed, total taxable values have increased dramatically year over year for the last five fiscal years: by 14.0% in 2014/15, 9% in 2015/16, 7% in 2016/17, 8% in 2017/18, and 6.6% in 2018/19, an increase of \$117 million for the year and placing San Pablo in the top third of all cities Countywide in terms of growth rate. Moreover, Proposition 8, introduced in 1978, which allows taxable values to decline below their indexed Proposition 13 levels when the real estate market declines, has largely recovered. In the 2018 tax roll year, 406 parcels (7.1% of all San Pablo parcels) are still awaiting full restoration of their assessed peak valuation prior to the Great Recession. Moreover, positive growth in assessed valuation is expected to continue over the next several years.

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Median sales prices of detached single family residential homes have increased dramatically year over year for the last six fiscal years: by 39% in 2013, 34% in 2014, 15% in 2015, 16% in 2016, 9% in 2017, and 18% in 2018. This equates to a total median sales price of \$426,000 in 2018, and a small gap of \$29,000 from the median peak price of \$455,000 in 2006. Because of this change, those properties that received a lowered taxable value as allowed by Proposition 8 in 1978 will have been restored to full value, such that their assessed value will again be limited to the 2% growth cap per year as allowed under Proposition 13. The overall percentage change in net taxable assessed value from 2017/18 to 2018/19 is 6.6%, an increase of \$116.5 million for the year and placing San Pablo in the top third of all cities Countywide in terms of growth rate.



As the local economy continues to improve, regional unemployment rates continue to drop. The California Employment Development Department (EDD) reports unemployment rates for Contra Costa County at 9.4% in June 2012, 6.2% in 2014, 4.7% in 2016 and 3.5% in 2018. San Pablo's unemployment rate has experienced even greater gains. With unemployment at 14.1% in June 2012, the rate declined to 9.6% in 2014, 5.3% in 2016 and currently stands at 4.0% in 2018. As an indication of economic health, 2018 second quarter sales tax receipts in Contra Costa County increased by 1.8% (net of

adjustments) over the same time frame one year ago. San Pablo increases matched the County overall at 1.8%. The Contra Costa County tax pool which accounts for online sales and of which San Pablo is a recipient, increased at a rate of 2.6% over the same time frame. Coupled with the steady growth of the Casino Business License Tax revenue, which makes up over 60% of General Fund revenues, the City's revenue stream remains very strong.

With the recovering economy, inflationary conditions are returning nationwide, including an increase in the Consumer Price Index (CPI) of 4.4% (October 2018) for the San Francisco Bay/Oakland Area over the same period one year ago. Despite the economic recovery, interest rate earnings on short-term cash investments remain at relatively low levels but have been steadily increasing throughout the fiscal year. The pooled money investment account at the Local Agency Investment Fund (LAIF) only earned 1.4% during fiscal year 2018, but month-end rates for December 2018 stand at 2.3%. This low interest rate environment will have a greater negative impact on San Pablo than other jurisdictions, because of the large cash reserves needed to meet reserve policy requirements. Talk of a coming recession and political uncertainty may slow economic growth nationally over the next year. Short-term cash rates of return are expected to remain in the 2.0% to 3.0% range.

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In December 2012, the City received its first tax receipts from Measure Q, a voter-approved one-half cent sales tax measure. Designed to: (1) augment City economic development efforts, (2) improve programming for youth services, and (3) enhance police activities, this tax is a general, not special, tax, and thus is not limited to specific uses. Measure Q revenues have outpaced projected revenues each year since inception. However, as approved by voters, the measure reduced to one-quarter cent after five years—in October 2017—and will completely sunset after 10 years. As such, budget plans were scaled back and tailored to fit within the new limited capacity.

In December 2014, the City began receiving its first tax receipts from Measure K, another voter-approved sales tax measure. Measure K, however, is a special tax collected in perpetuity that can only be used to fund emergency medical services in the City of San Pablo. At a rate of one-quarter cent of all taxable sales, the

tax generated \$754,366 in FY 2015/16, its first full year of operation. In FY 2017/18, Measure K generated \$796,864, while the contract for enhanced emergency medical services with the Contra Costa County Fire Protection District cost \$1.2 million annually, increasing to \$1.5 million in FY 2018/19.

During and immediately after the Great Recession, the City made a concerted effort to lower expenditures in the near- and long-term, including reduced employee benefits and labor concessions. During the last few budget cycles, including the current quadrennial budget, this strategy paid off as the City was able to present a balanced budget without the need to dip further into reserve accounts. This has been especially significant, allowing the City to fund major capital projects with leveraged grant funds (e.g. the Rumrill Sports Park and the San Pablo Community Center), despite the loss of approximately \$3 million in annual revenue with the dissolution of the Redevelopment Agency. During FY 2017/18, major capital projects include completion of the City's Branch Library and the start of construction for a new city hall. To ensure San Pablo's continued positive prognosis, the City will need to continue this path of prudent fiscal practices to ensure its ability to meet future obligations, including increased pension costs, capital outlays, and emergency medical services, among other things.

FINANCIAL MANAGEMENT & SUSTAINABILITY

Improved Financial Management: The City has developed a solid financial management system comprised of several key components, including conservative budgeting and spending practices; fiscal policies and procedures to guide future action; adequate cash reserve requirements to weather coming financial storms, future liabilities and unexpected emergencies; and regular short-term and long-term budgetary performance reviews and monitoring. These actions have resulted in the following:

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▪ A credit rating of “AA-“ by Standard & Poor’s Rating Services (S&P) was issued in January 2015 and reaffirmed in January 2018. S&P cited the City’s strong financial performance supported by strong fiscal management practices as key credit positives.

▪ In FY 2018, the City received general revenues of \$42.3 million against operating expenditures of \$33.1 million. Because of large capital expenditures (transfers out) of \$14.8 million, offset by other financing sources of \$11.5 million, fund balance for the fiscal year decreased by \$2.3 million. Significant increases to fund balance are expected after next fiscal year when construction of the new city hall and other major capital projects are completed.

▪ Adoption of the “Fiscal Resiliency Reserve Policy” in October 2013 which created additional framework, usage, and payback requirements when dipping into cash reserves. Perhaps most importantly, the policy created designated cash reserves to fund known large expenditures, which have not yet materialized, such as vehicle replacements, OPEB liabilities, capital projects, etc. These designated reserves are updated at least annually.

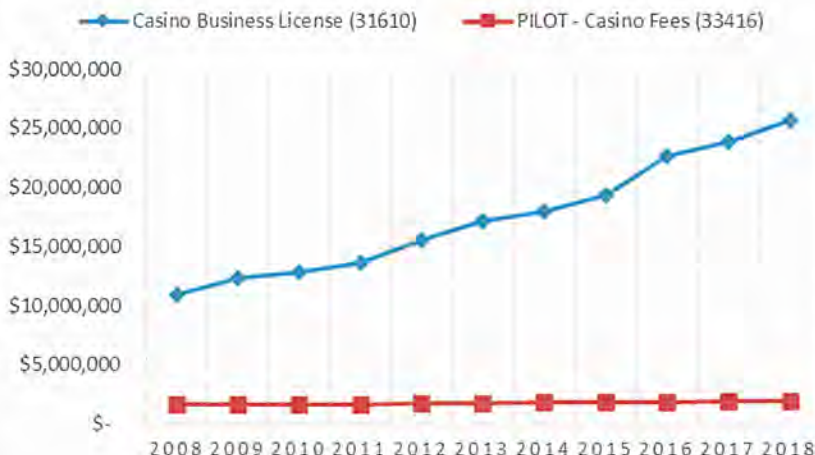
▪ Improved budgeting and budget monitoring, including introduction of the quadrennial budget process, monthly financial reports for budget managers citywide, and preparation of the City’s Ten-Year Financial Plan.

▪ Introduction of the City’s first formalized and comprehensive set of Financial Policies and Procedures in October 2018.

▪ Acceptance of modest and sustainable salary adjustments and increased length of labor contracts to four years, coinciding with the time frame of the Quadrennial Budget.

Other Post-Employment Benefits (OPEB): Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. In June 2015, Governmental Accounting Standards Board (GASB) issued Statement No. 75 which became effective fiscal year 2018. It requires the City to report the entire net OPEB liability and a more comprehensive measure of OPEB expense for postemployment

CASINO REVENUES



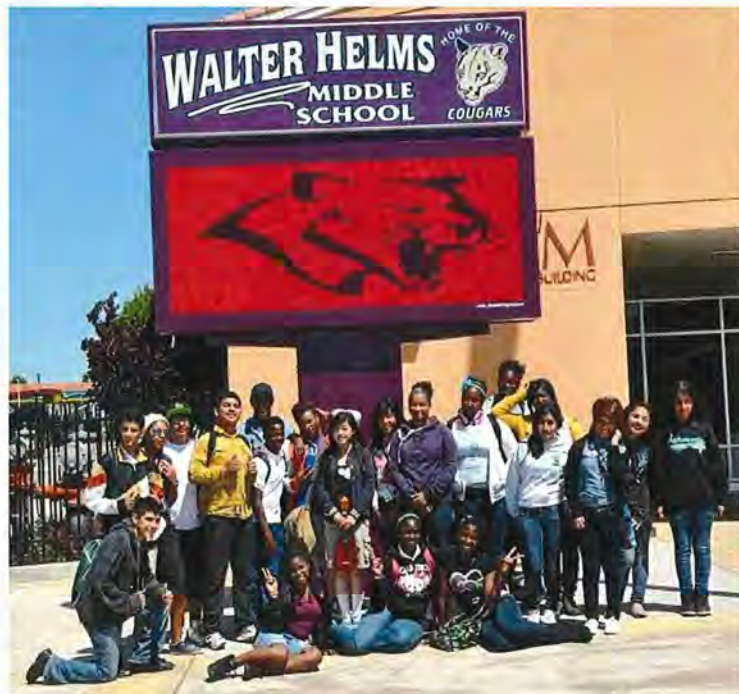
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benefits other than pensions. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (A.R.C.) for OPEB on an annual basis, the City Council established a funding strategy which includes pay-as-you-go financing plus an additional amount to pre-fund benefits. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed as payment. Pre-funding will ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. This funding strategy has resulted in the City having net OPEB assets of \$9.2 million against net OPEB liabilities of \$9.3 million as of June 30, 2018.

MAJOR INITIATIVES – IMPLEMENTING OUR WORK PLAN

Services for Families and Youth: In 2010, the City created the Youth Services Program to develop services for Families and Youth. Youth Services is committed to the healthy development of youth and is focused on developing positive opportunities, programs and partnerships that will provide children and youth with skills, knowledge, support and resources leading to healthy and productive lives. Youth Services programs, services and initiatives support a community where government, families, schools, law enforcement, and organizations work together to create an environment conducive to support young people, their learning and their success.

Full Service Community Schools: In recent years, the San Pablo City Council adopted the Full Service Community Schools Initiative (FSCSI) with the goal of transforming all schools in San Pablo into Full Service Community Schools (Community Schools). In February 2016, the City took a major step forward in turning that vision into reality by awarding a contract to the San Francisco Foundation to expand the FSCI to all San Pablo schools and Richmond High School. In a Community School, the school district, city, county, community and faith-based organizations, businesses, families and philanthropists form a strong, deep and transparent partnership. They can jointly address the identified needs of students,



families and the community in a comprehensive, integrated and accountable way. The group shares leadership, works towards a common vision and agenda, and shares responsibility for results. A Community School focuses on the needs of the whole child – physical, emotional, social and academic – to create the conditions necessary for all children to learn and be successful in life. Unlike traditional schools, a

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Community School strengthens families and communities so that they are better able to support student success. A Community School also supports qualified and effective teachers who provide high quality instruction, promote high standards and expectations for all students, and deliver challenging curriculum to help students thrive. Walter T. Helms Middle School, hub of the San Pablo FSCS Initiative, is developing stronger connections to the elementary schools in the Helms “feeder pattern” and to Richmond High School where Helms students matriculate. These connections will align both the academic and service elements of the initiative to promote student success, healthy and prosperous families and a healthy community.

Youth Futures Task Force: The Youth Futures Task Force (YFTF) is modeled on the successful history of the Mayor’s Gang Prevention Task Force (MGPTF) in the City of San José and the recent efforts of Santa Rosa’s MGPTF. These two municipalities have successfully implemented youth violence prevention/gang intervention strategies in their communities and reinforce the concept that collaborative efforts across a broad spectrum of community partners ensure that a large number of stakeholders accept responsibility and accountability for the safety, health and welfare of its youth, families, and communities. The City of San Pablo is committed to the healthy development of our youth within a context of community safety and security. The Youth Futures Task Force calls for various agencies and systems, including government agencies, law enforcement, social services agencies, educational, grass-root, and faith-based organizations to work together to achieve a more innovative, integrated, team-oriented approach in working with youth at great risk of committing intentional acts of violence and/or engaging in behaviors related to the gang lifestyle. In 2015, the



YFTF expanded its focus to better align with the Full Service Community Schools Initiative, enabling the City to prevent violence while also supporting and enhancing programming that meets all the needs of the child. Programming for the 2015-2019 school years includes Community Schools Coordination, Out of School Time, Violence Prevention and Intervention, and Youth Leadership and Development.

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San Pablo Team for

Youth: San Pablo Team for Youth (TFY) was created as the funding arm of the Youth Futures Task Force and provides grant opportunities for public and non-profit agencies to expand and/or enhance prevention and intervention programs and services to youth exhibiting high-risk behaviors, including those that are gang-related. TFY is the funding mechanism



for developing and deploying youth services that support the mission of San Pablo's Youth Futures Task Force. In 2015, TFY became the funding arm for the Community Schools Initiative.

Childhood Obesity Prevention Task Force: The San Pablo City Council hosted its first Childhood Obesity Prevention Task Force (COPTF) meeting in March 2012 to bring awareness to the growing childhood obesity epidemic in the community. Representatives from over 20 groups or programs, including County, City, non-profit, community-based and faith-based agencies, schools, and medical organizations attended. The convening of the Task Force represented the first step towards strengthening partnerships in the fight against this growing epidemic. The Task Force worked collaboratively with stakeholders to develop a Community Action Plan (CAP) that was adopted by City Council on April 10, 2014. The CAP focused on increasing community awareness of the obesity epidemic, increasing accessibility to healthy food and physical activity opportunities, and expanding healthy eating/active living programs. The Community Action Plan also identified program and policy priority areas to guide collaborative efforts towards a healthier San Pablo. In FY 2016 and 2017, the San Pablo City Council provided one-time discretionary funding of \$50,000 each year to assist the COPTF in reaching its goals, but still there was a need to secure a sustainable revenue source to continue the work. Therefore, in April 2018, City Council adopted two separate resolutions (2018-047 and 2018-059 respectively), which dedicated annual revenues from the City's adopted Digital LED Billboard revenue and a portion of Measure Q sales tax revenue totaling approximately \$300,000 annually. With a secure future, the City Council transformed the existing COPTF into a new 5-member Childhood Obesity Prevention Advisory Group with the purpose of assisting City staff to award contracts and administer programs with childhood obesity prevention service providers, and to meet periodically to share information on city-wide childhood obesity prevention activities.

*Letter of Transmittal***COMMUNITY ENGAGEMENT**

A pillar for any community is the ability to engage its residents in worthwhile community activities. 2014 turned out to be a banner year for the City of San Pablo as the National Civic League announced San Pablo as a winner of the 2014 All-America City Award, the country's most prestigious award for outstanding, community-based civic accomplishments. Created in 1949, the All-America City Award is the oldest community recognition program in the nation. The 2014 awards had a special focus on successful efforts to address the underlying conditions that affect the health of our communities.

The City of San Pablo submitted an application listing three examples of successful community exchange, civic engagement, collaboration, and innovation. The projects in the application were the General Plan's Health Element, the Childhood Obesity Prevention Task Force, the San Pablo Economic Development Corporation (SPEDC), and the San Pablo Police Department's Community Partnership Programs.

City leaders also understand the importance of ongoing civic engagement and reach out on a regular basis to provide information in mixed media. The City has created new virtual and in-person sources for information pertaining to the City through the programs below.

Government Outreach: The City's website provides access to City services and City officials, 24-hours a day, 7-days a week, from the comfort and convenience of home. Through this system, residents can report graffiti, street lights that may be out of service, illegal dumping, and can also post questions and/or concerns that will then be routed to the appropriate staff person for response.

E-newsletter Subscription: Residents and interested parties can now sign up to receive a weekly electronic newsletter informing them of current events and news in San Pablo. Subscribing through the City's website is easy and the user can select the e-mail topics they wish to receive.

Community Outreach - New Methods: Since November 2012, the City Council has maintained a contract with a social media professional services provider to administer all City social media accounts to actively promote City activities, programs and services. Community engagement vis-à-vis social media such as the City's Facebook page and Twitter account continues to rise dramatically.



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ECONOMIC DEVELOPMENT



The City of San Pablo works cooperatively with the San Pablo Economic Development Corporation (SPEDC), a 501(c) (3), to develop programs aimed at eliminating barriers to employment, attracting and enhancing business opportunities and facilitating site



development. These efforts are geared toward creating local jobs for San Pablo residents and reducing the unemployment rate. During the height of the Great Recession, unemployment stood at over 24%. The State Economic Development Department reports San Pablo's unemployment rate at 3.2% for November 2018.

Other SPEDC efforts have also proven very successful: the "Removing Barriers" program includes workforce workshops, bilingual computer literacy training, childcare assistance, Wardrobe for Opportunity, and a tattoo removal program that has garnered international attention. Other partnerships provide specific job training, placement, and workforce readiness, including tuition assistance for San Pablo's Contra Costa College, Moler Barber College, RichmondBuild, FLOW and the Stride Center. These efforts are lifting the community, strengthening the City's future and changing lives.



FISCAL STABILITY

Compensation & Labor Negotiation Strategy: The City is committed to remain competitive in recruiting and retaining valuable employees while also remaining fiscally responsible and managing cost at a sustainable level. During the last two cycles of labor negotiations, the City was able to eliminate retiree medical benefits for elected officials, reduce the City's long-term retiree medical costs for all employees, and limit City payments of rising pension costs by sharing those costs with employees. During current

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negotiations for contracts ending on June 30, 2017, the City secured four-year labor agreements to coincide with the Quadrennial Budget. Contracts were struck which called for modest but sustainable salary increases at fixed-rates roughly equivalent to the Consumer Price Index (CPI) for the San Francisco/Oakland Bay Area) and limited City risk to increasing medical premiums. Moreover, the City funded a comprehensive financial planning model to ensure costs were sustainable. Coupled with offering progressive, non-compensable benefits such as flexible work schedules, computer loan programs, professional training and the like, the City remains a very desirable place to work.

New Revenue Generation Strategies: The City remains committed to enhancing major sources of revenue. The City works with the Lytton Tribe to maintain and enhance its main source of General Fund revenue: Casino Business Tax. To this end, the City is assisting the Tribe to improve Casino parking by facilitating parking expansion—more parking spaces means more patrons at the Casino, a win-win solution. Additionally, the City’s Master Fee Schedule (MFS) gets updated regularly to help revenues keep pace with expenses. After a major update in FY 2011/12, another Citywide update occurred in FY 2015/16. As a result, in the intervening six years, total revenues in the Charges for Service category have increased nearly three-fold, from \$733,972 in FY 2011/12 to \$2,053,387 in FY 2017/18.



The City also seeks major new revenues wherever there is opportunity. The City is bringing in more rental income while supporting residents’ healthcare needs by being landlord of medical office buildings in the wake of the closure of Doctor’s Medical Center and partnering with the

County to provide rented building space for the Women, Infants and Children (WIC) program; the facility opened in November 2018 to much acclaim. In FY 2018/19, the City also completed construction of a digital LED freeway sign, which is slated to bring in additional annual revenues of approximately \$300,000 beginning in that fiscal year. Moreover, the City is moving forward with plans to install a fiber optic network, primarily to connect all major City facilities, but with the opportunity to expand service into residential neighborhoods. This new wireless technology will have the capability of providing extremely fast internet service to assist residents in keeping up with technology and closing the “digital divide”, while providing a stable, ongoing source of revenue.

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INFRASTRUCTURE FINANCING

Redevelopment Agency: For decades, most California cities, including San Pablo, relied on local redevelopment agencies as a tool to revitalize blighted areas and provide funding for much needed infrastructure projects. This practice ended on January 31, 2012 when the Redevelopment Agency (RDA) was required by the State to be dissolved. With the dissolution of the RDA, the City has had to secure alternative funding for projects that were previously funded through redevelopment. As a strategy, the City has used general fund revenues, and federal, state and local grants to fund such projects.

The City, acting as Successor Agency (SA) to the RDA is now in the final phase of “clean-up” and various RDA unwind procedures. In 2014, the SA completed a refinancing of nearly all outstanding Redevelopment Agency bond debt. By combining multiple issues of bond debt into Series 2014A and Series 2014B Tax Allocation Bonds (TAB’s), the Successor Agency was able to issue bonds totaling \$54,565,000, which saved taxpayers over \$5,000,000 in debt service payments, and greatly simplified loan administration. In October 2016, the SA followed by refunding the remaining \$2,650,000 in outstanding debt that was ineligible for refunding in 2014. This 2016 issuance, significantly reduced payments, saving approximately \$125,000 annually in debt service.

MAJOR CAPITAL PROJECTS

City Hall: Opened in 1978, the current City Hall structures were originally built in the late 1950’s as a hotel and relocated to the current site. Over the years, the buildings became inefficient, obsolete, in need of substantial repair, and presented a significant liability for the City. Projected cost estimates for repairs of six buildings—including upgrades needed for ADA compliance—made the project cost-prohibitive. Taking the 2014 Targeted Industries Study into consideration which identified the Civic Center property as one of four opportunity sites within City limits that had high potential for development/redevelopment, a City Council subcommittee concluded that constructing a new facility was the best option and Lot 5 at



Letter of Transmittal

Plaza San Pablo was selected as the best location from a cost-benefit analysis.

After a Request for Proposals, the City awarded the bid in September 2016 to Capital Partners Development Company, LLC for the sale and redevelopment of the current Civic Center site as well as the award for the design and construction of a new 42,000 square foot City Hall. However, On October 5, 2017, the City received a memorandum from Capital Partners requesting termination of the agreement, citing increased construction costs and the inability to deliver the new City Hall within budget. As part of the termination, Capital Partners agreed to assign any and all rights it had on all plans and reports developed to date.

On October 30, 2017, the City issued a new RFP to a shortlisted group of design-build enterprises (DBEs) and received four proposals. The “bridging documents,” attached in the RFP included the design approved by the Planning Commission. Under the RFP, and pursuant to design-build statutes, the contract was awarded to Overaa Construction on a “best value” basis, as determined by the City. Under the proposal, Overaa will design and build a 42,000 square foot building, including the tenant improvements, at a cost of \$18,164,951 that will meet the LEED Silver certification (Leadership in Energy and Environmental Design rating). Overaa is proposing to complete the project in approximately 19 months. Conceptual drawings have been received and funding approved, including \$15 million in 2018 Tax Exempt Lease Revenue Bonds and General Fund Designated Reserves.

County WIC Building: The City of San Pablo has long partnered with Contra Costa County to provide its neediest residents with access to healthcare. Recently, the County approached the City to help find space for a new Women, Infants and Children (WIC) facility. On June 15, 2016, the City Council approved an agreement with the County to build and lease a stand-alone building for the WIC program. Under the agreement, the City was responsible for the design-build delivery of the project and funding the shell of the WIC Building, while the County was responsible for funding the tenant improvements within the building.



In 2016, the City issued a Request for Qualifications and subsequent Request for Proposals for the design-build of the WIC Building. In February 2017, W.E. Lyons Construction was selected as the Design Build Entity to design and construct the 7,200 square foot building at a total cost of \$3.7 million, with the building shell costing \$2.24 million and tenant improvements costing \$1.14 million. Construction began in Summer 2017, with the project expected to take approximately 12 months to complete. Mack 5 will serve as Construction Manager for the project.

New Branch Library: The City secured a long-term lease for a new library on a 22,000 square foot space

Letter of Transmittal

at the corner of Church Lane and San Pablo Avenue, almost tripling the size of the current library and providing more robust services to patrons. The City then authorized a contract with Group 4 Architecture to redesign the former Walgreens building into the new San Pablo Library. After receiving seven bids, the City awarded the construction contract to Strawn Construction for \$5,688,300.



In September 2016, City Council approved funding for the new library by appropriating \$4,255,000 from the 2014 Tax-Exempt Lease Revenue Bonds (LRB's) and \$1,055,000 in 2014 Taxable LRB's plus \$1,384,000 from General Fund Designated Reserves earmarked for Plaza San Pablo Civic and Infrastructure Projects. Construction ended in FY 2017/18 and a Notice of Completion was issued in December of that year. As is the norm in the branch library system, the City is responsible for paying rent, maintenance and operational costs related to the space, while the County provides all library services.

Undergrounding of Utilities on El Portal West: The City took the lead in preparing plans and construction documents which are now complete. Bid documents were advertised in the fall of 2016 with construction beginning in the first half of 2017 and the City issuing a notice of completion in November of that year. The City fronted money for project construction costs estimated at \$1.2 million, and utility companies reimbursed the City over \$872,000 using Rule 20A funding.

Letter of Transmittal



San Pablo Community Center (PW 535):

The City of San Pablo and the SPEDC worked with Noll & Tam Architects and Planners to design and construct the San Pablo Community Center (SPCC), which opened in June 2014. The Community Center is a 10,500 square foot facility that includes a large, multi-purpose space with a kitchen, two smaller meeting/classrooms, a teen lounge, a computer room, and a fitness room. Located on a 20,000 square foot site

adjacent to the Helms Middle School, the City partnered with the West Contra Costa Unified School District City to develop a ground lease and a joint use agreement for the exterior fields and the gymnasium when school is not in session. The Community Center, however, is entirely a City-operated facility. The project was funded using a variety of sources, including a New Market Tax Credits grant, and grant funds from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The Community Center was honored as the Outstanding Facility for 2014 by the California Park & Recreation Society's District 3 (Alameda and Contra Costa Counties). Attendance in all programs increased by 50% in the first six months of operation.

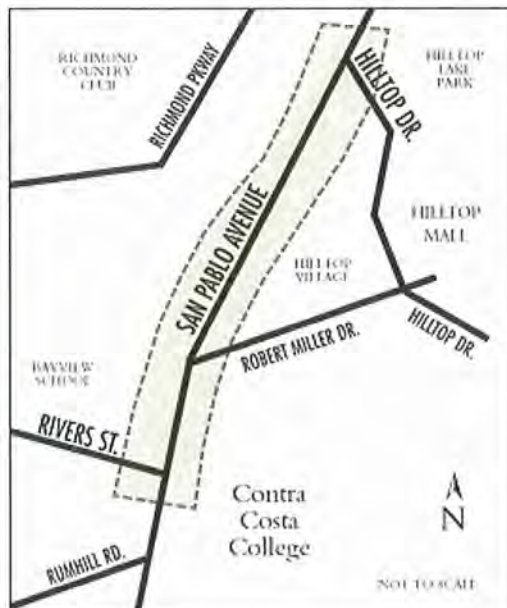
INFRASTRUCTURE / TRANSPORTATION

The City has been engaged in several major transportation projects, including and a “Complete Streets” project along San Pablo Avenue; the I-80 Integrated Corridor Mobility (ICM) project; major interchange improvements at I-80 and San Pablo Dam Road, El Portal Drive, and McBryde Avenue; and wayfinding sign planning and installation.

Complete Streets Plan: The San Pablo Avenue Complete Streets Study focused on improving multimodal access, safety and connections along the San Pablo corridor by identifying needs and prioritizing improvements to facilitate pedestrian, bicycle and transit trips. At the heart of this process was a public outreach effort that brought together surrounding residents, business owners, partner agencies, and other key stakeholders to ensure that the final plan recommendations are both relevant to, and supported by, the local community. This study, paid for by a CalTrans Environmental Justice Transportation Planning Grant, was subsequently funded with a \$5.98 million OBAG grant to cover construction. Because this project is co-sponsored with the City of Richmond, each city is contributing \$615,000 for a total local contribution of \$1.23 million. Design was completed in February 2017, and a construction contract was awarded that same month to the lowest bidder, Ghilotti Bros., Inc. for \$5,283,721. The project is progressing ahead of schedule with completion slated in 2019.

Letter of Transmittal

I-80 ICM: The City has participated in this project through its membership in the West Contra Costa Transportation Advisory Committee (WCCTAC). This project implements advanced traffic management along I-80 from the Carquinez Bridge to the MacArthur Maze, San Pablo Avenue, and the major arterials that connect the two. The project includes



adaptive ramp metering; lane-use signals on the freeway; variable advisory speeds; and special traffic signal timing to handle diversion to local

streets due to freeway incidents as well as trailblazer signs to direct diverted traffic back onto the freeway downstream of incidents. The project also includes traffic signal priority for buses, traveler information, and traffic surveillance and monitoring. This is a multi-agency project involving the jurisdictions along the corridor, CalTrans, transit agencies, and regional agencies. In 2016, construction of the project was completed as well as an agreement amongst all of the involved agencies that the Transportation Authorities for both Alameda and Contra Costa Counties would be responsible for system operations, maintenance, and management. Major funding for this \$90 million project came from local sales tax measures in Contra Costa and Alameda and from State Proposition 1B funding.

Wayfinding Sign Planning and Installation: The West Contra Costa Transportation Advisory Commission secured a grant from the Metropolitan Transportation Commission to develop wayfinding signs to transit centers in West Contra Costa and other major destinations. San Pablo participated in the development of the plan, and Phase 1 of the project is now complete. The City was later able to secure \$330,000 in necessary funding to install the signs through Contra Costa's Measure J transportation sales tax. Construction was completed in early 2016.

Major Interchange Improvements: This project provides access to Bay Area employment centers from distant residential areas in the north and far east along Highway 24. Locally, improvements will be made in San Pablo, Richmond and the unincorporated portion of Contra Costa County. The project includes replacement and widening of the San Pablo Dam Road overcrossing, relocation of the McBryde Avenue

Letter of Transmittal

access from westbound I-80, relocation of the El Portal access to westbound I-80, realignment of Amador Street, and replacement of the I-80/Riverside Avenue pedestrian overcrossing serving Riverside Elementary School. Design of this \$120 million project is now complete with construction being separated into phases. Phase One construction began in late 2015 using \$29 million in funding secured in part from the Contra Costa Measure J transportation sales tax. Phase Two construction is not ready yet as funding is still being secured. The project, managed by the Contra Costa Transportation Authority (CCTA), includes a public outreach component with design input from the community.

PUBLIC SAFETY

Bicycle Patrol Unit: The Bicycle Patrol Unit consists of twelve officers specially trained in bike patrol operations. The Bike Unit augments the Patrol Division, offering a “greener” more approachable alternative to vehicle patrol. The Unit provides additional patrols to parks, business districts and shopping centers and recently expanded the program to include patrols of local schools.



Graffiti Abatement Team: The Graffiti Abatement Team aggressively investigates incidents of graffiti by obtaining search and arrest warrants and by deploying plainclothes officers to apprehend offenders caught in the act. The Team upgraded the program with improved technology for graffiti sensors and cameras.

Priority Oriented Policing: The Priority Oriented Policing Unit (POP) provides classes to San Pablo children, grades 3 through 7, and deploys a part-time police officer at the elementary school and a full-time officer at the middle school. Discussion topics include the proper use of 911, “Good Touch, Bad Touch,” bullying, drug and gang prevention, goal setting, life skills and leadership.

Letter of Transmittal

G.R.E.A.T. Program: POP officers teach the Gang Resistance Education and Training (G.R.E.A.T.) program to San Pablo sixth graders. G.R.E.A.T. is a school-based, law enforcement, officer-instructed classroom program that teaches life skills and encourages student participation. In order to graduate, the students in the program must complete a community project. At the end of each school year, the top students from the G.R.E.A.T. program are recognized at our annual Community Awards Dinner. The purpose of the event is to bring our community closer, create stronger police/community understanding and recognize positive efforts of our youth.



G.R.E.A.T. Summer Program: This is a two-week summer program staffed by police and school resource officers. The program accepts local youths and provides them with a classroom course of life skills instruction. The students are taken on a three-day/two-night camping trip with members of the Police Department who volunteer their time to provide a positive and structured camping experience.

Community Police Academy: The Community Police Academy provides San Pablo residents an opportunity to learn the inner workings of the Police Department. The class is held one night a week for 10 weeks. Students are exposed to Police Administration, Patrol, Investigations, POP and Gang Unit operations. The classes are taught in both English and Spanish by sworn members of the Police Department and police administration. Students also participate in a ride-along with an on-duty patrol officer. This free course of instruction has served to clarify the role of the Police Department in the community, further building community trust.



Parent Project: The Parent Project is a nationally recognized 10-week parent training program designed specifically for parents of strong-willed or out-of-control adolescent children. Parents meet one night per week, two to three hours per night for 10 weeks. The curriculum teaches clear-cut prevention, identification, and intervention strategies for the most destructive of adolescent behaviors (i.e. poor school attendance and performance, alcohol and other drug use, gangs, runaways, and violent teens).

Letter of Transmittal

Community Emergency Response Team: The Community Emergency Response Team (CERT) is a training program that provides basic disaster response skills to assist neighborhood volunteers in offering vital support to family, associates, and local community members while they await help from first responders due to large-scale emergencies. This 20-hour FEMA-approved course is offered in a classroom setting followed by hands-on exercises discussing the following topics:

- Disaster Preparedness
- Fire Safety
- Light Search & Rescue
- Team Organization
- Disaster Medical Operations
- Disaster Psychology
- Terrorism and CERT



Listos: Listos is a basic emergency and disaster readiness public education program with a grass-roots approach that specifically targets Spanish-speaking populations. Listos' culturally appropriate Spanish language curriculum uses the strengths and bonds within the Latino community to educate and prepare its members for emergencies or disasters.

Homicide Clearance Rates: The San Pablo Police Department has historically enjoyed a high homicide clearance rate when compared to the national average. The Detective Division is comprised of highly trained and motivated individuals with a proven track record of conducting in-depth criminal investigations. Using a collaborative approach, investigators work closely with our Gang Unit and other local agencies to solve open murder cases. Recent history confirms the Department's reputation. Since 2006, the City has a homicide clearance rate of nearly 90%.

Surveillance Program: The Surveillance Program deploys a combination of pan, tilt and zoom (PTZ), fixed, high-definition and automatic license plate recognition (ALPR) cameras, some of which are integrated with gunshot and/or graffiti detection sensors to provide alerts for gunshots, wanted and/or stolen vehicles and graffiti, with both fixed and mobile solutions.

AXON Integrated Systems: The San Pablo Police Department employs a number of technological tools to help maintain a safer community. *AXON Fleet Unlimited* outfits existing patrol cars with digital cameras

Letter of Transmittal



that automatically activate when the overhead emergency lights are initiated. *AXON Signal Sidearm* automatically activates a body worn camera whenever a firearm is removed from its holster. *AXON Integrated Security System* incorporates enhanced technology cameras inside the Police Department to replace existing outdated technology. Each of these tools

works in conjunction with the existing AXON X26 Taser and the AXON Body Worn Camera System.

Shot Spotter: The Shot Spotter Gunshot Location System uses a system of acoustic sensors, designed to detect, locate and report gunshots at various locations within the City.

StarChase: StarChase allows the Police Department to utilize GPS tracking technology for high-risk traffic situations, such as DUIs, traffic infractions, stolen vehicles, human trafficking or felony events.

SPECIAL PROJECTS / TECHNOLOGY

The Information Technology (IT) Division recognizes its essential role in providing the tools and infrastructure necessary to keep all City departments running efficiently and effectively. To that end, in 2018 the Division completed a Citywide replacement of all desktop computers, and conducted an RFP process which resulted in the execution of a new contract with Eclipse Technologies and installation of new HP/Samsung network printers. Additionally, the Division executed a \$50,000 contract with IT consultant ClientFirst to develop the City's first IT Master Plan to guide IT planning, activities and development over the next five years. In the course of review with ClientFirst, some immediate IT needs were identified and resolved, including: (1) replacement of a failing core switch; (2) development of a resilient IT network with a backup core switch and failover capability; (3) creation of tighter network security; and (4) implementation of a log management system for tracking access and changes to the system.

While the IT Master Plan is not yet complete, there are several initial projects that have risen to the surface for IT to accomplish over the next few years. These include: (1) complete the IT Master Plan, prioritize projects—including a citywide enterprise resource planning software platform—identify necessary funding and begin implementation; (2) complete a restructuring of the IT Division, clarify roles and responsibilities, and fill vacant positions; (3) assist in the design of the new City Hall IT network and seamlessly execute the move to the new City Hall; (4) build the new wide-area network (WAN) to connect all major City

Letter of Transmittal

facilities to a single fiber network for much-improved City communication abilities and to act as a backbone for a future wireless network that would provide internet access to City businesses and residences; (5) develop the City's first comprehensive and formalized IT policies and procedures, including those related to security protocols and remote work policies; (6) further the move to cloud-based network applications with remote access for employees; and (7) establish an IT Steering Committee to help with network governance issues, particularly with assistance at providing a formal structure to prioritize departmental IT project requests and technology enhancements.

STRATEGIC PLANNING / SPECIAL PROJECTS

Plaza San Pablo: Reuse of Plaza San Pablo as a former Redevelopment site has been a focus of the City. In coordination with a number of agencies and departments, the Community and Economic Development Department (formerly Development Services) completed a 10-acre parcel subdivision, including the following projects: (1) design review and construction of a new Walgreen's store; (2) design review and construction of the new Library in its place; (3) design review and construction of the County's new Women, Infants and Children (WIC) building; (4) design review of a combined 12,000 square foot restaurant/retail project, including eight townhomes; (5) design review and construction of the expansion of the West Contra Costa County Health Clinic and (6) design review and construction of a 26 unit townhome project. Also at Plaza San Pablo, the City completed the design review for a new 42,000 square foot City Hall building. Additionally, permitting, inspections and construction were completed for Phase III and IV of the needed roadway improvements.



Priority Development Areas: Consistent with Plan Bay Area and State AB32, the City of San Pablo prioritizes development in Priority Development Areas (PDA's). In 2014, the City obtained a \$100,000 MTC grant to conduct a Targeted Industries Study of short-term, high-growth industries in the San Pablo Avenue PDA. Consistent with study findings, the existing City Hall had its General Plan and Specific Plan designation changed in February 2018 to "Mixed Use Center-City Hall" which allows for commercial and residential reuse. Other plan and design work is also underway or complete for various other PDA projects in the City, including completion of design review and a subdivision map for





Letter of Transmittal

the former Moose Lodge site; and amendments to the General Plan and Specific Plan to the former Doctor's Medical Center site to allow for commercial uses following its closure and demolition. An application to expand an existing parking lot is also being processed by the Planning Division of the Community and Economic Development Department.

Non-Priority Development Areas: Other non-priority development area activities include completion of design review and construction of a digital City LED sign along I-80, replacing the old Lytton Tribe's Casino San Pablo sign and creating an ongoing revenue generator for the City; the Fire Station 70 parcel merger and station design review and permitting; design review and construction of the El Portal gas station, mini-market, and car wash; the Giant Warehouse 70-unit, multi-agency inspection and cleanup; and the Re-tenanting of the former Lucky's space in the San Pablo Town Center Shopping Complex.

Policies: Many policies and plans have been or are in process of being updated to facilitate further development in the City. The Housing Element update was complete and certified by the State Department of Housing and Urban Development for an eight-year period (2015-2023). The City completed the CEQA for the Citywide Broadband Master Plan (now the City Wide-area Network and IT Wireless Plan). Additionally, the Planning Commission recommended approval of the Accessory Dwelling Unit ordinance and Telecommunication Facilities, which were approved by the City Council in May 2017 and June 2017. Other projects include adoption of a Citywide Bicycle and Pedestrian Master Plan, an update to the Contra Costa County Urban Limit Line, a one-year review of all business licenses, and adoption of a Medical Marijuana ordinance.

Improving the Customer Experience: In FY 2016/17, a year-long process improvement effort was completed regarding plan check, plan intake, permit issuance and inspection services. This combined effort included the Public Works Department and the City Manager's Office. The Planning Division completed a time and motion study and a fee study, and subsequently increased permit fees from 35% cost recovery to 75%. To improve efficiency and better fulfill public records requests, the Department initiated electronic scanning of six years of back-logged building plans, building permits, business licenses, and planning projects; this project is still underway. Additionally, many different Planning and Building Division customer handouts are now available in both English and Spanish, and are available on the City's website for the Community and Economic Development Department.

CERTIFICATE OF ACHIEVEMENT

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 of San Pablo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.



Letter of Transmittal

A Certificate of Achievement is valid for a period of one year only. City staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements and will again submit its CAFR to the GFOA to determine eligibility for another certificate.

ACKNOWLEDGEMENTS

We wish to thank City Council for providing the clear policy direction and goals which have been used to prepare this Comprehensive Annual Financial Report. A great deal of effort and attention to detail, representing many hours of work by staff members throughout the organization, is required to produce a report of this quality. We would like to express our appreciation to all City of San Pablo staff members who have taken the time to participate in the development of this year's Comprehensive Annual Financial Report. We also express our appreciation to the Mayor and the City Council for their interest and support in planning and conducting the financial activities of the City in a responsible and responsive manner.

Respectfully submitted,

A blue ink signature of Matt Rodriguez, consisting of a series of loops and a long horizontal stroke.

Matt Rodriguez
City Manager

A blue ink signature of J. Kelly Sessions, featuring a large, stylized 'J' and 'K'.

J. Kelly Sessions
Administrative Services Director



Letter of Transmittal

CITY OF SAN PABLO
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL

JULY 1, 2018

ELECTED PERSONNEL

Mayor	Genoveva Garcia-Calloway
Vice Mayor	Paul V. Morris
Council Member	Rich Kinney
Council Member	Arturo Cruz
Council Member	Cecilia Valdez
City Clerk	Elizabeth Pabon-Alvarado
City Treasurer	Viviana Toledo

ADMINISTRATIVE PERSONNEL

City Manager	Matt Rodriguez
City Attorney	Lynn Tracy Nerland
Assistant City Manager	Reina Schwartz
Community & Economic Development Director	Charles Ching
Assistant to the City Manager/Personnel	Tina Gallegos
Chief of Police	Ron P. Raman
Public Works Director	Jill Mercurio
Community Services Director	Greg Dwyer
Administrative Services Director	J. Kelly Sessions

CITY OF SAN PABLO ORGANIZATIONAL CHART, FY 2017/18 (ADOPTED 3/5/18)

TOTAL FTE: 190.3

SAN PABLO CITY COUNCIL

6.0 FTE

CITY ATTORNEY 1.0

1.0 Secretary to the City Attorney

2.0 FTE

CITY MANAGER 1.0

1.0 Executive Assistant to CM
1.0 Deputy City Clerk
1.0 Management Analyst

7.0 FTE

ASSISTANT CITY MANAGER 1.0 (PERSONNEL ADMINISTRATOR)

RISK MANAGEMENT
Municipal Pooling Authority (MPA)
1.0 Administrative Clerk

ASSISTANT TO THE CITY MANAGER 1.0

HR FUNCTIONS/
MANAGEMENT SUPPORT

COMMUNITY SERVICES DIRECTOR 1.0

COMMUNITY SERVS.

RECREATION SERVICES

1.0 Rec Supervisor
3.0 Rec Coordinator
0.5 Program Assistant (P/T)
5.0 Building Attendant (P/T)
11.0 Rec Leader (P/T)
2.0 Rec Specialist (P/T)
1.0 Sr. Rec Specialist (P/T)
0.4 Art Curator (P/T)
4.6 Admin Intern (P/T)

SENIOR SERVICES

1.0 Sr. Center Coordinator
1.5 Building Attendant (P/T)
0.5 Admin Intern (P/T)
1.0 Admin. Clerk II

YOUTH, SCHOOL & COMMUNITY PARTNERSHIPS (YSCBP)

1.0 Comm. Serv. Coordinator
1.0 Youth Serv. Prog. Coordinator
1.0 Admin. Clerk I
0.5 Admin Intern (P/T)
0.3 High School Intern (P/T)

PARATRANSIT

1.0 Sr. Center Coordinator
3.0 Paratransit Driver (F/T)

41.3 FTE

COMMUNITY & ECONOMIC DEVELOPMENT DIRECTOR 1.0

COMMUNITY & ECONOMIC DEV. SERVS.

BUILDING SERVICES (Contract Services)

1.0 Building Inspector
1.0 Sr. Permit Tech.
1.0 Administrative Clerk
1.0 Permit Technician

PLANNING SERVICES

1.0 Planning Manager
1.0 Assistant/Associate Planner
1.0 Administrative Clerk
1.0 Planning Aide
1.0 Administrative Secretary

10.0 FTE

ADMINISTRATIVE SERVICES DIRECTOR 1.0

FINANCE & I.T.

1.0 Administrative Clerk

BUDGET & FISCAL SERVICES

1.0 Finance Supervisor
1.0 Management Assistant
1.0 Fiscal Clerk II
2.0 Fiscal Clerk I

Information Technology Services

1.0 Info. Tech. Supervisor
1.0 Info. Tech. Administrator
3.0 Info. Tech. Technician

12.0 FTE

PUBLIC WORKS DIRECTOR/ CITY ENGINEER 1.0

ENG., ENV. SERVS. & MAINT.

ENGINEERING

0.5 Management Analyst
1.0 Sr. Civil Engineer
1.0 Sr. PW Inspector
2.0 Assistant Engineer
1.0 Admin. Clerk
1.0 Engineering Aide

ENVIRONMENTAL SERVICES

1.0 Maintenance Worker III
0.5 Maintenance Worker I
1.0 Sr. Management Analyst
0.5 Environmental Prog. Analyst (P/T)

MAINTENANCE & FACILITIES

1.0 Maintenance Operations Sup.
2.0 Sr. Maintenance Worker
3.0 Maintenance Worker III
7.5 Maintenance Worker I
0.5 Management Analyst
1.0 Administrative Clerk
0.5 Maintenance Aide

26.0 FTE

CHIEF OF POLICE 1.0

POLICE DEPARTMENT

SWORN STAFF

2.0 Police Captain (underfilled @ Lieut.)
3.0 Police Lieutenants
10.0 Sergeant
42.0 Police Officer

NON-SWORN STAFF

1.0 Police Support Services Manager
1.0 Police Executive Assistant
6.0 Police Services Technician
4.0 Jailer
2.0 Police Services Assistant
8.0 Police Admin. Clerk
1.0 Maintenance Worker III
0.5 Background Invest. (P/T)
1.5 School Crossing Guard (P/T)
2.0 Police Cadet (P/T)

CODE ENFORCEMENT

1.0 Building Inspector

86.0 FTE



Government Finance Officers Association

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**City of San Pablo
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

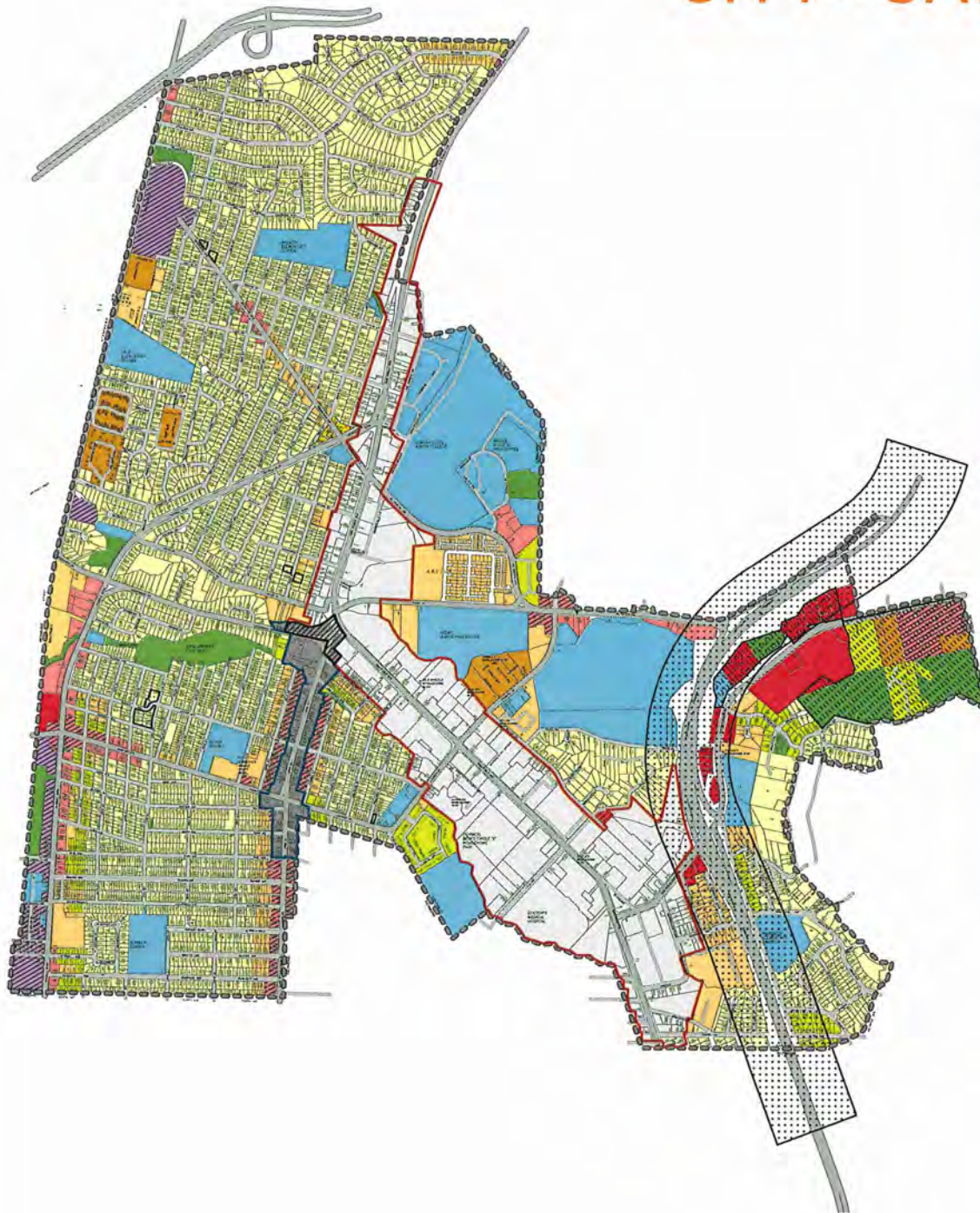
June 30, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF SAN PABLO

Zoning District Map



Legend



San Pablo City Limit

Zoning

Zoning Districts

- R-1 Single-Family Residential District
- R-2 Two-Family Residential District
- R-3 Multifamily Residential District
- R-4 High-Density Multifamily Residential District
- RMU - Residential Mixed-Use District
- NC - Neighborhood Commercial District
- CR - Regional Commercial District
- CMU - Commercial Mixed-Use District
- IMU - Industrial Mixed-Use District
- I - Institutional District
- OS - Open Space District

Specific Plans

- SP1 - 23rd Street Specific Plan
- SP2 - San Pablo Avenue Specific Plan

Specific Plan Boundary

Specific Plans

- SP1 - 23rd Street Specific Plan
- SP2 - San Pablo Avenue Specific Plan
- 23rd Street/San Pablo Avenue Overlap

Overlay Districts

Overlay Districts

- Air Quality Health Risk Overlay
- Hillside Overlay
- Multifamily Overlay

Adopted: May 18, 2015



CITY^{OF} SAN PABLO

City of New Directions



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of San Pablo, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information, and the discretely presented component unit of the City of San Pablo, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 City'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 City'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, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Notes 8E and 10 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Required Supplementary Information 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 as a whole. The Introductory Section, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the 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 January 9, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
January 9, 2019



CITY^{OF} SAN PABLO

City of New Directions



Management's Discussion and Analysis

This discussion and analysis of the City of San Pablo's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$133 million. Of this amount, \$46.0 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5.8 million primarily because revenues exceeded expenditures by \$9.2 million in the General Fund and \$.2 million in the Low and Moderate Income Housing Assets Fund, and expenditures exceeded revenues by \$9.5 million in the Public Works Construction Fund and by \$.9 million in the Lease Revenue Bonds Fund, plus the net of capital assets transactions and other adjustments.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$92.1 million, an increase of \$15.3 million from the prior fiscal year. This growth is due to the issuance of the 2018 JPFA Lease Revenue bonds \$15.1 million, increased business license tax of \$2.0 million, increase in charges for services of \$.5 million, decrease of sales taxes of \$.3 million, increase in intergovernmental of \$1.1 million; decrease in General Governmental expenses of \$.3 million, increase in Development of \$.6 million, decrease in Public Works & Engineering of \$.2 million, increase in capital outlay of \$4.2 million, increase in Police of \$1.1 and debt payments of \$1.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of San Pablo ("the City") and its component units using the blended approach or discrete presentation approach as prescribed by government accounting standards. The City's basic financial statements are comprised of three components: (1) City-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City, including infrastructure, as well as all liabilities. Additionally, certain eliminations have occurred in regards to inter-fund activity, payables and receivables.

The Statement of Net Position and the Statement of Activities report information about the City. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the City's net positions and changes in them. Over time, increases or decreases in the City's net positions are one indicator of whether their financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the



Management's Discussion and Analysis

City's roads. Currently the City's roads are rated "good" by the Metropolitan Transportation Commission. In order to maintain this status, the City will need to increase its expenditure from the General Fund.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of the City's activities.

The City had four Major Funds in 2018 in addition to the General Fund: The Low and Moderate Income Housing Assets Fund, the Public Works Construction Fund, the 2015 Lease Revenue Bonds Fund and the 2018 Lease Revenue Bonds Fund.

The City's Fund Financial Statements are divided into three categories: Governmental Funds, Non-Major Governmental Funds, and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Fiduciary Funds are reported using the economic resources measurement focus and full accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental Funds. All of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides which include: general government, community development, public safety, public works and engineering, and recreation. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The difference in results of the Governmental Fund Financial Statements to those in the City-Wide Financial Statements are explained in a reconciliation that is below each Governmental Fund Financial Statement.

Non-Major Governmental Funds. Non-Major Governmental Funds are comprised of Special Revenue Funds which are established by State law to account for specific revenues that are legally restricted to expenditures for particular purposes.

Fiduciary Funds. The City is the trustee, or fiduciary, for certain amounts held on behalf of property owners, other government entities, and others. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



Management's Discussion and Analysis

Notes to the Basic Financial Statements. The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position of the City, presented in the City-wide Statement of Net Position and Statement of Activities that follow (the City has no proprietary activities).

The City's net position increased by \$5.8 million in 2018, from \$126.8 million to \$132.7 million. This year over year upturn comes from the change in net position as recorded in the Statement of Activities and which flows through the Statement of Net Position. During fiscal year 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which resulted in a restatement and reduction of net position by \$3.8 million. Net position increased as a result of many transactions: Casino revenue increased by \$2.0 million, increase in intergovernmental of \$1.1 million, increase in charges for services \$.5 million, other miscellaneous revenue decreases of \$.2 million; in addition to expenses decrease in 2018 by \$7.6 million.

A portion of the City's net position represents resources which are subject to external restrictions on use. This restricted amount is \$12.0 million as of June 30, 2018. The remaining balance of unrestricted net assets of \$46.4 million may be used to meet the City's ongoing obligations to citizens and creditors.

*Management's Discussion and Analysis***Governmental Net Position at June 30**

	2018	2017
Current Assets	\$ 120,601,870	\$ 109,706,843
Capital Assets	93,838,473	83,389,383
Total Assets	214,440,343	193,096,226
Deferred Outflows of Resources		
Related to pensions (Note 9A)	11,418,735	8,710,743
Related to OPEB (Note 10)	1,069,730	
Current Liabilities	9,050,382	8,575,545
Long-Term Liabilities	82,472,892	60,424,885
Total Liabilities	91,523,274	69,000,430
Deferred Inflows of Resources		
Related to pensions (Note 9A)	2,537,222	2,164,202
Related to OPEB (Note 10)	199,650	
Net Position:		
Beginning as restated (Notes 8D & 9A)		
Net Investment in Capital Assets	74,150,591	65,203,760
Restricted	12,096,519	25,912,314
Unrestricted	46,421,552	39,526,263
Total Net Position	\$ 132,668,662	\$ 130,642,337

*Management's Discussion and Analysis***Changes in Governmental Net Position at June 30**

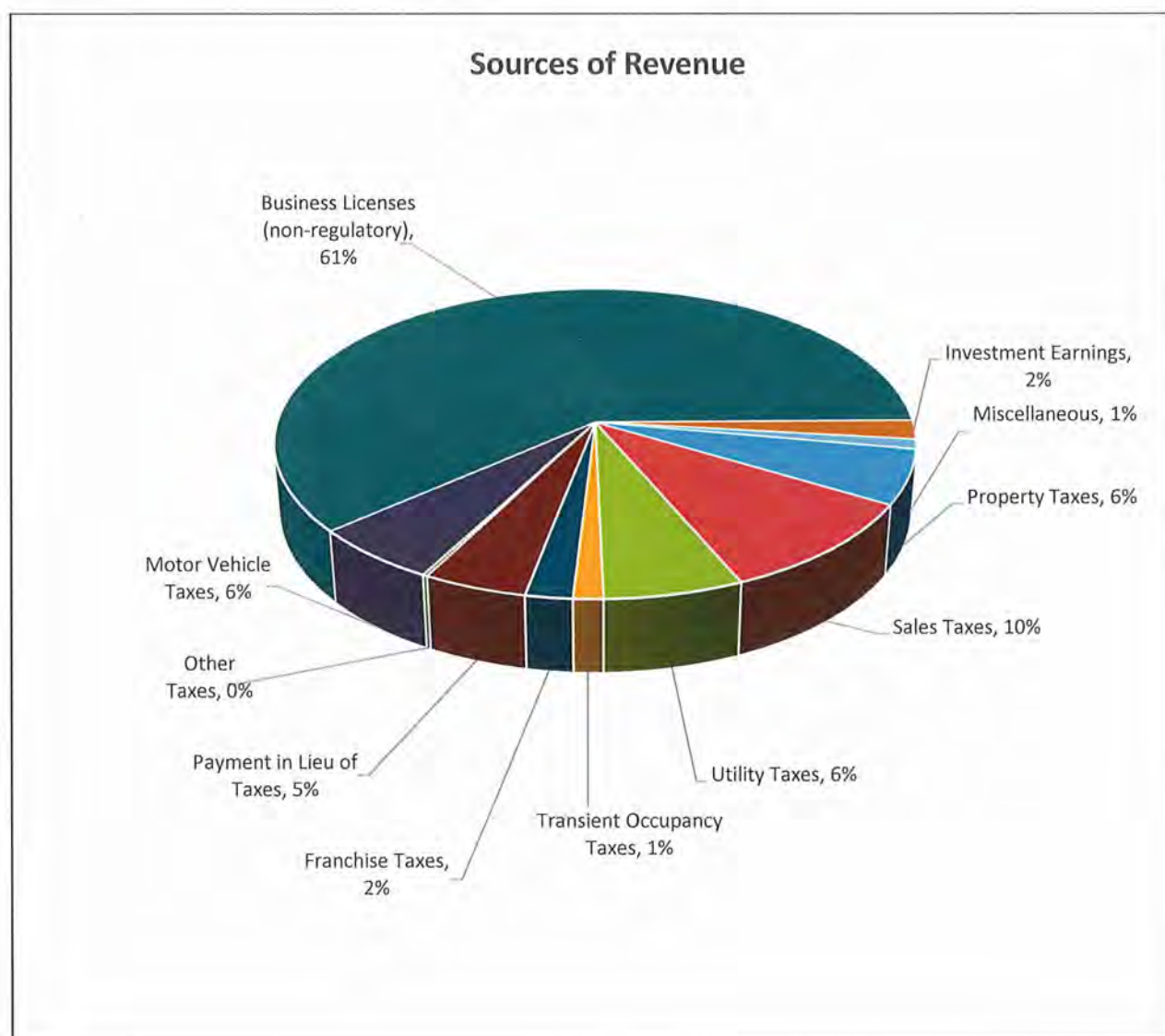
Revenues:	2018	2017
Program revenues		
Charges for Services	\$ 3,049,265	\$ 3,063,251
Operating Contributions and Grants	1,271,647	929,109
Capital Grants	1,955,492	1,438,055
General Revenues:		
Property Tax	2,442,226	2,011,222
Sales Taxes	4,293,283	4,601,301
In-lieu Sales Tax		
Utility Taxes	2,650,707	2,686,980
Transient Occupancy Taxes	565,474	523,513
Franchise Taxes	900,299	935,005
Payment in Lieu of Taxes	1,979,218	1,940,410
Other Taxes	87,911	82,602
Motor Vehicle Taxes	2,487,919	2,317,615
Business Licenses (non-regulatory)	26,197,153	24,213,462
Investment Earnings	849,714	190,354
Miscellaneous	834,155	1,001,933
Total Revenues	49,564,463	45,934,812
Expenses		
General Government	10,840,251	11,105,576
Community:		
Recreation	256,371	333,076
Development	4,961,457	4,332,370
Housing	23,810	17,793
Public Works & Engineering	7,784,816	7,970,136
Police	18,525,592	17,438,358
Interest on long-term debt	1,331,646	925,564
Total Expenses	43,723,943	42,122,873
Change in Net Position	5,840,520	3,811,939
Net Position 7/1	126,828,142	126,830,398
Net Position 6/30	\$ 132,668,662	\$ 130,642,337

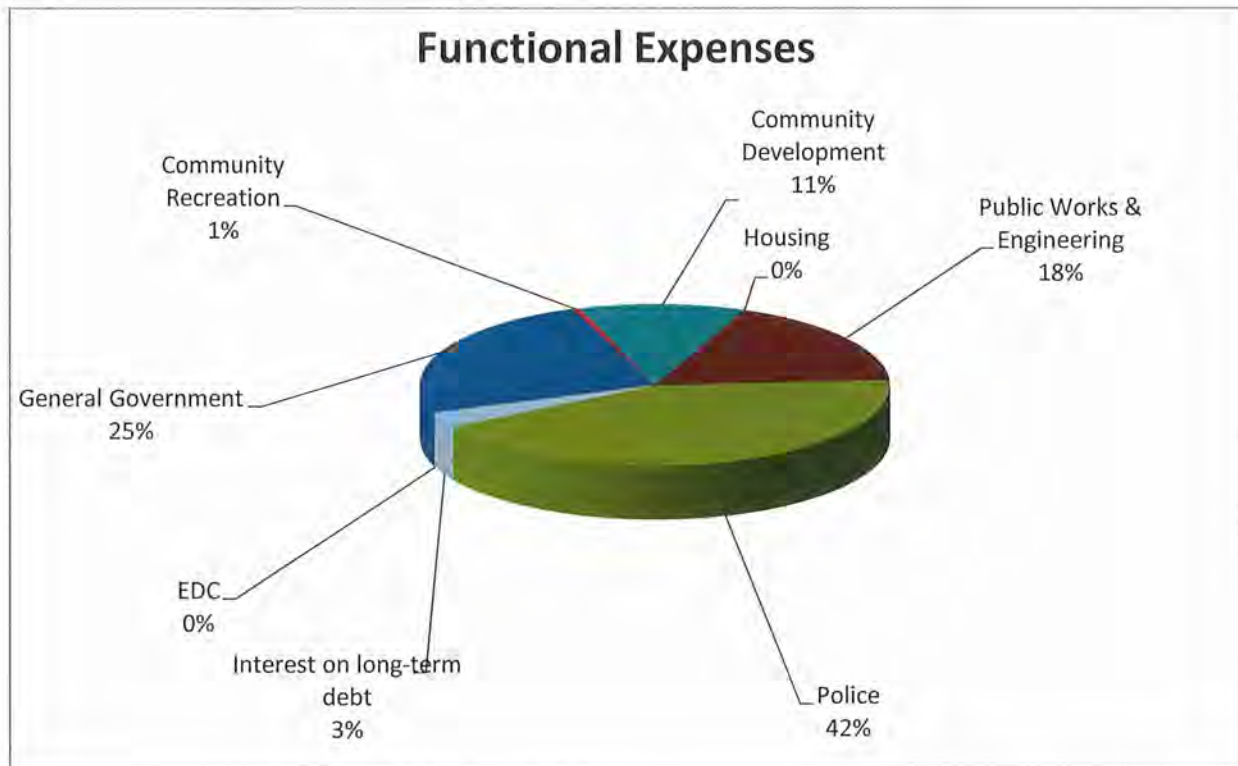
* Not restated for the provisions of GASB Statement No. 68 discussed in Note 9 to the financial statements.

Management's Discussion and Analysis

The cost of all Governmental activities this year was \$43.7 million. Net expenses, as shown in the Statement of Activities, were \$37.4 million. A portion of the cost for these activities was paid either by those directly benefitting from the programs through service charges (\$3.0 million), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$1.3 million), or capital grants and contributions (\$2.0 million). Overall, the City received \$6.3 million in governmental program revenues.

Total resources available during the year to finance governmental operations were \$176.4 million, consisting of net assets at July 1, 2017 of \$126.8 million, program revenues of \$6.3 million and general revenues of \$43.3 million. Total Governmental activities during the year were \$43.7 million, thus net position increased from \$126.8 million to \$132.7 million, a net increase of \$5.9 million.



Management's Discussion and Analysis

As shown in the Sources of Revenue chart on the opposite page, Business Licenses accounted for 61% of the City's Fiscal Year 2018 revenue, which came primarily from Casino San Pablo. Sales taxes accounted for 10%, which included the voter-approved Measure Q increase of one-half percent.

On the year, Functional Expenses totaled \$43.7 million, an increase of \$1.6 million from the previous year. Likewise, all Functional Expense categories slightly decrease from the previous year, with the exception of Police, which increase by \$1.0 million, accounted for 42.37% of total expense and Community Development, increase by \$.6 million at 11.35% of total expenses.



Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year end, the City's General Fund had a balance of \$58.2 million. This represents a decrease of \$2.3 million compared to 2017. The decrease can be attributed to the \$9.2 million in excess of revenues over expenditures, which were offset by a transfer of \$11.5 million to capital projects and debt payment. Total General Fund revenues increase by \$2.7 million over the previous fiscal year mainly due to the Casino revenue increase of \$1.9 million, charge for services increase of \$.5 million and increase grant drawdowns of \$.3 million.

The Low and Moderate Income Housing Assets Fund had a fund balance of \$7.6 million.

The Public Works Construction Fund balance increase by \$1.4 million mainly as a result of the library construction of \$2.1 million, the WIC building of \$2.2 million, Plaza San Pablo Phases 3 & 4 of \$1.3 million, San Pablo Complete Street of \$1.0 million, Outfront Media of \$.8 million, and various paving and drainage projects throughout the City of \$3.8 million, offset by transfers from the General Fund of \$11.6 million.

The 2015 Lease Revenue Fund was established in fiscal year 2015 to account for the activities related to the issuance of the 2015 Lease Revenue Bonds in the principal amount of \$15.81 million. Current year activities of \$.9 million. Unspent proceeds were \$7.6 million as of fiscal year end, which are restricted for use on capital improvement projects.

The 2018 Lease Revenue Fund was established in fiscal year 2018 to account for the activities related to the issuance of the 2018 Lease Revenue Bonds in the principal amount of \$15.3 million. Current year activities of \$.4 million. Unspent proceeds were \$15.1 million as of fiscal year end, which are restricted for the construction of the new City Hall.

Other Governmental Funds increased \$0.8 million primarily due to a \$.2 million increase in revenue, \$.1 million increase in expenditures, and transfers in exceeded transfers out by \$2 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts a quadrennial budget every four years at which time revenues are projected for the first year of the budget with minor adjustments for the subsequent year. The fiscal year ending June 30, 2018 was the second year of the four-year budget process. Differences between the actual results and the original General Fund budget and the final General Fund budget are as follows:

Sales Taxes. In June 2012, the voters passed Measure Q, which increased the sales tax base by 0.5%. The City projection for the increase conservatively, and actuals received were \$665,222 over the budget.

Business License. Because the nationwide economic recovery has been slow, the City budgeted conservatively



Management's Discussion and Analysis

for Business License Tax, which primarily comes from Casino San Pablo, thinking that perhaps there would be a slowdown in Casino revenue. A slowdown never did materialize, such that casino revenue ended the year with a positive variance of totaled \$4.8 million, or 23% over budget.

Other Taxes. The Hotel Occupancy Tax and Franchise Tax attributed to the increase. Hotel occupancy rates were up, contributing approximately \$40,000 over budget, plus the City did not budget for the additional revenue generated by the restructuring of the Franchise Tax Agreement for solid waste services with Republic Sanitary Service. The positive variance equaled \$207,902, or 6% over budgeted figures.

Charges for Services. The actual revenue over budget of \$471,425 is primary due to the increase CAD-RMS dispatch services and recreation and senior service due to increased various service fees.

Intergovernmental/Other. The City accepted and appropriated various unbudgeted grants. \$5.8 million from One Bay Area Grant (OBAG) for the San Pablo Avenue Complete Street Grant. \$5.2 million from California Natural Resources Agency Grant (NCRA), \$3.9 million of this revenue was for the Rumrill Boulevard Street Complete Project, \$.7 million was for Wildcat Creek Restoration and Greenway Trail and \$.6 million was for El Portel Drive Urban Greening Project.

Expenditures. Expenditures totaling \$33.1 million were 5% more than original budgeted figures and 5% less than the final budgeted figures of \$34.9 million, resulting in a spending gap \$1.9 million. The City experienced savings of \$1.3 million in the Community Grant & Special Event and Special Department Expenditure of \$.8 million. All departments were very careful to spend only what was needed.

Transfers. Final budgeted figures for net transfers out were \$1.5 million, which was \$16.3 lower than what was actually transferred. The different due to various Capital Improvement Projects and the construction of the new City Hall.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The capital assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2018, capital assets net of accumulated amortization and depreciation of the Governmental activities totaled \$74.2 million. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note 6 of this report for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

*Management's Discussion and Analysis*

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental:			
Land and land improvements	\$8,409,744		\$8,409,744
Construction in progress	11,262,778		\$11,262,778
Buildings and improvements	31,050,279	\$7,007,433	\$24,042,846
Machinery and equipment	4,336,483	2,298,148	\$2,038,335
Vehicles	3,116,552	2,133,695	\$982,857
Park and trail improvements	14,011,145	5,002,316	\$9,008,829
Sports fields	1,506,986	1,302,572	\$204,414
Roads & streets including sidewalks	82,190,702	46,994,959	\$35,195,743
Bridges	5,486,753	4,702,050	\$784,703
Street lights	361,078	333,710	\$27,368
Storm drains	2,228,380	1,728,273	\$500,107
Traffic signals	2,931,742	2,123,342	\$808,400
Trees	1,227,462	655,113	\$572,349
Total Capital Assets - Governmental	\$168,120,084	\$74,281,611	\$93,838,473

Debt Administration. As of February 1, 2012, the outstanding debt of the former Redevelopment Agency was transferred to the Successor Agency, which is presented as a Private Purpose Trust Fund on the Statement of Fiduciary Net Position.

The City entered into an agreement with the San Pablo Economic Development Corporation (SPEDC) in December 2012 to lease the San Pablo Community Center. Construction of the Community Center was completed in June 2014. Prior to the completion of construction, the lease was accounted for as an operating lease. With the completion of construction, the lease was converted into a capital lease, and using the \$8,764,917 final cost of the project, the City recorded a lease payable in that amount. The imputed interest rate on the lease is 3.32% and lease payments are due semi-annually each June 30 and December 31 through the year 2053.

On February 8, 2013, the City entered into a 15-year, 1.0% interest rate loan agreement with the California Energy Resources Conservation and Development Commission to borrow \$1,141,738 for various solar panel projects at the City Hall complex. Principal and interest payments are payable semiannually with the first loan payment due December 22, 2015 and the last due in December 2029.

The City of San Pablo Joint Powers Financing Authority issued the Lease Revenue Bonds, Series A (Tax-Exempt) for \$4,255,000 and Series 2015B (Taxable) for \$11,555,000 to provide funds to finance certain capital projects within the City. Principal and interest payments on the 2015A and 2015B Bonds are due semi-annually through 2044 and 2040, respectively.

On January 31, 2018 the City of San Pablo Joint Powers Financing Authority issued an additional \$15,325,000



Management's Discussion and Analysis

in 2018 Lease Revenue Bonds. The proceeds of these bonds will be used to finance the construction of a new City Hall. Principal and interest payments on the 2018 Bonds are due semi-annually through 2052.

Refer to Note 7 of this report for detailed information regarding long term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

With the current uncertainty surrounding national politics and its impact on the economy, the City wisely chose to follow best management practices, taking a conservative approach relative to assumptions built into the budget cycle. On the revenue side, operating budget revenues are projected to show modest increases over the course of the four-year budget cycle. On the expenditure side, increasing labor costs and other inflationary factors are built into the multi-year budget according to labor agreements, vendor contracts, etc., thus ensuring sufficient funding. Details follow below.

Quadrennial Budget. First and foremost, in an effort to further stabilize the budget and better manage budgetary growth, the City embarked on a new approach to budgeting in FY 2017/18, undertaking a four-year budget cycle, such that the adopted budget covers four fiscal years, rather than the usual two. Minor budget adjustments happen after each fiscal year, but the City will undertake a more robust update of the four-year budget at mid-cycle (after two years). This adjustment will include updates to the labor budget and service and supplies budget as well as comprehensive updates to revenues. This approach has proven successful in accomplishing the following:

- Integrate long-term financial planning with the operating budget
- Encourage long-term budget planning at the department and division level
- Establish greater continuity between adopted budgets and changes in City Council
- Create a venue to foster focus on near-term and long-term big-picture goals and objectives
- Manage program and FTE expansion and reduce budget creep
- Normalize expenditures over the four-year budget cycle
- Acknowledge long-term labor agreements and plan for increasing labor costs

Revenue Budget. Adopted revenue budgets are based on year-end actuals from the previous fiscal year and year-end projections from the current fiscal year, while taking into account local economic conditions and other real world considerations. Hence, while the FY 2017/18 general operating budget for revenues of \$39.3 million represents an increase of \$3.3 million (9%) over the adopted FY 2016/17 budget, audited actual general operating revenues for FY 2017/18 put total general operating receipts at approximately \$39.6 million, basically equivalent to the previous year's actuals. This continues the City's overall trend of slow, upward revenue growth. Moreover, actual revenue receipts have increased an average of 5.4% annually, from FY 2012/13 to 2017/18, but after "rightsizing" the adopted revenue budget to \$39.3 million in FY 2017/18, the remaining three years of the budget include increases of only 3%, 2% and 2% respectively. Additionally, grant revenues



Management's Discussion and Analysis

are not budgeted, but can be added to the budget throughout the budget cycle as such awards are received.

Most revenue increases are driven by increases to Casino Business License revenue. This line item, combined with the Casino Payment in Lieu of Taxes (PILOT), make up 61% of General Fund revenues. Over the last ten fiscal years, Casino Business License revenue has increased an average of 9%. However, due to the City's heavy dependence on Casino Business License revenue, the City budgets this revenue very conservatively at 3.0% growth in each fiscal year, which coincides with the smallest year of growth over the last ten fiscal years. All other City revenues are budgeted flat in Year 2, with a 1% growth factor in each of Years 3 and 4, but for a few notable exceptions as follows. Measure Q sales tax revenue decreases by ¼ cent in October 2017, effectively cutting this tax in half. Three other revenue sources are new and will increase significantly in outlying years: (1) digital LED sign revenue—captured in Fee for Service; (2) expanded City rental income from the new Women, Infants and Children (WIC) building shown in Rental Income; and (3) Road Maintenance and Rehabilitation Act revenue, listed under Gas Tax.

Expenditure Budget. Trend analysis on the expenditure side of the budget is quite stable and predictable. Approximately 60% of the operating funds budget is comprised of salary and benefit expense and is fully funded throughout the life of the budget. Moreover, labor agreements with each bargaining unit coincide with the four-year budget and have the cost of living increases already built in, creating for a very stable work environment. The only exception is Operating Engineers Local 3 (formerly Public Employees Union, Local One), whose expired labor agreement is still being negotiated, but is fully budgeted with a 3% COLA. The annual required contribution (ARC) for other post-employment benefits (OPEB), namely health benefits for retirees, is funded in the budget at \$500,409 each fiscal year using the “pay-as-you-go” methodology. However, the 2018 actuarial update reduced the ARC payment to just under \$200,000 annually, creating a \$300,000 cushion in the budget.

Another major cost factor is the start of the “ramp up” of the CalPERS pension expense due to the lowering of the discount rate. The annual ramp-up began in FY 2017/18, with increases peaking after seven years in FY 2025. This change, combined with previous changes to CalPERS smoothing assumptions and actuarial mortality rates are fully funded throughout the four-year budget, starting at \$1.7 million in FY 2018, increasing to \$2.3 million in FY 2018/19, then \$2.8 million in Year 3, and ending at \$3.3 million in Year 4.

FY 2018/19 departmental requests to amend the \$16.8 million budget for supplies and services include funding adjustments of \$744,840, but are budget neutral in that all requests are required to have their own funding source from previously budgeted funds. A separate adjustment of \$265,697 for one-time capital improvement project expenses is also included, using one-time funding. Looking forward to Years 3 and 4 of the Quadrennial Budget, the adopted budget will again serve as baseline, and departments will have to make requests to exceed the baseline amount. An increase of \$300,000 to the City Council budget is also included due to the contractual increase for emergency medical services with the Contra Costa County Fire Protection District. Lastly, anticipated annual debt service payments of \$700,000 to fund construction of the new City Hall were previously thought to begin in FY 2018/19 but will not actually begin until FY 2019/20.

Although spending has increased more than 6 percent on average over the last three fiscal years, the City



Management's Discussion and Analysis

continues to end each fiscal year under budget. There is no reason to expect that FY 2018/19 will end any differently.

Reserve Policies. To address fiscal uncertainty, the City adopted the Fiscal Resiliency Reserve Policy in October 2013. The policy requires Catastrophic Reserves at 50% of the General Operating Fund budget, and a Budget Stabilization Reserve at 5.0% of the General Fund budget. The policy also establishes General Fund Designated Reserves which allow the City to allocate funding for large, future expenses, including such things as CalPERS retirement rate increases, unfunded liabilities such as compensated absences, vehicle replacements, etc. Additionally, the policy establishes the Future Capital Projects Reserves for funding large capital projects in the absence of RDA funding. The policy also established the City Manager's Contingency Account at 1% of the General Fund budget to pay for unbudgeted and unforeseen expenses that arise during the normal course of business. Additionally, the City added the Casino Revenue Stability Reserve in June 2016, allowing the City to set aside up to 50% of unused audited fund balance as a rainy day fund to guard against the sudden loss of casino revenue.

Redevelopment. The dissolution of all redevelopment agencies statewide continues to impact San Pablo activities as the City must rely on other revenue sources to fund capital projects rather than RDA bond proceeds. As evidence of the changed environment, all assets of the former RDA were transferred to the Local Successor Agency, which continued to unwind and dissolve all RDA financial and contractual obligations. In June 2014, the State Department of Finance approved the City's Long Range Property Management Plan, giving the City authority to move forward with the use and disposition of all remaining properties as proposed, of which there were two at the end of FY 2017/18. After these final two properties are disposed, the City expects to file a Last and Final ROPS report with the State.

Major Capital Improvement Projects. To help secure the its future governance, the City issued \$15,325,000 in tax-exempt lease revenue bonds (LRB's) in 2018 to build a new City Hall. The City's creditworthiness was reviewed by the credit rating agency Standard & Poor's, which reconfirmed its "AA-" bond rating, which was first issued in 2015 when Standard & Poor's cited the "city's recent and expected budgetary performance to be strong" and that the "city's management conditions as strong, supported by financial policies and practices that we consider good." This favorable bond rating has allowed the City to obtain very favorable interest rates. Debt payments are fully funded each fiscal year of the four-year budget. The City Hall project is currently under construction and will be complete by early spring of 2020. This project, like all bonded indebtedness undertaken by the City, is fully funded in every fiscal year of the budget.

REQUESTS FOR INFORMATION

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 show the City's accountability for the money it receives. Questions about this report should be directed to the Finance Department, located at 13831 San Pablo Avenue, San Pablo, California 94806.



CITY^{OF} SAN PABLO

City of New Directions

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets, all its deferred inflows/outflows of resources and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position presents information in a way that focuses the reader on the composition of the City's net position, by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column. The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds that present the financial position of the primary government. This column is followed by a column that displays the discretely presented component unit.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities or discretely presented component unit and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the City of San Pablo Joint Powers Financing Authority. The balances and the activities of the discretely present component unit of the San Pablo Economic Development Corporation are included in these statements as separate columns.

CITY OF SAN PABLO
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Economic</u>
	<u>Activities</u>	<u>Development</u>
		<u>Corporation</u>
ASSETS		
Cash and investments available for operations (Note 3)	\$80,112,503	\$1,540,258
Restricted cash and investments (Note 3)	7,580,032	338,277
Accounts receivable, net	3,680,848	41,863
Due from other governments, net	1,693,445	
Prepays and deposits (Note 1H)	7,000	3,537
Employee loans receivable (Note 5A)	5,934	
Notes receivable under former Redevelopment		
Agency programs, net (Note 5B)	15,118,193	
Helms Community Center and Rumrill Sports		
Park leveraged loans (Notes 5I and 5J)	11,839,080	
Property held for resale (Note 1I)	564,835	
Capital assets (Note 6):		
Land and construction in progress	19,672,522	1,835,000
Depreciable capital assets, net	74,165,951	13,260,069
Total assets	<u>214,440,343</u>	<u>17,019,004</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 9B)	11,418,735	
Related to OPEB (Note 10E)	1,069,730	
Total deferred outflows of resources	<u>12,488,465</u>	
LIABILITIES		
Accounts payable and accrued liabilities	4,940,822	25,723
Deposits payable	740,470	
Claims payable, due within one year (Note 12)	18,807	
Unearned revenue	1,530,892	
Compensated absences (Note 1G):		
Due within one year	848,328	
Due in more than one year	689,161	
Long-term debt (Note 7):		
Due within one year	971,063	
Due in more than one year	41,377,088	16,806,000
Net pension liability, due in more than one year (Note 9B)	40,126,819	
Net OPEB liability, due in more than one year (Note 10C)	279,824	
Total liabilities	<u>91,523,274</u>	<u>16,831,723</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 9B)	2,537,222	
Related to OPEB (Note 10E)	199,650	
Total deferred inflows of resources	<u>2,736,872</u>	
NET POSITION (Note 8)		
Net investment in capital assets	74,150,591	(1,372,654)
Restricted for:		
Capital projects	4,357,655	
Low and moderate income housing	7,738,864	
Economic development projects		1,482,146
Total restricted net position	<u>12,096,519</u>	<u>1,482,146</u>
Unrestricted net position	46,421,552	77,789
Total net position	<u>\$132,668,662</u>	<u>\$187,281</u>

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

					Net (Expense) Revenue and Changes in in Net Position	Net (Expense) Revenue and Changes in in Net Position
		Program Revenues			Primary Government	Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Economic Development Corporation
Primary Government:						
Governmental Activities:						
General Government	\$10,840,251	\$524,488			(\$10,315,763)	
Community:						
Recreation	256,371	52,022			(204,349)	
Development	4,961,457	1,216,911	\$23,912		(3,720,634)	
Housing	23,810		294,341		270,531	
Public Works & Engineering	7,784,816	246,289	809,401	\$1,955,492	(4,773,634)	
Police	18,525,592	1,009,555	143,993		(17,372,044)	
Interest on long-term debt	1,331,646				(1,331,646)	
Total Governmental Activities	<u>\$43,723,943</u>	<u>\$3,049,265</u>	<u>\$1,271,647</u>	<u>\$1,955,492</u>	<u>(37,447,539)</u>	
Component Unit:						
Economic Development Corporation	<u>\$1,774,019</u>	<u>\$60,395</u>	<u>\$1,048,768</u>	<u></u>		<u>(\$664,856)</u>
General revenues:						
Taxes:						
Property taxes					2,442,226	
Sales taxes					4,293,283	
Utility taxes					2,650,707	
Transient occupancy taxes					565,474	
Franchise taxes					900,299	
Payment in lieu of taxes					1,979,218	
Business licenses (nonregulatory)					26,197,153	
Other taxes					87,911	
Intergovernmental unrestricted:						
Motor vehicle in lieu fees					2,487,919	
Use of money and property					849,714	85,000
Miscellaneous					834,155	
Total general revenues					<u>43,288,059</u>	<u>85,000</u>
Change in Net Position					5,840,520	(579,856)
Net Position-Beginning, as restated (Note 8E)					126,828,142	767,137
Net Position-Ending					<u>\$132,668,662</u>	<u>\$187,281</u>

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2018. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, sales taxes, utility users tax, franchise fees, business licenses, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are made for public safety, recreation, and the other services described above.

LOW AND MODERATE INCOME HOUSING ASSETS

This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and all revenues from the collection of loan repayments must be used to provide housing for people with low and moderate incomes.

PUBLIC WORKS CONSTRUCTION

This fund accounts for major City capital improvement projects.

2015 LEASE REVENUE BONDS

This fund accounts for capital improvement projects funded by the proceeds of the 2015 Lease Revenue Bonds.

2018 JPFA LEASE REVENUE BONDS

This fund accounts for capital improvement projects funded by the proceeds of the 2018 JPFA Lease Revenue Bonds.

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Low and Moderate Income Housing Assets	Public Works Construction	2015 Lease Revenue Bonds
ASSETS				
Cash and investments available for operations (Note 3)	\$53,500,780	\$6,716,311	\$429,461	
Restricted cash and investments (Note 3)				\$7,580,032
Accounts receivable	3,508,556			
Due from other governments	95,400		883,306	
Prepays and deposits (Note 1H)	7,000			
Employee loans receivable (Note 5A)	5,934			
Redevelopment Agency program loans, net (Note 5B)		15,118,193		
Helms Community Center and Rumrill Sports Park leveraged loans (Notes 5I and 5J)	11,839,080			
Property held for resale (Note 1I)		564,835		
Total Assets	<u>\$68,956,750</u>	<u>\$22,399,339</u>	<u>\$1,312,767</u>	<u>\$7,580,032</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$2,549,992	\$18,810	\$1,966,305	
Deposits payable	191,716			
Unearned revenue	1,505,818			
Total Liabilities	<u>4,247,526</u>	<u>18,810</u>	<u>1,966,305</u>	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans and notes receivable	<u>6,510,080</u>	<u>14,737,519</u>		
Total Deferred Inflows of Resources	<u>6,510,080</u>	<u>14,737,519</u>		
FUND BALANCES				
Fund balance (Note 8):				
Nonspendable	5,341,934			
Restricted		7,643,010		\$7,580,032
Assigned	1,924,937			
Unassigned	50,932,273		(653,538)	
TOTAL FUND BALANCES	<u>58,199,144</u>	<u>7,643,010</u>	<u>(653,538)</u>	<u>7,580,032</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$68,956,750</u>	<u>\$22,399,339</u>	<u>\$1,312,767</u>	<u>\$7,580,032</u>

See accompanying notes to financial statements

2018 JPFA Lease Revenue Bonds	Other Governmental Funds	Total Governmental Funds
\$15,080,237	\$4,385,714	\$80,112,503
		7,580,032
	172,292	3,680,848
	714,739	1,693,445
		7,000
		5,934
		15,118,193
		11,839,080
		564,835
<u>\$15,080,237</u>	<u>\$5,272,745</u>	<u>\$120,601,870</u>
	\$405,715	\$4,940,822
	548,754	740,470
	25,074	1,530,892
	979,543	7,212,184
		21,247,599
		21,247,599
		5,341,934
\$15,080,237	4,453,509	34,756,788
		1,924,937
	(160,307)	50,118,428
<u>15,080,237</u>	<u>4,293,202</u>	<u>92,142,087</u>
<u>\$15,080,237</u>	<u>\$5,272,745</u>	<u>\$120,601,870</u>

CITY OF SAN PABLO
Reconciliation of the
GOVERNMENTAL FUNDS BALANCE SHEET
with the
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Fund Balance - Total Governmental Funds	\$92,142,087
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

CAPITAL ASSETS TRANSACTIONS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental funds.	93,838,473
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NON-CURRENT REVENUES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	21,247,599
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LONG TERM ASSETS, LIABILITIES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The assets, deferred outflows of resources, liabilities and deferred inflows of resources below are not due and payable in the current period and therefore are not reported in the Funds:

Deferred outflows of resources related to pensions	11,418,735
Deferred outflows of resources related to OPEB	1,069,730
Claims payable	(18,807)
Compensated absences	(1,537,489)
Long-term debt	(42,348,151)
Net pension liability	(40,126,819)
Net OPEB liability	(279,824)
Deferred inflows of resources related to pensions	(2,537,222)
Deferred inflows of resources related to OPEB	(199,650)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$132,668,662</u>
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See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Low and Moderate Income Housing Assets	Public Works Construction	2015 Lease Revenue Bonds
REVENUES				
Property taxes	\$1,232,993			
Sales taxes	3,377,300			
Utility users tax	2,650,707			
Business license tax	25,826,897			
Other taxes	3,532,902			
Licenses and permits				
Fines and forfeits	202,854			
Intergovernmental	3,088,516		\$1,326,061	
Charges for services	1,107,425			
Use of money and property	832,534	\$294,341		\$71,544
Miscellaneous	435,594		383,135	
Total Revenues	42,287,722	294,341	1,709,196	71,544
EXPENDITURES				
Current:				
General Government	9,224,637			
Community:				
Development	3,007,880			
Housing		23,810		
Public Works & Engineering	355,760		831,107	
Police	16,028,684			
Capital outlay	3,288,448		10,352,355	
Debt service:				
Principal retirement	1,160,988			320,000
Interest and fiscal charges	9,876			601,648
Total Expenditures	33,076,273	23,810	11,183,462	921,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,211,449	270,531	(9,474,266)	(850,104)
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance (Note 7)				
Capital leases (Note 7)	2,491,334			
Transfers in (Note 4)	767,518		11,633,374	915,273
Transfers (out) (Note 4)	(14,780,621)		(767,518)	
Total Other Financing Sources (Uses)	(11,521,769)		10,865,856	915,273
NET CHANGE IN FUND BALANCES	(2,310,320)	270,531	1,391,590	65,169
Fund balances at beginning of period	60,509,464	7,372,479	(2,045,128)	7,514,863
FUND BALANCES AT END OF PERIOD	\$58,199,144	\$7,643,010	(\$653,538)	\$7,580,032

See accompanying notes to financial statements

2018 JPFA Lease Revenue Bonds	Other Governmental Funds	Total Governmental Funds
	\$830,319	\$2,063,312
	1,345,380	4,722,680
		2,650,707
		25,826,897
		3,532,902
	370,256	370,256
		202,854
	1,617,680	6,032,257
	945,962	2,053,387
\$42,387	38,628	1,279,434
	149,318	968,047
42,387	5,297,543	49,702,733
	1,221,595	10,446,232
	1,861,007	4,868,887
		23,810
	3,431,467	4,618,334
		16,028,684
	118,049	13,758,852
		1,480,988
407,803		1,019,327
407,803	6,632,118	52,245,114
(365,416)	(1,334,575)	(2,542,381)
15,325,000		15,325,000
		2,491,334
120,653	2,111,321	15,548,139
		(15,548,139)
15,445,653	2,111,321	17,816,334
15,080,237	776,746	15,273,953
	3,516,456	76,868,134
\$15,080,237	\$4,293,202	\$92,142,087

CITY OF SAN PABLO
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$15,273,953
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are added back to fund balance	14,446,049
Depreciation expense is deducted from fund balance	(3,903,584)
Loss on retirement	(93,375)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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 in the Statement of Net Position the repayment reduces long-term liabilities	
Debt proceeds	(15,325,000)
Capital lease	(2,491,334)
Repayment of debt principal is added back to fund balance	1,480,988
Interest accrued to principal is deducted from fund balance	(312,319)

NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Compensated absences	(307,552)
Claims payable	16,846
Unavailable revenue - loans and notes receivable	(138,270)
Net pension liability and deferred outflows/inflows of resources related to pensions	(2,919,100)
Net OPEB liability and deferred outflows/inflows of resources related to OPEB	113,218

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$5,840,520</u></u>
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See accompanying notes to financial statements

CITY OF SAN PABLO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$313,000	\$313,000	\$1,232,993	\$919,993
Sales taxes	2,712,078	2,712,078	3,377,300	665,222
In-lieu sales tax	575,000	575,000		(575,000)
Utility users tax	2,367,000	2,367,000	2,650,707	283,707
Business license tax	21,000,000	21,000,000	25,826,897	4,826,897
Other taxes	3,325,000	3,325,000	3,532,902	207,902
Fines and forfeits	226,000	226,000	202,854	(23,146)
Intergovernmental:				
Motor vehicle in lieu	2,313,000	2,313,000	2,487,919	174,919
Other	198,000	198,000	600,597	402,597
Charges for services	636,000	636,000	1,107,425	471,425
Use of money and property	868,000	868,000	832,534	(35,466)
Miscellaneous	195,921	235,921	435,594	199,673
Total Revenues	34,728,999	34,768,999	42,287,722	7,518,723
EXPENDITURES				
Current:				
General Government	11,891,666	12,697,032	9,224,637	3,472,395
Community:				
Recreation	73,500			
Development	3,304,887	3,386,532	3,007,880	378,652
Public Works & Engineering	512,417	453,002	355,760	97,242
Police	15,600,806	16,872,258	16,028,684	843,574
Capital outlay		1,468,770	3,288,448	(1,819,678)
Debt Service:				
Principal			1,160,988	(1,160,988)
Interest and fiscal charges			9,876	(9,876)
Total Expenditures	31,383,276	34,877,594	33,076,273	1,801,321
EXCESS OF REVENUES OVER EXPENDITURES	3,345,723	(108,595)	9,211,449	9,320,044
OTHER FINANCING SOURCES (USES)				
Capital leases	1,200,000		2,491,334	2,491,334
Transfers in	2,152,754		767,518	767,518
Transfers (out)	2,152,754	1,538,105	(14,780,621)	(16,318,726)
Total Other Financing Sources (Uses)	5,505,508	1,538,105	(11,521,769)	(13,059,874)
NET CHANGE IN FUND BALANCE	\$8,851,231	\$1,429,510	(2,310,320)	(\$3,739,830)
Fund balance at beginning of year			60,509,464	
FUND BALANCE AT END OF YEAR			\$58,199,144	

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

RETIREE HEALTH SAVINGS PLAN TRUST FUND

The Fund is used to account for the medical and dental benefits for former employees of the City.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

The Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of San Pablo.

AGENCY FUNDS

Agency Funds accounts for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

CITY OF SAN PABLO
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS			
Cash and investments (Note 3)		\$7,444,520	
Restricted cash and investments (Note 3)	\$9,161,819	4,268,839	\$8,415,847
Accounts receivable		733,215	
Loans receivable (Note 13B)		1,004,260	
Property held for resale (Note 13C)		7,537,984	
Due from other governments			779,073
Capital assets (Note 13D):			
Land and land improvements		2,819,393	
Depreciable capital assets, net		1,156,374	
	<u>9,161,819</u>	<u>24,964,585</u>	<u>\$9,194,920</u>
Total assets			
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding of debt (Note 13E)		3,545,703	
LIABILITIES			
Accounts payable		18,283	\$33,686
Deposits held as agent for others			9,161,234
Long-term obligations (Note 13E):			
Due in one year		1,650,724	
Due in more than one year		57,725,274	
		<u>59,394,281</u>	<u>\$9,194,920</u>
Total liabilities			
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS	<u>\$9,161,819</u>	<u>(\$30,883,993)</u>	

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust
ADDITIONS		
Property taxes		\$7,249,096
Employer contributions	\$517,741	
Net investment income	793,503	848,195
Other		8,164,811
	<u>1,311,244</u>	<u>16,262,102</u>
Total additions		
DEDUCTIONS		
Premiums paid	517,741	
Community development		1,220,846
Depreciation (Note 13D)		65,752
Debt service:		
Interest and fiscal charges		4,393,545
	<u>517,741</u>	<u>5,680,143</u>
Total deductions		
Change in net position	793,503	10,581,959
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS		
Beginning of year	<u>8,368,316</u>	<u>(41,465,952)</u>
End of year	<u>\$9,161,819</u>	<u>(\$30,883,993)</u>

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The City of San Pablo (City) was incorporated as a general law city on April 27, 1948. San Pablo is a community of approximately 29,465 residents situated in Contra Costa County on the east side of San Francisco Bay. San Pablo is located approximately 17 miles east of the City of San Francisco and 12 miles north of the City of Oakland and is surrounded by the City of Richmond. The City operates under the Council-Manager form of government and provides the following services: public safety, highways and streets, recreation, public improvements, planning and zoning and general administration services.

The City is governed by a five member council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include the financial activities of the City as well as separate legal entities which are described below.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of San Pablo include the activities of the City as well as the City of San Pablo Joint Powers Financing Authority, which is controlled by and dependent on the City. While it is a separate legal entity, its financial activities are integral to those of the City. The financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

Blended Component Units

The City of San Pablo Joint Powers Financing Authority is a separate governmental entity whose purpose is to assist in the financing and refinancing of certain redevelopment activities of the former Redevelopment Agency and certain programs and projects of the City. The Authority is administered by a Governing Board whose members are the City Council of the City of San Pablo. The Authority does not issue separate financial statements.

The City of San Pablo Retiree Health Savings Plan is governed by the City's Resolution 2007-024 and is used to account for contributions and investment income restricted to pay medical and dental benefits. Benefit and contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Council established by the above Resolution. The financial activities of the Plan have been included in these financial statements in the Retiree Health Savings Plan Trust Fund. The Plan does not issue separate financial statements.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

The San Pablo Economic Development Corporation is a California nonprofit public benefit Corporation formed in February 2011 by the City and the former Redevelopment Agency under the laws of the State of California. The Corporation was organized for the purpose of providing physical, economic and educational development, redevelopment, and revitalization efforts within the City. The Corporation entered into a Service Agreement with the City under which the City will perform the necessary services on an independent contractor basis to eliminate blight, provide affordable housing, improve the public realm, facilitate public and private developments, stimulate economic development, and create jobs. The Corporation was controlled by the City and had the same governing body as the City, which also performs all accounting and administrative functions for the Corporation. The Corporation was governed by a board of directors consisting of the members of the City Council.

In May 2012 the City Council, serving in its capacity as the governing board of the Corporation, adopted a resolution approving modifications to the governing board. Effective May 16, 2012, the governing board of the Corporation consists of two Councilmembers and three members of the community, however, for the period May 16, 2012 through September 1, 2012, the Corporation's operations remained financially integrated with those of the City and City staff continued to provide accounting, administrative and managerial services for the Corporation. As a result of this financial integration, the Corporation continued to be reported as a component unit of the City through September 1, 2012, and the financial activities of the Corporation were previously reported in the Economic Development Special Revenue Fund through that date.

Effective September 1, 2012, the City transferred assets and liabilities of the Corporation to the Corporation's own administrative staff, and all accounting and managerial functions of the Corporation are now performed by its own staff. The City continues to provide the primary funding for the activities of the Corporation, therefore, the financial activities of the Corporation are discretely presented in the Economic Development Corporation Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for the Corporation may be obtained by contacting the San Pablo Economic Development Corporation, 13830 San Pablo Avenue, Suite D, San Pablo, CA 94806.

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its blended and discretely presented component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) capital grants and contributions, all of which are capital grants under California law. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

Major funds are defined as governmental funds which have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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

Low and Moderate Income Housing Assets – This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and all revenues from the collection of loan repayments must be used to provide housing for people with low and moderate incomes.

Public Works Construction – This fund accounts for major City capital improvement projects.

2015 Lease Revenue Bonds – This fund accounts for capital improvement projects funded by the proceeds of the 2015 Lease Revenue Bonds.

2018 JPFA Lease Revenue Bonds – This fund accounts for capital improvement projects funded by the 2018 JPFA Lease Revenue Bonds.

The City also reports the following fiduciary fund types:

Trust Funds. These funds account for assets held by the City as an agent for various functions. The Retiree Health Savings Plan Trust Fund accounts for the accumulation of resources to be used for retiree medical and dental benefit payments at appropriate amounts and times in the future. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds. These funds account for assets held by the City as an agent for the Oak Park Special Assessment District, West Contra Costa Transportation Advisory Committee, and non-public organizations. Agency funds cannot be major funds.

D. Basis of Accounting

The **City-wide and fiduciary fund financial statements** are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental funds are reported using the *current financial resources* measurement focus and governmental and agency funds are reported using *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt and capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category related to pensions and OPEB as discussed in Note 9 and 10.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position and governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, unavailable revenue, which arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues related to amounts due from other governments, and loans and notes receivable. The City also has deferred inflows of resources related to pensions and OPEB on the statement of net position as discussed in Note 9 and 10. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. *Property Tax*

Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed.

G. *Compensated Absences*

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds, amounts expected to be paid out for permanent liquidation are recorded as fund liabilities, the long-term portion is recorded in the statement of net position. The liability for compensated absences is determined annually; the net increase in the liability was \$307,552 at June 30, 2018 and was allocated to the General Government, Community Development, Public Works, Engineering, Police and Community Recreation departments on the statement of activities. Sick pay does not vest and therefore is not accrued. The change in compensated absences was as follows:

Beginning Balance	\$1,229,937
Additions	1,170,930
Payments	<u>(863,378)</u>
Ending Balance	<u>\$1,537,489</u>
Due in One Year	<u>\$848,328</u>

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaids and Deposits

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. At June 30, 2018, the General Fund and the Economic Development Corporation had prepaid items of \$7,000 and \$3,537, respectively.

Prepaid items and deposits in governmental funds are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

I. Property Held for Resale

Land parcels held for resale are accounted for at the lower of cost or net realizable value or agreed upon sales price if a disposition agreement has been made with a developer.

J. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements*

GASB Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement required the restatement of net position and additional footnote disclosures as noted in Note 8E and 10, respectively.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement had no significant effect on the financial statements.

GASB Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement had no significant effect on the financial statements.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement had no significant effect on the financial statements.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budget Policy*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All budget adjustments and transfers between funds and between departments must be approved by the City Council by resolution during the fiscal year. The City Manager and Finance Manager are authorized to transfer any unencumbered appropriations within a department. The legally adopted budget requires that expenditures not exceed total appropriations at the department level within each fund.
5. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except the Low and Moderate Income Housing Assets, Traffic Congestion Relief, HCD Grant and Measure K Special Revenue Funds. In addition, the Public Works Construction, 2015 Lease Revenue Bonds and the 2018 JPFA Lease Revenue Bonds Capital Projects Funds are budgeted on a project length basis and therefore are not comparable on an annual basis.

B. *Excess of Expenditures over Appropriations*

The General Fund incurred capital outlay and debt service expenditures in excess of appropriations in the amounts of \$1,819,678 and \$1,170,864, respectively. In addition, the Development Services Special Revenue Fund incurred community development expenditures in excess of appropriations in the amount of \$21,636 and the Street Lighting and Landscaping Special Revenue Fund incurred general government expenditures in excess of appropriations in the amount of \$7,325. The funds had sufficient revenues to finance these expenditures.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or agency agreements.

Primary Government Cash and Investments	
Cash and investments available for operations	\$80,112,503
Restricted cash and investments	7,580,032
Component Unit Cash and Investments	
Cash available for operations	1,540,258
Restricted cash and investments	338,277
Fiduciary Funds Cash and Investments	
Cash and investments available for operations	
in Fiduciary Funds (separate statement):	
Successor Agency to the Redevelopment	
Agency Private Purpose Trust	7,444,520
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	9,161,819
Successor Agency to the Redevelopment	
Agency Private Purpose Trust	4,268,839
Agency Funds	8,415,847
Total cash and investments	\$118,862,095

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Notes or Bonds	5 years	N/A	No Limit	No Limit
Federal Instrumentality (government sponsored enterprise)	5 years	N/A	No Limit	No Limit
Federal Agency Mortgage Backed Securities and Debentures	5 years	N/A	20%	No Limit
Medium Term Notes	5 years	A or equivalent	30%	5%
Negotiable Certificates of Deposit	5 years	FDIC Insured	30%	5%
Non-Negotiable Certificates of Deposit	5 years	FDIC Insured	30%	5%
Commercial Paper	270 Days	A-1 or equivalent	25%	5%
Banker's Acceptances	180 days	A-1/P-1 or equivalent	30%	5%
Repurchase Agreements	30 days	N/A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	\$65 million
Money Market Funds	N/A	AAAm	20%	10%

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The Successor Agency to the Redevelopment Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Successor Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. There is no limitation on the maximum percentage of the portfolio that may be invested in any one investment type or in any one issuer. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	5 years	N/A
U.S. Agency Securities (A)	5 years	N/A
State Obligations	5 years	A
Commercial Paper	270 days	A-1
Certificates of Deposit	365 days	A-1
Bankers Acceptances	365 days	A-1
Bank Deposits	5 years	N/A
Money Market Mutual Funds	N/A	AAAm
Repurchase Agreements	180 days (B)	A
Investment Agreements and Guaranteed Investment Contracts	N/A	N/A
Cash Sweep	5 years	N/A
California Asset Management Program	N/A	N/A
California Local Agency Investment Fund	N/A	N/A

(A) For the 2015 Lease Revenue Bonds, investments are restricted to the Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under the Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(B) For the 2015 Lease Revenue Bonds, limited to 30 days.

E. Investments Authorized for Economic Development Corporation

Economic Development Corporation investments conform with the California Government Code.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Investments Authorized for the Retiree Health Savings Plan Trust

The authorized investments for the Retiree Health Savings Plan Trust were established pursuant to the Declaration of Trust. The City, as trustee, has elected to invest the Trust assets in a mutual fund, however the Trust is authorized to invest in time deposits, shares of common and preferred stock, mortgages, bonds, leases, notes, debentures, equipment or collateral trust certificates, rights, warrants, convertible or exchangeable securities and other corporate, individual or government securities or obligations, annuity, retirement or other insurance contracts, mutual funds, or in units of any other common, collective or commingled trust fund.

G. Interest Rate Risk

Interest rate risk is the risk that potential future changes in market interest rates will adversely affect the fair market value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity or earliest call date:

Investment Type	12 months or less	13 - 24 months	Fair Value Total
Securities of U.S. Government Agencies			
FFCB	\$2,984,490	\$1,572,762	\$4,557,252
FHLB	2,739,408	1,483,984	4,223,392
FNMA	685,160	2,949,990	3,635,150
FHLMC	1,972,755	688,940	2,661,695
U.S. Treasury Bonds/Notes	14,621,342	1,955,558	16,576,900
Medium Term Notes	3,180,520	4,889,791	8,070,311
Local Agency Investment Fund	44,424,535		44,424,535
Money Market Mutual Funds	36,846		36,846
<i>Held by Trustee:</i>			
Money Market Mutual Funds	14,269,745		14,269,745
Vantage Point MP Long Term Growth Mutual Fund (Equities)	9,161,819		9,161,819
Total Investments	\$94,076,620	\$13,541,025	107,617,645
<i>Cash on hand and in banks - City of San Pablo</i>			9,365,915
<i>Cash in banks - Economic Development Corporation</i>			1,878,535
Total Cash and Investments			\$118,862,095

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the authority of the Treasurer of the State of California and is not registered with the Securities and Exchange Commission as an investment company. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018 the average maturity was 193 days.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Credit Risk

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 actual ratings for the City's investments as of June 30, 2018 are as follows:

Investment Type	AAA	AAA	AA+/AA-	A+/A	Total
Securities of U.S. Government Agencies					
FFCB			\$4,557,252		\$4,557,252
FHLB			4,223,392		4,223,392
FNMA			3,635,150		3,635,150
FHLMC			2,661,695		2,661,695
Medium Term Notes		\$987,690	2,683,218	\$4,399,403	8,070,311
Money Market Funds	\$36,846				36,846
<i>Held by Trustees:</i>					
Money Market Funds	14,269,745				14,269,745
Totals	<u>\$14,306,591</u>	<u>\$987,690</u>	<u>\$17,760,707</u>	<u>\$4,399,403</u>	<u>37,454,391</u>
<i>Not rated:</i>					
Local Agency Investment Fund					44,424,535
<i>Retiree Health Savings Plan Trust:</i>					
Vantage Point MP Long Term Growth Mutual Fund (Equities)					9,161,819
<i>Exempt from credit rating disclosure:</i>					
U.S. Treasury Bonds/Notes					16,576,900
Cash on Hand and in Banks - City of San Pablo					9,365,915
Cash on Hand and in Banks - Economic Development Corporation					1,878,535
Total Cash and Investments					<u>\$118,862,095</u>

I. Fair Value Hierarchy

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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

Investment Type	Level 1	Level 2	Fair Value Total
Investments by Fair Value:			
U.S. Treasury Notes	\$16,576,900		\$16,576,900
U.S. Government Agencies		\$15,077,489	15,077,489
Medium Term Notes		8,070,311	8,070,311
Total Investments at Fair Value	<u>\$16,576,900</u>	<u>\$23,147,800</u>	39,724,700
Investments Measured at Amortized Cost:			
Local Agency Investment Fund			44,424,535
Money Market Mutual Funds			36,846
Held by Trustee:			
Money Market Mutual Funds			14,269,745
Vantage Point MP Long Term Growth Mutual Fund (Equities)			9,161,819
Total Investments			107,617,645
<i>Cash with Banks and Petty Cash - City of San Pablo</i>			9,365,915
<i>Cash with Banks - Economic Development Corporation</i>			1,878,535
Total Cash and Investments			<u>\$118,862,095</u>

Investments classified in Level 1 of the fair value hierarchy, are valued using quoted prices in active markets. Federal Agency Securities and Medium Term Notes, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund, reported at amortized cost, and it not subject to the fair value reporting requirements. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

J. Concentration of Credit Risk

Investments in any one issuer, other than U.S. Treasury securities, money market mutual funds, and the California Local Agency Investment Fund that represent 5% or more of total City-wide investments are as follows as of June 30, 2018:

Fund/Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	U.S. Governmental Agencies	\$3,635,150
Federal Farm Credit Bank	U.S. Governmental Agencies	4,557,252
Federal Home Loan Bank	U.S. Governmental Agencies	4,223,392

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS

Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers In/Out for the year ended June 30, 2018 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Transfer Amount
Major Funds:		
General Fund	Public Works Construction Capital Projects Fund	\$767,518 (A)
Public Works Construction Capital Projects Fund	General Fund	11,633,374 (B), (C)
2015 Lease Revenue Bonds Capital Projects Fund	General Fund	915,273 (D)
2018 JPFA Lease Revenue Bonds Debt Service Fund	General Fund	120,653 (D)
Non-Major Funds:		
Gas Tax Special Revenue Fund	General Fund	1,031,423 (C)
Development Services Special Revenue Fund	General Fund	336,538 (C)
Street Lighting and Landscaping Special Revenue Fund	General Fund	260,276 (C)
Measure K Special Revenue Fund	General Fund	483,084 (C)
		\$15,548,139

The reasons for these transfers are set forth below:

- (A) Return unspent capital project funds
- (B) Transfer amounts required to fund capital projects
- (C) Transfer to cover revenue shortage
- (D) Transfer for debt service requirements

NOTE 5 – LOANS AND NOTES RECEIVABLE

The City and former Redevelopment Agency engage in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's or Agency's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by unavailable revenue in governmental funds, as they are not expected to be repaid during the next fiscal year.

A. *Employee Loans Receivable*

Elected officials and full-time City employees are eligible to obtain an interest free loan up to \$3,000 to purchase a computer. All requests for loans are subject to review and approval by the Finance Director. Repayment of these loans is handled through payroll deductions, which are spread out equally for up to two years. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2018, 5 employees had \$5,934 in such loans.

CITY OF SAN PABLO NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2018
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NOTE 5 – LOANS AND NOTES RECEIVABLE (Continued)

B. Notes Receivable under Redevelopment Agency Programs

The Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 13, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Assets Fund at June 30, 2018 are set forth below:

Supplemental Education Revenue Augmentation Fund	\$380,674
Casa Adobe-Senior Citizen Units	1,112,628
Housing Initiative Program	10,373,385
San Pablo Housing Investors	1,702,342
East Bay Asian Local Development Corporation	1,549,164
Lao Family Community Development	680,216
Subtotal	15,798,409
Less: Allowance for conditional grant	(680,216)
Total	<u>\$15,118,193</u>

C. Supplemental Education Revenue Augmentation Fund Loans

In August 2011, the Agency approved an interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency's Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment. This loan does not bear interest and was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 13.

The State of California Department of Finance stated that repayment of the loans could not begin prior to fiscal year 2014-2015 and the maximum annual repayment amount is limited by Health and Safety Code Section 34176(e)(6), as discussed in Note 13. The balance of the loan at June 30, 2018 was \$380,674.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – LOANS AND NOTES RECEIVABLE (Continued)

D. Casa Adobe - Senior Citizen Units

Under the terms of a Disposition and Development Agreement dated June 5, 1989 between the former Redevelopment Agency and the Developer, Ecumenical Association for Housing (EAH)-San Pablo, the Agency loaned EAH-San Pablo the amount of \$824,670 to purchase land and construct the Casa Adobe 55-unit housing complex for low income senior citizens.

During fiscal year 2009, the Agency restructured the original agency loan and provided a new loan in the principal amount of \$1,232,951 to assist the Developer with financing the acquisition and rehabilitation of the Development. The Agency loan consists of the principal and accrued interest on the original Agency loan as of November 1, 2008. The restructured loan has a fifty-five year term with a zero percent interest rate. Commencing on May 1, 2010 and on each May 1st thereafter, payments are to be made from “residual receipts” as defined in the agreement. The balance of the loan at June 30, 2018 was \$1,112,628.

E. Housing Initiative Program

The former Redevelopment Agency administered a Housing Initiative Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second and third trust deed home improvement, dilapidated unit purchase, or foreclosed unit purchase loans. At June 30, 2018, loans outstanding under this Program totaled \$10,373,385.

In October 2007, the Agency revised its first-time home-buyers loan program, which included increasing the maximum amount of assistance from \$75,000 to \$200,000 and requiring the homebuyer to enter a shared appreciation agreement as part of the promissory note. Under the shared appreciation, the homebuyer is required to pay the Agency a share of the net appreciated value of the home in connection with a transfer of the home before the end of the program loan term (30 years). The percentage of the shared net appreciation is equal to the Agency’s share of the original purchase price of the home, less a 5% discount. The balance of these loans is included in the Housing Initiative Program Loans.

The Agency also administered a State-sponsored CalHome Loan Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second trust deed home improvement, or foreclosed unit purchase loans.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – LOANS AND NOTES RECEIVABLE (Continued)

F. San Pablo Housing Investors

Under the terms of an Owner Participation Agreement dated January 6, 2003, the former Redevelopment Agency made two loans to San Pablo Housing Investors in fiscal 2004 for the construction of eighty-two low-income rental units for seniors. The first loan of \$99,690 was used for City development fees, and the second loan of \$1,100,000 for construction. The loans carry simple interest rates per annum of 6% and 5.7%, respectively, with loan payments due within twenty years of the Completion Date. The project was completed on June 30, 2003. Payments began on January 31st following the Completion Date, and then each January 31st thereafter; payments are to be made from fifty percent of “residual receipts” as defined in the agreement. As of June 30, 2018, San Pablo Housing Investors owed principal of \$1,098,651 and interest of \$603,691, for a total of \$1,702,342.

G. East Bay Asian Local Development Corporation

Under the terms of an Owner Participation Agreement dated September 28, 2004, the former Redevelopment Agency made a construction loan of \$500,000 to East Bay Asian Local Development Corporation (EBALDC) for the development of 84 affordable rental dwelling units and two onsite non-rent restricted management units, with associated parking and common area spaces. The loan does not bear interest and must be repaid in full no later than 55 years from the date of the agreement. Commencing on May 1, 2008 and on each May 1st thereafter, payments are to be made in an amount equal to seventy-five percent of “residual receipts” as defined in the agreement.

On August 16, 2005, an amendment to the Owner Participation Agreement provided EBALDC with a supplemental project loan of up to \$1,200,000. Proceeds will facilitate the original construction project. Repayment terms of this additional loan are the same as the terms of the original loan. As of June 30, 2018, EBALDC has drawn down \$1,199,513 of the supplemental project loan.

The balance of the loans as of June 30, 2018 was \$1,549,164.

H. Lao Family Community Development

Under the terms of an Affordable Housing Subsidy Agreement dated December 20, 1993, the former Redevelopment Agency made a loan of \$82,500 to Lao Family Community Development, Inc. (Lao) for the development of a 32-unit apartment building with three of the units being affordable to moderate income persons. The loan bears interest at the rate of 6.06%, compounded annually. The agreement was amended on January 22, 1996 to provide an additional subsidy of \$75,000 which bears interest at the rate of 6.83%, compounded annually and increased the affordable units to 15. Both loans are repayable from “residual receipts” as defined in the agreement, and loans are due immediately upon the sale, assignment or transfer of the property without the consent of the Agency, or the expiration of the 30-year affordability covenant. However, unless the Agency directs otherwise, repayment of the loans is to be made to Contra Costa County under the terms of an Intercreditor Agreement; therefore, the City has accounted for this loan as a conditional grant and provided a reserve against the outstanding balance of the loans. As of June 30, 2018, the balance of the loans, including accrued interest, was \$680,216.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – LOANS AND NOTES RECEIVABLE (Continued)

I. San Pablo Community Center Leveraged Loan

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities. The City, in partnership with JP Morgan Chase Bank, has entered into various agreements which provided for the construction of the Helms Community Center by the Economic Development Corporation (EDC). Pursuant to NMTC Program requirements, several financial intermediaries controlled by the Bank have been established to finance this project which is estimated to cost \$9.5 million. As required under the agreements with these entities, the City loaned the EDC \$6,510,080 and contributed \$227,744 to the project, and the bank loaned EDC funds to pay for the remaining project costs. In addition, the City and EDC signed a lease agreement under which the City leases the Community Center from the EDC.

The City's loan bears simple interest of 1% and is payable in semi-annual interest-only payments from December 30, 2012 through December 20, 2022; thereafter principal and interest payments are due until June 1, 2049. As of June 30, 2018, the balance of the loan was \$6,510,080.

J. Rumrill Sports Park Leveraged Loan

The City, in partnership with Bank of America, has entered into various agreements which provided for the construction by the Healthy Eating Active Living, LLC (HEAL) of the Rumrill Sports Park consisting of three sports fields, a practice field, vender kiosks, an office and storage building, a picnic area, a tot-lot and parking. The Economic Development Corporation (EDC) is the only member of HEAL. Pursuant to NMTC Program requirements, several financial intermediaries controlled by the Bank have been established to finance this project which is estimated to cost \$8.6 million. As required under the agreements with these entities, the City made a loan in the amount of \$5,329,000 to the EDC and provided a capital grant of \$1,056,530 to the project, and an affiliate of Northern California Community Loan Fund (NCCLF) has loaned HEAL funds to pay for the remaining project costs.

The City's loan bears simple interest of 0.5% and is payable in quarterly interest-only payments from March 15, 2015 through February 23, 2022; thereafter principal and interest payments are due until March 15, 2045. As of June 30, 2018, the balance of the loan was \$5,329,000.

Concurrent with the above agreements, the City also entered into a ground lease agreement, under which the City leases the property on which the project was being constructed to HEAL for a term of 55-years, and a Management Agreement under which the City agrees to manage the activities of the sports park through February 23, 2045. The City has not begun receiving management fees related to this agreement as of June 30, 2018.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – LOANS AND NOTES RECEIVABLE (Continued)

Of the loan proceeds provided by the City and the Bank, HEAL reimbursed the City \$2,652,508 during fiscal year 2016 for costs previously incurred for the above project and paid the City \$1,600,000 to cover the rent for the property during the term of the ground lease.

The City also agreed to grant funds to HEAL, as needed, for the purpose of funding the operating expenses for the Sports Park in an amount not to exceed \$4,123,559. The agreement terminates on February 23, 2045. No funds were granted under this agreement during fiscal year 2018.

NOTE 6 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets.

	Useful Lives Years	Capitalization Threshold
Buildings and Improvements	10-50	\$25,000
Machinery and Equipment	5-10	5,000
Vehicles	5-10	5,000
Parks and Trails	15-20	25,000
Sports Fields	15-20	25,000
Roads and Streets	20	25,000
Bridges	15-75	25,000
Trees	50	25,000
Street Lights	20	25,000
Storm Drains	20	25,000
Traffic Signals	20	25,000

The Economic Development Corporation has assigned the following useful lives to its capital assets: Buildings, 39 years; furniture and equipment, 3-7 years; and Vehicles, 5 years.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

A. Governmental Capital Asset Additions and Retirements

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2017	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2018
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land and land improvements	\$8,409,744				\$8,409,744
Construction in progress	7,748,329	\$13,611,165		(\$10,096,716)	11,262,778
Total capital assets not being depreciated	16,158,073	13,611,165		(10,096,716)	19,672,522
Capital assets being depreciated:					
Buildings and improvements	24,017,814	27,270		7,005,195	31,050,279
Machinery and equipment	4,144,055	192,428			4,336,483
Vehicles	2,818,209	549,443	(\$251,100)		3,116,552
Park and trail improvements	14,011,244		(99)		14,011,145
Sports fields	1,506,986				1,506,986
Roads & streets including sidewalks	79,033,438	65,743		3,091,521	82,190,702
Bridges	5,486,753				5,486,753
Street lights	361,078				361,078
Storm drains	2,228,380				2,228,380
Traffic signals	2,931,742				2,931,742
Trees	1,227,462				1,227,462
Total capital assets being depreciated	137,767,161	834,884	(251,199)	10,096,716	148,447,562
Less accumulated depreciation for:					
Buildings and improvements	6,437,406	570,027			7,007,433
Machinery and equipment	1,997,985	300,163			2,298,148
Vehicles	2,184,597	106,922	(157,824)		2,133,695
Park and trail improvements	4,106,625	895,691			5,002,316
Sports fields	1,225,058	77,514			1,302,572
Roads & streets including sidewalks	45,216,764	1,778,195			46,994,959
Bridges	4,623,495	78,555			4,702,050
Street lights	330,618	3,092			333,710
Storm drains	1,718,073	10,200			1,728,273
Traffic signals	2,064,666	58,676			2,123,342
Trees	630,564	24,549			655,113
Total accumulated depreciation	70,535,851	3,903,584	(157,824)		74,281,611
Net capital assets being depreciated	67,231,310	(3,068,700)	(93,375)	10,096,716	74,165,951
Governmental activity capital assets, net	\$83,389,383	\$10,542,465	(\$93,375)		\$93,838,473

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

Construction in progress comprised the following at June 30, 2018:

Project	Amount
Contra Costa County Women Infant and Children Building	\$2,619,347
San Pablo Plaza	1,428,619
San Pablo Streets	1,472,782
Other	5,742,030
Total construction in progress	<u>\$11,262,778</u>

B. Economic Development Corporation's Capital Assets

The following is a summary of the Economic Development Corporation's changes in capital assets for the fiscal year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Balance at June 30, 2018
Capital assets not being depreciated:			
Land - Helms and HEAL	\$1,835,000		\$1,835,000
Total capital assets not being depreciated	<u>1,835,000</u>		<u>1,835,000</u>
Capital assets being depreciated:			
Building - Helms	8,364,410		8,364,410
Building - HEAL	180,000		180,000
Building improvements - Helms	48,985		48,985
Field improvements - HEAL	6,453,041		6,453,041
Equipment - Helms	77,107		77,107
Furniture and fixtures - Helms	459,784		459,784
Vehicles	13,274		13,274
Total capital assets being depreciated	<u>15,596,601</u>		<u>15,596,601</u>
Less accumulated depreciation	<u>1,602,330</u>	\$734,202	<u>2,336,532</u>
Net capital assets being depreciated	<u>13,994,271</u>	<u>(734,202)</u>	<u>13,260,069</u>
Capital assets, net	<u>\$15,829,271</u>	<u>(\$734,202)</u>	<u>\$15,095,069</u>

C. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

D. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities:

General Government	\$63,449
Community Recreation	126,899
Community Development	15,203
Public Works	3,472,194
Police	225,839
Total depreciation expense	<u>\$3,903,584</u>

Discretely Presented Component Unit:

Economic Development Corporation	<u>\$734,202</u>
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NOTE 7 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's long-term debt is recorded only in the government-wide financial statements.

In governmental fund types, debt discounts and issuance costs are recognized in the current period.

A. Current Year Transactions and Balances

The City's debt issues and transactions are shown below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Lease Revenue Bonds:						
Lease Revenue Bonds Series 2015A 2.00-4.00%, due 11/1/2044	\$4,255,000	\$3,825,000		\$230,000	\$3,595,000	
Lease Revenue Bonds Series 2015B 1.00-4.50%, due 11/1/2040	11,555,000	11,465,000		90,000	11,375,000	\$330,000
Lease Revenue Bonds Series 2018 2.50-5.00%, due 11/1/2052	15,325,000		\$15,325,000		15,325,000	
Total Lease Revenue Bonds		<u>15,290,000</u>	<u>15,325,000</u>	<u>320,000</u>	<u>30,295,000</u>	<u>330,000</u>
Capital Lease:						
Helms Community Center 3.32%, due 12/31/2053	8,764,917	9,403,964	312,319	85,000	9,631,283	86,000
Public Safety Equipment 3.88%, due 4/17/2021	2,491,334		2,491,334	1,000,000	1,491,334	478,313
Loan:						
Solar Loan 1.0%, due 12/22/2029	1,141,738	1,006,522		75,988	930,534	76,750
Total Capital Leases		<u>10,410,486</u>	<u>2,803,653</u>	<u>1,160,988</u>	<u>12,053,151</u>	<u>641,063</u>
Total City Debt		<u>\$25,700,486</u>	<u>\$18,128,653</u>	<u>\$1,480,988</u>	<u>\$42,348,151</u>	<u>\$971,063</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT (Continued)

B. San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015A, Series 2015B and Series 2018

On February 18, 2015, the City of San Pablo Joint Powers Financing Authority (Authority) issued \$4,255,000 and \$11,555,000 in 2015 Lease Revenue Bonds, Series A and B, respectively. The Authority proceeds of these bonds were used to finance certain capital improvement projects and property acquisitions for the City, including a library facility and upgrades to City Hall.

Under a site and facility lease dated March 1, 2015, the Authority will lease the City Hall complex and police department building from the City and pursuant to a lease agreement dated March 1, 2015, the Authority will lease the property to the City. Lease payments from the City to the Authority are pledged for the repayment of the Bonds. Although the lease payments are payable from all legally available funds of the General Fund, the City has agreed that each September, upon the receipt of revenue under the City's Municipal Services Agreement with the Lytton Band of Pomo Indians, to transfer the full amount of the lease payments for that fiscal year to the Bond Trustee. Annual principal payments on the 2015 A and B Lease Revenue Bonds are due November 1, commencing on November 1, 2015 and 2016, respectively. Semi-annual interest payments are due May 1 and November 1, through 2044 and 2040, respectively, commencing on November 1, 2015.

On January 31, 2018, the Authority issued an additional \$15,325,000 in 2018 Lease Revenue Bonds. The proceeds of these bonds will be used to finance the construction of a new City Hall. Under the site and facility lease dated March 1, 2015, amended as of February 1, 2018, the Authority will lease the City Hall project site, medical office building, senior center, corporation yard and Davis Park to the City as construction period leased properties to support the Series 2018 bond payments. Upon substantial completion of the City Hall Project, the City will release the construction period leased properties mentioned above and instead the City Hall Project, together with the Police building, will serve as the leased property in support of both the 2015 and 2018 bonds. Annual principal payments on the 2018 Lease Revenue Bonds are due November 1, commencing on November 1, 2020. Semi-annual interest payments are due May 1 and November 1 through 2052, commencing on May 1, 2018.

Debt service requirements are shown below for the bonds:

For the Year Ending June 30	Principal	Interest	Total
2019	\$330,000	\$1,157,317	\$1,487,317
2020	335,000	1,150,164	1,485,164
2021	580,000	1,136,956	1,716,956
2022	600,000	1,117,549	1,717,549
2023	620,000	1,097,812	1,717,812
2024-2028	3,430,000	5,147,790	8,577,790
2029-2033	4,215,000	4,356,995	8,571,995
2034-2038	5,265,000	3,313,517	8,578,517
2039-2043	6,435,000	2,144,847	8,579,847
2044-2048	4,825,000	1,009,729	5,834,729
2049-2053	3,660,000	341,288	4,001,288
Total	<u>\$30,295,000</u>	<u>\$21,973,964</u>	<u>\$52,268,964</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT (Continued)

C. Helms Community Center Capital Lease

The City entered into an agreement with the Economic Development Corporation in December 2012 to lease the Helms Community Center. Construction of the Community Center was completed in June 2014. Prior to the completion of construction, the lease was accounted for as an operating lease. With the completion of construction, the lease was converted to a capital lease and using the final cost of the project of \$8,764,917, the City recorded a lease payable in that amount and the Economic Development Corporation recorded a lease receivable in the same amount. The Economic Development Corporation has recorded the lease receivable as a component of capital assets as required by its third-party lender related to the financing of the project. The imputed interest rate on the lease is 3.32% and lease payments are due semi-annually each June 30 and December 31 through 2053, commencing on December 31, 2015.

Debt service requirements are shown below for the capital lease:

Fiscal Year Ended June 30	Payments Due
2019	\$86,000
2020	203,113
2021	324,014
2022	333,734
2023	343,746
2024-2028	1,879,748
2029-2033	2,179,146
2034-2038	2,526,225
2039-2043	2,928,586
2044-2048	3,395,035
2049-2053	3,935,783
2054	423,350
Total Payments	18,558,480
Less Imputed Interest	(8,927,197)
Principal	<u>\$9,631,283</u>

D. Public Safety Equipment Capital Lease

The City entered into an agreement with Fleetwood Finance Leasing LLC in April 2018 for the design, purchase, installation, implementation and integration of cameras for the City-Wide Public Safety Equipment Project. The cost of the leased equipment was \$2,491,334. An initial principal payment of \$1,000,000 was due on the closing date of the agreement of April 17, 2018, with annual principal payments being due on April 17 through 2021. Annual interest payments are due on April 17, commencing on April 17, 2019.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT (Continued)

Debt service requirements are shown below for the capital lease:

For the Year Ending June 30	Principal	Interest	Total
2019	\$478,313	\$57,864	\$536,177
2020	496,871	39,305	536,176
2021	516,150	20,027	536,177
Total	<u>\$1,491,334</u>	<u>\$117,196</u>	<u>\$1,608,530</u>

E. Solar Panel Loan

The City executed a loan agreement with California Energy Commission on March 3, 2013 to fund the installation of solar panels at five San Pablo facilities, in the amount of \$1,141,738. The associated projects started in July 2013 and the proceeds from the loan were drawn down during the year ended June 30, 2014. The loan bears interest of 1.00% and is due in 29 semi-annual installments of \$42,932 from December 22, 2015 through December 22, 2029.

Debt service requirements are shown below for the loan payable:

Fiscal Year Ended June 30	Principal	Interest	Total
2019	\$76,750	\$85,864	\$162,614
2020	77,496	85,864	163,360
2021	78,296	85,864	164,160
2022	79,080	85,864	164,944
2023	79,874	5,990	85,864
2024-2028	411,521	430,320	841,841
2029-2030	127,517	128,796	256,313
Total	<u>\$930,534</u>	<u>\$908,562</u>	<u>\$1,839,096</u>

F. EDC Notes Payable

On December 12, 2012, the EDC entered into two loan agreements with New Markets Community Capital XI, LLC (NMCC). The first and second loans are for \$6,510,080 and \$2,795,920, respectively. Under the terms of the agreements, the loans bear interest of 1.360% and are payable in semi-annual interest-only payments due June 20 and December 20 until fiscal year 2022. Beginning on June 20, 2023, the EDC will begin making principal payments along with interest semi-annually, with a final payment due on December 1, 2052. At June 30, 2018, the outstanding balances on the loans were \$6,510,080 and \$2,795,920, respectively.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT (Continued)

On February 23, 2015, the EDC, through HEAL, LLC, entered into two loan agreements with Northern California Community Capital NMTC Sub-CDE XII, LLC. The first and second loans are in the amounts of \$4,947,116 and \$2,552,884, respectively. Under the terms of the agreements, the loans bear interest of 0.8619% and are payable in quarterly interest-only payments until fiscal year 2022. Beginning on June 15, 2022, the HEAL, LLC will begin making principal payments along with interest quarter-annually, with a final payment due on June 15, 2045. At June 30, 2018, the outstanding balances of the loans were \$4,947,116 and \$2,552,884 respectively.

Debt service requirements are shown below for the EDC's notes payable:

For the Year Ending June 30	Principal	Interest	Total
2019		\$191,206	\$191,206
2020		190,886	190,886
2021		190,566	190,566
2022	\$73,796	190,566	264,362
2023	446,344	251,789	698,133
2024-2028	2,853,989	855,519	3,709,508
2029-2033	3,014,315	695,187	3,709,502
2034-2038	3,184,234	525,375	3,709,609
2039-2043	3,364,032	345,478	3,709,510
2044-2048	2,369,866	170,031	2,539,897
2049-2052	1,499,424	44,045	1,543,469
Total	\$16,806,000	\$3,650,648	\$20,456,648

NOTE 8 – NET POSITION AND FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Position which is not restricted as to use.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action by Resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Manager, during the adoption of the annual budget and may be changed at the discretion of the City Council or the Finance Manager.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Special Revenue Low and Moderate Income Housing Assets	Capital Projects Public Works Construction	2015 Lease Revenue Bonds	Debt Service 2018 JPFA Lease Revenue Bonds	Other Governmental Funds	Total
Nonspendable:							
Items not in spendable form:							
Prepays and deposits	\$7,000						\$7,000
Employee loans receivable	5,934						5,934
HEAL loan receivable	5,329,000						5,329,000
Total Nonspendable Fund Balances	5,341,934						5,341,934
Restricted for:							
Redevelopment Low and Moderate Income Housing		\$7,643,010					7,643,010
Street Lighting and Landscaping						\$491,517	491,517
Local Street and Road Improvements and Maintenance						2,622,003	2,622,003
Law Enforcement						315,955	315,955
National Pollution Discharge Elimination System						222,177	222,177
Paratransit						506,745	506,745
Housing Grants						95,854	95,854
Capital projects				\$7,580,032			7,580,032
Emergency Medical Services						199,258	199,258
Capital projects					\$15,080,237		15,080,237
Total Restricted Fund Balances		7,643,010		7,580,032	15,080,237	4,453,509	34,756,788
Assigned to:							
Capital Projects:							
Other	1,924,937						1,924,937
Total Assigned Fund Balances	1,924,937						1,924,937
Unassigned:							
General fund	50,932,273						50,932,273
Special Revenue						(160,307)	(160,307)
Capital projects			(\$653,538)				(653,538)
Total Unassigned Fund Balances	50,932,273		(653,538)			(160,307)	50,118,428
Total Fund Balances	\$58,199,144	\$7,643,010	(\$653,538)	\$7,580,032	\$15,080,237	\$4,293,202	\$92,142,087

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

C. *Stabilization and Contingency Arrangements*

The City adopted a Fiscal Resiliency Policy with Resolution 2013-159, which established four types of reserves to address unanticipated, one-time needs as follows:

Catastrophic Reserve: To assist with expenses due to severe, natural, financial, or legal calamities including earthquakes, floods, disruptions in casino income, major legal judgments against the City and would be funded with fifty percent of the annual Total Operating Funds Budget, including transfers to CIP. The Catastrophic Reserve can only be used upon adoption of a Statement of Findings and/or a Declaration of Emergency subject to City Council approval and must be repaid within three fiscal years.

Budget Stabilization Reserve: To replace the prior Budget Stabilization Fund to serve as a budget balancing tool to counteract the impacts of economic downturns and declining revenues in the economic cycle, and the funds would be used for unforeseen, unplanned, one-time expenses that assist the City in developing fiscal resiliency, and the reserve will be funded with the equivalent of five percent of the annual Total Operating Funds budget, including transfers to CIP. The use of the Budget Stabilization Reserve requires approval of the Budget Services Ad-Hoc Subcommittee in addition to a Statement of Findings by the City Council and all uses must be repaid in the following fiscal year to prevent long-term structural deficits.

General Fund Designated Reserves: Identified within the Total Operating Funds and “designated” or earmarked by City Council for particular future uses as a way to prefund large expenditures, including but not limited to replacement of large capital equipment, information technology systems, facilities and infrastructure maintenance and replacement, accrued employee leave costs, PERS rate increases, workers' compensation costs, general liability costs, etc.

Future Capital Projects Reserves: Specific fund balances designated within the Total Operating Funds by City Council for future capital projects that Council determines to be in the best, long-term interests of the City.

The City amended Resolution 2013-159, by the adopting Resolution 2016-218 which established a new discretionary reserve, the Casino Revenue Sustainability Reserve. The purpose of the reserve is to mitigate against the potential impact that a sudden shutdown or loss of casino revenue would have on the City’s ability to maintain current operations and service levels. This reserve gives the City the ability to save up to maximum of 50% of unused audited fund balance annually to mitigate the potential of future casino revenue impacts. All deposits and withdrawals from the fund are discretionary, but require approval by the Budget, Fiscal & Legislative Standing Committee and a majority approval by resolution of the City Council.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

The required balance of each reserve for the year ended June 30, 2018, and the actual balance for each as of June 30, 2018, which are reported within the unassigned fund balance of the General Fund follows:

	Required Beginning Balance	Balance as of June 30, 2018
Catastrophic	\$19,628,529	\$19,628,529
Budget Stabilization Reserve	1,962,852	1,962,852
Designated	4,307,571	25,000
Future Capital Projects (includes Casino Revenue Sustainability Reserve)	14,940,163	5,775,483
Unassigned		<u>23,540,409</u>
Total General Fund Unassigned Fund Balance		<u><u>\$50,932,273</u></u>

D. Fund Equity Deficits

As of June 30, 2018, the Public Works Construction Capital Projects Fund, Gas Tax and Development Services Special Revenue Funds had fund deficits of \$653,538, \$8,416 and \$151,891, respectively. These deficits are expected to be eliminated by funding from the General Fund.

E. Net Position Restatements

Management adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was restated and reduced by \$3,814,195. See Note 10 for further disclosures.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS

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 Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the CalPERS Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police) and Miscellaneous (all other) Employee Pension Rate Plans. The City's Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service 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 SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

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

	Miscellaneous	
	Classic (A)	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	10.110%	6.533%

	Safety	
	Classic (A)	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	9%	11.50%
Required employer contribution rates	19.723%	11.990%

- (A) The City's labor contracts require sworn safety employees hired on or before January 1, 2013 to pay 12.3% of the contributions, consisting of the 9.0% statutorily-required employee share plus 3.3% of the employer share, and all other employees hired on or before January 1, 2013 to pay 10.3% of the contributions, consisting of the 8.0% statutorily-required employee share plus 2.3% of the employer share. Sworn safety and all other employees hired on or after January 1, 2013 are statutorily required to pay the employee share of 11.5% and 6.25%, respectively.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan 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 rate of employees.

For the year ended June 30, 2018, the City’s contributions to the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$1,131,296	\$2,131,584	\$3,262,880

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to 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 Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$16,292,956
Safety	23,833,863
Total Net Pension Liability	<u>\$40,126,819</u>

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.40834%
Proportion - June 30, 2017	0.41331%
Change - Increase (Decrease)	<u>0.00497%</u>
	<u>Safety</u>
Proportion - June 30, 2016	0.39944%
Proportion - June 30, 2017	0.39888%
Change - Increase (Decrease)	<u>-0.00056%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$6,181,980. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$3,262,880	
Differences between actual and expected experience	276,595	
Changes in assumptions	6,085,762	\$465,808
Net differences between projected and actual earnings on plan investments	1,346,008	338,414
Change in proportion and differences between actual contributions and proportionate share of contributions	<u>447,490</u>	<u>1,733,000</u>
Total	<u>\$11,418,735</u>	<u>\$2,537,222</u>

\$3,262,800 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$1,093,971
2020	3,315,167
2021	2,001,651
2022	(792,156)

CITY OF SAN PABLO NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2018
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NOTE 9 – PENSION PLANS (Continued)
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Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 and June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

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

(b) An expected inflation of 3.0% used for this period.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the 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:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$24,035,933	\$36,178,578
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$16,292,956	\$23,833,863
1% Increase	8.15%	8.15%
Net Pension Liability	\$9,880,083	\$13,742,675

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Public Agency Retirement System

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer’s existing system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City’s part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City’s required contributions of \$9,197 and the employee’s required contributions of \$43,864 were made during the fiscal year ending June 30, 2018.

NOTE 10 – POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

Plan Description – In addition to the pension benefits described in Note 9 above, the City provides medical and dental benefits to substantially all retirees under the City of San Pablo Retiree Health Savings Plan, an agent multiple-employer defined benefit healthcare plan. The Plan does not issue separate financial statements. Coverage is also provided for spouses of employees having a minimum of 20 years of service at retirement.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

Benefits Provided – The following is a summary of Plan benefits by employee group as of June 30, 2018:

	San Pablo Police Employees Association (SPPEA)	Public Employees Local One/AFSCME	Executive Management	Contract Employees	Elected Officials	Confidential, Division managers, and AIE
Benefit Types Provided	Medical only (E)	Medical only	Medical and dental	Medical and Dental	Medical and Dental (H)	Medical only
Duration of Benefits (A)	Until Age 65 (B)(D)	Until Age 65 (B)	Lifetime (G)	Lifetime (G)	Lifetime (G)	Until Age 65 (B)
Required Service:						
Basic	Service Retirement under CALPERS within 120 days of separation (F)					
Supplemental	10 years for 1- party supplemental. 20 years for 2-party supplemental	15 years for \$135 supplemental. 25 years for \$480 supplemental	10 years	5 years for City Manager. 10 years for City Attorney	2 terms (8 years.) for supplemental medical. 3 terms (12 years) for supplemental medical and dental	15 years for \$135 supplemental. 25 years for \$480 supplemental
Minimum Age	50	50	50	50	50	50
Dependent Coverage	One dependent, if EE served for 20+ years (20 years)	Yes, if EE served for more than 25 years	Yes	Yes	Yes	Yes, if EE served for more than 25 years
City Contribution	100%	Flat amount \$135 for 15+ years of service; \$480 for 25+ years of service and enrolled in a plan for 2 or more	100%	100%	100%	Flat amount \$135 for 15+ years of service; \$480 for 25+ years of service and enrolled in a plan for 2 or more
City PEMHCA Contribution Cap per Month (Basic) (C)	\$128 for single \$220 for two party (E) 285 for family (E)	\$128 for single \$220 for two party 285 for family	\$128 for single \$220 for two party 285 for family	\$128 for single \$220 for two party 285 for family	\$128 for single \$220 for two party 285 for family	\$128 for single \$220 for two party 285 for family
City Supplemental Contribution Cap per Month (Supp)	Cost of 1-party or 2-party plan selected by retiree (D)	15 years service \$135; 25 years of service \$480	None	None	None	15 years service \$135; 25 years of service \$480

(A) Duration is subject to limitations as specified in the Memorandum of Understanding with each bargaining unit.

(B) From the date of retirement and until such time the retiree becomes eligible for Medicare, turns the age of sixty-five (65) receives health insurance coverage from another source, or dies, whichever comes first.

(C) The minimum contributions under the Public Employees Medical and Hospital Care Act (PEMHCA) is adjusted by CalPERS annually.

(D) Those hired before May 1, 1986 with 20 years of service are entitled to receive a monthly amount equivalent to a Kaiser Supplement/Managed Medicare 1-party plan rate at time of retirement until death of the retiree.

(E) Benefit only applies if the retiree was hired before July 1, 2014

(F) Qualified annuitants that retire under an Industrial Disability Retirement and are members of SPPEA and have attained 20+ years of service will receive the same benefit as those with Service Retirements.

(G) City shall pay the monthly supplemental allowance for life of the retiree, or if the retiree has died, to the retirees spouse or registered domestic partner.

(H) City Council members first elected before Jan. 1, 2013 and City Treasurer and City Clerk if elected prior to November 2010 that have served a minimum of 2 terms are eligible for city-paid supplemental medical coverage. City Council members that have served at least three terms, and were elected prior to Jan. 1, 2013 are also eligible for continued dental coverage.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

For the year ended June 30, 2018, the City's contributions to the Plan were \$535,358.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	120
Inactive employees or beneficiaries currently receiving benefit payments	65
Inactive employees entitled to but not yet receiving benefit payments	0
Total	185

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward using standard update procedures to determine the \$9,441,643 total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method	Closed period, level percent pay
Amortization Period	20 years
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	2.875%
Investment Rate of Return	6.50%
Mortality Rate	CalPERS Rates
Pre-Retirement Turnover	CalPERS Rates
Healthcare Trend Rate	7.00%, trending down to 3.00%

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on 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 City's OPEB plan assets, invested with ICMA-RC in the VT II Model Portfolio Aggressive Fund is 6.99%. This rate of return is the 10 year average annual return based on past performance of the fund and is provided by ICMA-RC.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$7,891,278	\$8,368,316	(\$477,038)
Changes Recognized for the Measurement Period:			
Service Cost	214,910		214,910
Interest on the total OPEB liability	533,651		533,651
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions	1,337,162		1,337,162
Contributions Employer - City's Contribution		517,741	(517,741)
Contributions Employer - Implicit Subsidy		17,617	(17,617)
Employee Contribution			
Net investment income		793,503	(793,503)
Administrative expenses			
Benefit payments - Employee Contributions	(517,741)	(517,741)	
Benefit payments - Implicit Rate Subsidy Fulfilled	(17,617)	(17,617)	
Net changes	1,550,365	793,503	756,862
Balance at June 30, 2018	\$9,441,643	\$9,161,819	\$279,824

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report that may be obtained from PARS. The benefit payments and refunds include implied subsidy benefit payments in the amount of \$17,617.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(6.00%)	(7.00%)	(8.00%)
\$1,699,410	\$279,824	(\$935,570)

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.00% Decreasing to 2.00%) or 1-percentage-point higher (8.00% Decreasing to 4.00%) than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
(6.00% Decreasing to 2.00%)	(7.00% Decreasing to 3.00%)	(8.00% Decreasing to 4.00%)
(\$426,500)	\$279,824	\$1,119,790

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$422,140. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$1,069,730	
Net differences between projected and actual earnings on plan investments		(\$199,650)
Total	<u>\$1,069,730</u>	<u>(\$199,650)</u>

CITY OF SAN PABLO NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2018
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NOTE 10 – POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	\$217,520
2020	217,520
2021	217,520
2022	217,520

NOTE 11 – DEFERRED COMPENSATION PLAN
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City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – RISK MANAGEMENT

A. *Municipal Pooling Authority (MPA)*

The City is a member of the Municipal Pooling Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$10,000)	\$29,000,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	1,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	Statutory Limit
Government Crime Coverage (\$10,000)	1,000,000
Employment Liability Program (\$100,000)	2,000,000
Property	
All Risk (\$25,000)	1,000,000,000
Water (\$150,000)	1,000,000,000
Flood*	25,000,000
Boiler & Machinery (\$5,000)	100,000,000

* \$100,000 minimum deductible, per occurrence, except
Zone A and V, which are subject to a \$250,000 deductible,
per occurrence

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

Settlements did not exceed insurance coverage for the last three fiscal years.

B. *Liability for Uninsured Claims*

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported, when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – RISK MANAGEMENT (Continued)

The City's liability for uninsured claims at June 30 was estimated by management based on claims experience reported by MPA and was computed as follows:

	June 30,	
	2018	2017
Beginning balance	\$35,653	\$40,437
Provision for current fiscal year claims	23,957	50,976
Change in provision for prior fiscal year claims	(35,653)	(22,091)
Claims paid	(5,150)	(33,669)
Ending balance	<u>\$18,807</u>	<u>\$35,653</u>

NOTE 13 – SUCCESSOR AGENCY ACTIVITIES

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency. Activities of the Successor Agency are as follows:

A. *Cash and Investments*

Cash and investments of the Successor Agency as of June 30, 2018 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

B. *Loans Receivable*

The Successor Agency assumed the non-housing loans receivable of the former Redevelopment Agency as of February 1, 2012. The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms.

During fiscal year 2016, in conjunction with the sale of Successor Agency-owned property, the Successor Agency agreed to loan the funds necessary for the land purchase to the buyer. The loan is secured by a promissory note and deed of trust on the property. The Note bears simple annual interest of 3.25% and interest payments are due annually each December through 2039. The principal balance of the Note is due on December 10, 2039. The balance of the note receivable was \$716,574 as of June 30, 2018.

During fiscal year 2016, the Successor Agency agreed to an additional loan to the buyer. The loan is secured by a promissory note and deed of trust on the property. The Note bears simple annual interest of 3.25% and interest payments are due annually each November through 2040. The principal balance of the Note is due on November 20, 2040. The balance of the note receivable was \$264,559 as of June 30, 2018.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The balances of the notes receivable arising from these programs at June 30, 2018 are set forth below:

Micro Loan Program	\$23,127
Pakpour Loan	981,133
Total	<u>\$1,004,260</u>

C. *Property Held for Resale*

The Successor Agency assumed the property held for resale of the former Redevelopment Agency as of February 1, 2012. The former Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

D. *Capital Assets*

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

	Useful Lives Years	Capitalization Threshold
Buildings and Improvements	10-50	\$25,000
Machinery and Equipment	5-10	5,000
Vehicles	5-10	5,000

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$2,819,393			\$2,819,393
Total capital assets not being depreciated	2,819,393			2,819,393
Capital assets being depreciated:				
Buildings and improvements	2,630,082			2,630,082
Machinery and equipment	92,202			92,202
Vehicles	145,213		(\$76,976)	68,237
Total capital assets being depreciated	2,867,497		(76,976)	2,790,521
Less accumulated depreciation for:				
Buildings and improvements	1,409,684	\$65,752		1,475,436
Machinery and equipment	92,202			92,202
Vehicles	143,485		(76,976)	66,509
Total accumulated depreciation	1,645,371	65,752	(76,976)	1,634,147
Net capital assets being depreciated	1,222,126	(65,752)		1,156,374
Capital assets, net	\$4,041,519	(\$65,752)		\$3,975,767

E. Long-Term Obligations

The Successor Agency assumed the long-term debt and loans of the former Redevelopment Agency as of February 1, 2012.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount and gross of the applicable premium. Any differences between refunded debt and the debt issued to refund it are amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge on refunding is reported as a deferred outflow or deferred inflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

1. Tax Allocation Bonds and Loans

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds and loans issued by the former Redevelopment Agency. The bonds and loans are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bonds and loan transactions were as follows:

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Tax Allocation Bonds:						
Tax Allocation Revenue Bonds Series 2004						
2.00-5.00%, due 12/01/2019	\$37,755,000	\$5,380,000		\$1,700,000	\$3,680,000	\$720,000
SERAF Loan						
2%, due 5/10/2021	1,222,860	883,637		88,945	794,692	90,724
Tax Allocation Refunding Bonds Series 2014A						
2.00-5.00%, due 6/15/2031	47,595,000	43,665,000		2,955,000	40,710,000	840,000
Premium	6,429,385	5,294,788		378,199	4,916,589	
Tax Allocation Refunding Bonds Series 2014B						
2.00-5.00%, due 6/15/2023	6,970,000	5,585,000			5,585,000	
Premium	859,238	572,825		95,471	477,354	
Tax Allocation Refunding Bonds Series 2016						
3.00-3.81%, due 6/15/2029	2,685,531	2,685,531	\$146,158		2,831,689	
Total Tax Allocation Bonds		<u>64,066,781</u>	<u>146,158</u>	<u>5,217,615</u>	<u>58,995,324</u>	<u>1,650,724</u>
Housing Successor Loans:						
2011 Loan	2,865,000	480,674		100,000	380,674	
Total Housing Successor Loans		<u>480,674</u>		<u>100,000</u>	<u>380,674</u>	
Total Successor Agency Debt		<u>\$64,547,455</u>	<u>\$146,158</u>	<u>\$5,317,615</u>	<u>\$59,375,998</u>	<u>\$1,650,724</u>

2. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Housing Successor loans, because the ultimate repayment terms cannot be determined at this time as discussed in 8. below:

For the Year Ending June 30	Principal (1)	Interest	Total
2019	\$1,650,724	\$2,484,494	\$4,135,218
2020	7,097,539	2,358,954	9,456,493
2021	4,866,430	2,070,500	6,936,930
2022	4,475,000	1,857,750	6,332,750
2023	4,675,000	1,634,000	6,309,000
2024-2028	20,204,862	6,061,888	26,266,750
2029-2031	<u>10,485,668</u>	<u>1,131,581</u>	<u>11,617,249</u>
Total	<u>\$53,455,223</u>	<u>\$17,599,167</u>	<u>\$71,054,390</u>

(1) Includes unaccrued discount of \$146,158

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

3. *2004 Tax Allocation Revenue Bonds*

On March 18, 2004, the Agency issued \$37,755,000 of Tax Allocation Revenue Bonds, Series 2004 to defease \$13,910,000 of outstanding 1993 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The defeased 1993 Bonds were called on December 1, 2004. The 2004 Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Annual principal payments on the 2004 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2019.

On June 1, 2014, the Agency issued 2014 Series A Refunding Tax Allocation Bonds in the amount of \$47,595,000 to refund \$15,345,000 of the 2004 Tax Allocation Revenue Bonds, and on August 27, 2014, the Agency issued 2014 Series B Refunding Tax Allocation Bonds in the amount of \$6,970,000 to refund \$5,480,000 of the 2004 Tax Allocation Bonds.

4. *SERAF Loan from State of California*

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County Supplemental Educational Revenue Augmentation Fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make the 2011 payment and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payment to the County to be made over a ten-year period. The Tenth Township and Legacy Project Areas will pay 88.6% and 11.4% of the loan, respectively. The loan bears interest at a rate of 2%. Annual payments commence on May 10, 2011 with one principal and interest payment, followed by two interest-only payments, then payments of principal and interest May 10, 2014 through May 10, 2020, followed by one final principal payment on May 10, 2021.

5. *2014 Tax Allocation Bonds, Series A and Series B*

On June 1, 2014, the Agency issued \$47,595,000 in 2014 Tax Allocation Bonds, Series A. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, were used to refund and defease the outstanding 2001 Tax Allocation Revenue Serial and Term Bonds, a portion of the 2001 Tax Allocation Revenue Capital Appreciation Bonds, a portion of the 2004 Tax Allocation Revenue Bonds and the outstanding balance of the 2006 Subordinate Tax Allocation Bonds. The refunding reduced the total debt service payments over 19 years by \$4,048,958 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,034,727. The 2006 Bonds were called on June 27, 2014 and the outstanding balance of the defeased 2004 Bonds was \$16,610,000 as of June 30, 2018.

With the issuance of the 2014A Bond the Successor Agency entered into a Forward Delivery Bond Purchase Agreement with the Underwriter for the subsequently issued Series 2014B Refunding Bonds. Under the terms of the Agreement, the Underwriter agreed to purchase from the Successor Agency all of the 2014B Bonds.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

On August 27, 2014, the Successor Agency issued the 2014 Series B Tax Allocation Bonds in the principal amount of \$6,970,000. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, are to be used to refund the total amount outstanding the 1999A Tax Allocations Bonds and a portion of the 2004 Tax Allocation Bonds.

The 2014A and 2014B Bonds are secured by the Successor Agency's property tax revenues in the Redevelopment Property Tax Trust Fund. Annual principal payments on the 2014A Bonds are due December 15, and semi-annual interest payments are due June 15 and December 15, through 2031. Principal payments on the 2014B Bonds are due on June 15, 2015, 2021, 2022 and 2023, and semi-annual interest payments are due December 15 and June 15, through 2023.

6. *2016 Subordinate Tax Allocation Refunding Bonds*

On August 1, 2016, the Agency issued \$2,685,531 in 2016 Subordinate Tax Allocation Refunding Bonds. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, are to be used to refund the total amount outstanding for the 2001 Tax Allocations Bonds. The refunding reduced the total debt service payments over 6 years by \$600,000 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$377,281. The bonds bear interest rates between 3.0% and 3.81% with interest payments and principal payments made annually on June of each year Commencing 2024 through 2029.

The 2016 Bonds shall not bear interest, but shall accrete in value from their Initial Denominational Amount on the date of issuance thereof to their stated maturity at a compounded interest rate, and shall be payable only on maturity thereof. Interest on the 2016 Bonds shall be compounded, commencing on December 15, 2016 and thereafter on each June 15th and December 15th in each Bond Year. Accreted value with respect to the 2016 Bonds shall be calculated based on the basis of a 360 day year consisting of twelve 30-day months. For the fiscal year ended June 30, 2018, the City recorded an accreted value of \$141,158 related to the 2016 Bonds.

7. *Supplemental Education Revenue Augmentation Fund Loans from Housing Successor*

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund.

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The above loans had previously been reported as interfund advances within the Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency, payable to the Low and Moderate Income Housing Asset Fund of the City of San Pablo, serving as the Housing Successor to the former Agency, pursuant to Health and Safety Code Section 34176(d). These loans were originally required to be repaid by June 30, 2015, however, repayment is now governed by Health and Safety Code Section 34176(e)(6).

The State of California Department of Finance has stated that repayment cannot begin prior to fiscal year 2014-2015, and the maximum annual repayment amount is limited based on calculations in Health and Safety Code Section 34176(e)(6).

8. *Pledged Revenues*

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The 1999A, 2001 and 2004 Bonds are considered senior parity obligations, while the 2014A and 2014B Bonds are subordinated to those Bonds. The pledge of all future tax increment revenues ends upon repayment of \$87,189,779 remaining debt service on the Bonds above, which is scheduled to occur in 2031. With the issuance of the 2014B Bonds, projected tax increment revenues are expected to provide coverage over debt service of 149%-241% over the life of the outstanding Bonds. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total tax increment available for distribution to the Successor Agency and other taxing entities for fiscal year 2017 calculated by the County Auditor-Controller was \$9,373,109, and the total received by the Successor Agency for fiscal year 2017 debt service was \$11,150,519, which represented coverage of 215% of the \$5,196,695 of debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

With the issuance of the 2014A Bonds in June 2014, the Successor Agency entered into a Custody Agreement with the Contra Costa County Auditor-Controller and the Bond trustee, Wells Fargo Bank, under which the County will remit all amounts payable under the Recognized Obligation Payment Schedule (ROPS) to the Bond trustee. Upon receipt of funds from the County, the Bond trustee uses the funds to first pay the debt service on the Senior Bonds, followed by the debt service for the Subordinate Bonds. Any funds remaining on deposit with the Bond trustee after the debt service payments are then transferred to the Successor Agency for payment of its other non-debt-service obligations.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

F. *Commitments and Contingencies*

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 14 – JOINT POWERS AGREEMENTS

A. *West Contra Costa Integrated Waste Management Authority (WCCIWMA)*

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the State of California. The City was not required to make any contributions to WCCIWMA during fiscal year 2018. The City is represented by one Director.

Audited financial statements may be obtained from the WCCIWMA, care of the City of Hercules, 111 Civic Drive, Hercules, CA 94547.

B. *West Contra Costa Transportation Advisory Committee (WCCTAC)*

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure C and to cooperatively address West Contra Costa County transportation issues. The City's payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each Agency. The City has one voting member on the WCCTAC and pays 9.1% of the expenditures. For fiscal year 2017-2018, the dues paid to WCCTAC were \$42,772.

Audited financial statements may be obtained from the WCCTAC, care of the City of San Pablo, One Alvarado Square, San Pablo, CA 94806.

NOTE 15 – OPERATING LEASES

A. *Rumrill Sports Park Lease*

The City entered into an agreement with the Healthy Eating Active Living, LLC (HEAL), a controlled affiliate of the Economic Development Corporation, in February 2015 to lease the former BNSF property for the Rumrill Sports Park project for a term of 55 years. Under the terms of the lease, HEAL prepaid the rent in the amount of \$1,600,000 in fiscal year 2015. During fiscal year 2018, the City recognized lease rental income in the amount of \$29,710, and the remaining balance of unearned revenue was \$1,505,818 as of June 30, 2018.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 – OPERATING LEASES (Continued)

B. Office Building Lease

The City entered into an agreement with Lifelong Medical Care in July 2015 to lease an office building for a term of five years starting July 1, 2015, with an option to extend for a period of three years under the same terms of the lease. Monthly rental payments of \$26,025 are due from July 1, 2015 through August 1, 2015, increasing to \$37,472 from September 1, 2015 to June 1, 2016. Monthly rental payments subsequent to June 1, 2016 will increase annually by the Consumer Price Index for All Urban Consumers U.S. City Average, All Items, as defined in the lease agreement. During the lease term, the building is to be used for professional medical clinic and office purposes, health care associated services, dental services, retail pharmacy and general office purposes.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

B. Pollution Remediation

The City has one known pollution remediation project that the former Redevelopment Agency had undertaken. Under a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control (DTSC), the Redevelopment Agency had planned to clean up the former Burlington Northern Santa Fe Property on Rumrill Boulevard to provide for future unrestricted land use. The property was conveyed by the Redevelopment Agency to the City in fiscal year 2011 and, due to the dissolution of the Agency, the City assumed the remediation project. The City had started a Removal Action Work Plan (RAW), and although the initial cost of the preferred alternative remediation was estimated to be \$712,000, an updated RAW was obtained in August 2012 and the current estimated cost of the preferred alternative remediation is estimated to be \$1,220,000. The final RAW was obtained in May 2013, and the preferred alternative remediation was \$1,220,000. In addition, the City expected to incur other costs associated with the project of approximately \$280,000. The City had recorded an accrued liability of \$1,500,000.

During fiscal year 2015, the City incurred costs totaling \$2,105,518 associated with the project and the cleanup was accepted as complete by the DTSC on January 16, 2015. The City does not expect to incur any future costs related to the project.

C. Federal and State Grant Programs

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SAN PABLO NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2018
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NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

D. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2018 were as follows:

	<u>Amount</u>
Major Funds:	
General Fund	\$1,924,937
Low and Moderate Income Housing Assets Special Revenue Fund	31,190
Public Works Construction Capital Projects Fund	28,827,899
NonMajor Funds:	
Gas Tax Special Revenue Fund	62,286
Development Services Special Revenue Fund	52,786
NPDES Special Revenue Fund	641
Law Enforcement Services Special Revenue Fund	132,606

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN PABLO, A COST-SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Last 10 Years*

Measurement Date	Miscellaneous Plan			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's Proportion of the Net Pension Liability (Asset)	0.33724%	0.41099%	0.40834%	0.41331%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	<u>\$8,334,746</u>	<u>\$11,275,238</u>	<u>\$14,185,078</u>	<u>\$16,292,956</u>
Plan's Covered Payroll	\$5,540,261	\$7,057,629	\$7,383,158	\$7,683,846
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	150.44%	159.76%	192.13%	212.04%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN PABLO, A COST-SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF CONTRIBUTIONS Last 10 Years*

Fiscal Year Ended June 30:	Miscellaneous Plan			
	2015	2016	2017	2018
Actuarially determined contribution	\$658,427	\$872,009	\$999,873	\$1,131,296
Contributions in relation to the actuarially determined contributions	(658,427)	(872,009)	(999,873)	(1,131,296)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$7,057,629	\$7,383,158	\$7,683,846	\$6,938,272
Contributions as a percentage of covered payroll	9.33%	11.81%	13.01%	16.31%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN PABLO, A COST-SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Last 10 Years*

Measurement Date	Safety Plan			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's Proportion of the Net Pension Liability (Asset)	0.36611%	0.38625%	0.38625%	0.39888%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	<u>\$13,732,752</u>	<u>\$15,915,059</u>	<u>\$20,687,669</u>	<u>\$23,833,863</u>
Plan's Covered Payroll	\$5,363,191	\$5,551,419	\$5,433,597	\$5,220,618
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	256.06%	286.68%	380.74%	456.53%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN PABLO, A COST-SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF CONTRIBUTIONS

Last 10 Years *

Fiscal Year Ended June 30:	Safety Plan			
	2015	2016	2017	2018
Actuarially determined contribution	\$1,494,686	\$1,663,467	\$1,825,704	\$2,131,854
Contributions in relation to the actuarially determined contributions	(1,494,686)	(1,663,467)	(1,825,704)	(2,131,854)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$5,551,419	\$5,433,597	\$5,220,618	\$5,714,774
Contributions as a percentage of covered payroll	26.92%	30.61%	34.97%	37.30%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN PABLO RETIREE HEALTH SAVINGS PLAN SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last 10 fiscal years*

Measurement Date	6/30/2018	6/30/2017
Total OPEB Liability		
Service Cost	\$214,910	\$260,317
Interest	533,651	659,606
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(1,840,385)
Changes of assumptions	1,337,162	(702,000)
Benefit payments - Including refunds of Employee Contributions	(517,741)	(118,961)
Benefit payments - Implicit Rate Subsidy Fulfilled	(17,617)	(515,087)
Net change in total OPEB liability	1,550,365	(2,256,510)
Total OPEB liability - beginning	7,891,278	10,147,788
Total OPEB liability - ending (a)	\$9,441,643	\$7,891,278
Plan fiduciary net position		
Contributions - Employer City's Contributions	\$517,741	\$515,087
Contributions - employer Implicit Subsidy	17,617	-
Contributions - employee	-	-
Net investment income	793,503	1,123,501
Administrative expense	-	-
Benefit payments - Including refunds of Employee Contributions	(517,741)	(515,087)
Benefit payments - Implicit Rate Subsidy Fulfilled	(17,617)	-
Net change in plan fiduciary net position	793,503	1,123,501
Plan fiduciary net position - beginning	8,368,316	7,244,815
Plan fiduciary net position - ending (b)	\$9,161,819	\$8,368,316
Net OPEB liability - ending (a)-(b)	\$279,824	(\$477,038)
Plan fiduciary net position as a percentage of the total OPEB liability	97.04%	106.05%
Covered-employee payroll	\$12,161,432	\$11,821,562
Net OPEB liability as a percentage of covered-employee payroll	2.30%	-4.04%

* Fiscal year 2018 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN PABLO RETIREE HEALTH SAVINGS PLAN SCHEDULE OF CONTRIBUTIONS

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018
Actuarially determined contribution	\$178,156
Contributions in relation to the actuarially determined contribution	535,358
Contribution deficiency (excess)	(\$357,202)
Covered-employee payroll	\$12,161,432
Contributions as a percentage of covered-employee payroll	4.40%

Notes to Schedule

Valuation date: 6/30/2016

Methods and assumptions used to determine contribution rates:

Valuation Date	6/30/2016
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	2.875%
Investment Rate of Return	6.50%
Mortality Rate	CalPERS Rates
Pre-Retirement Turnover	CalPERS Rates
Healthcare Trend Rate	7% in the first year, trending down to 3% over 3 years.

* Fiscal year 2018 was the first year of implementation.



CITY^{OF} SAN PABLO

City of New Directions

SUPPLEMENTAL INFORMATION



CITY_{OF} SAN PABLO

City of New Directions

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS**GAS TAX**

This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Section 2105, 2106, 2107 and 2107.5. The allocations must be spent for street maintenance and construction and a limited amount for engineering.

PUBLIC SAFETY

This fund accounts for sales tax allocations required pursuant to Proposition 172. These funds are used to fund public safety activities.

N.P.D.E.S.

This fund accounts for revenues and expenditures from assessments levied on all real property in the City in compliance with the provisions of the National Pollution Discharge Elimination System.

DEVELOPMENT SERVICES

This fund accounts for revenues generated from permit and inspection fees and disburses funds to support this activity.

MEASURE C / J

This fund accounts for the portion of the half-cent County-wide sales tax levied to fund transportation improvements to local streets.

ASSET SEIZURES

This fund accounts for revenues received from both adjudicated and unadjudicated sales of assets seized during drug-related arrests and disburses these funds for authorized public safety activities.

PARATRANSIT

This fund accounts for revenues received from the portion of the half cent County-wide sales tax levied to fund expenditures for paratransit service.

STREET LIGHTING AND LANDSCAPING

This fund accounts for assessments made upon parcels of land within the Street Lighting and Landscaping District and disburses funds in accordance with the provisions of the State of California Streets and Highway Code.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

TRAFFIC CONGESTION RELIEF

This fund accounts for the revenues received from the State of California under AB2928. The allocations must be spent on local streets and roads maintenance, rehabilitation and reconstruction projects according to the State's Traffic Congestion Relief Plan.

HCD GRANT

This fund accounts for revenues received under State Housing of Community Development and for CALHOME activities approved and subject to state regulations.

MEASURE K

This fund accounts for revenues from Sales Tax Measure K that provides a quarter (1/4) cent sales tax in perpetuity to fund emergency medical services at County Fire Station #70 in San Pablo.



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	N.P.D.E.S.	Development Services	Measure C / J
ASSETS					
Cash and investments available for operations		\$220,323	\$79,445		\$2,188,495
Accounts receivable	\$25,074		147,218		
Due from other governments	39,693	20,994			429,397
Total Assets	<u>\$64,767</u>	<u>\$241,317</u>	<u>\$226,663</u>		<u>\$2,617,892</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$33,250		\$4,486	\$120,928	
Deposits payable	14,859			30,963	
Unearned revenue	25,074				
Total Liabilities	<u>73,183</u>		<u>4,486</u>	<u>151,891</u>	
FUND BALANCES					
Restricted		\$241,317	222,177		\$2,617,892
Unassigned	<u>(8,416)</u>			<u>(151,891)</u>	
Total Fund Balance (Deficit)	<u>(8,416)</u>	<u>241,317</u>	<u>222,177</u>	<u>(151,891)</u>	<u>2,617,892</u>
Total Liabilities and Fund Balances	<u>\$64,767</u>	<u>\$241,317</u>	<u>\$226,663</u>		<u>\$2,617,892</u>

SPECIAL REVENUE FUNDS

Asset Seizures	Paratransit	Street Lighting and Landscaping	Traffic Congestion Relief	HCD Grant	Measure K	Total Nonmajor Governmental Funds
\$115,243	\$483,518	\$1,053,127	\$149,709	\$95,854		\$4,385,714
	25,397				\$199,258	172,292
						714,739
<u>\$115,243</u>	<u>\$508,915</u>	<u>\$1,053,127</u>	<u>\$149,709</u>	<u>\$95,854</u>	<u>\$199,258</u>	<u>\$5,272,745</u>
\$40,605	\$2,170	\$58,678	\$145,598			\$405,715
		502,932				548,754
						25,074
<u>40,605</u>	<u>2,170</u>	<u>561,610</u>	<u>145,598</u>			<u>979,543</u>
74,638	506,745	491,517	4,111	\$95,854	\$199,258	4,453,509
						(160,307)
<u>74,638</u>	<u>506,745</u>	<u>491,517</u>	<u>4,111</u>	<u>95,854</u>	<u>199,258</u>	<u>4,293,202</u>
<u>\$115,243</u>	<u>\$508,915</u>	<u>\$1,053,127</u>	<u>\$149,709</u>	<u>\$95,854</u>	<u>\$199,258</u>	<u>\$5,272,745</u>

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Gas Tax	Public Safety	N.P.D.E.S.	Development Services	Measure C / J
REVENUES					
Property taxes					
Sales tax		\$119,119			\$429,397
Licenses and permits				\$370,256	
Intergovernmental	\$788,404		\$386,920		
Charges for services	161,657		6,625	777,680	
Use of money and property			831	(1,863)	21,559
Miscellaneous	40,140		11,379	3,252	
Total Revenues	990,201	119,119	405,755	1,149,325	450,956
EXPENDITURES					
Current:					
General Government					
Community:					
Development				1,505,254	
Public Works & Engineering	1,932,808		340,385		
Capital outlay	82,142				
Total Expenditures	2,014,950		340,385	1,505,254	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,024,749)	119,119	65,370	(355,929)	450,956
OTHER FINANCING SOURCES (USES)					
Transfers in	1,031,423			336,538	
Total Other Financing Sources (Uses)	1,031,423			336,538	
NET CHANGE IN FUND BALANCES	6,674	119,119	65,370	(19,391)	450,956
Fund balances (deficits) at beginning of year	(15,090)	122,198	156,807	(132,500)	2,166,936
FUND BALANCES (DEFICITS) AT END OF YEAR	(\$8,416)	\$241,317	\$222,177	(\$151,891)	\$2,617,892

SPECIAL REVENUE FUNDS

Asset Seizures	Paratransit	Street Lighting and Landscaping	Traffic Congestion Relief	HCD Grant	Measure K	Total Nonmajor Governmental Funds
		\$830,319				\$830,319
					\$796,864	1,345,380
						370,256
	\$302,940	139,416				1,617,680
						945,962
\$1,092	4,839	9,723	\$1,492	\$955		38,628
29,052	40,495	25,000				149,318
30,144	348,274	1,004,458	1,492	955	796,864	5,297,543
		16,505			1,205,090	1,221,595
	355,753					1,861,007
		1,158,274				3,431,467
		35,907				118,049
	355,753	1,210,686			1,205,090	6,632,118
30,144	(7,479)	(206,228)	1,492	955	(408,226)	(1,334,575)
		260,276			483,084	2,111,321
		260,276			483,084	2,111,321
30,144	(7,479)	54,048	1,492	955	74,858	776,746
44,494	514,224	437,469	2,619	94,899	124,400	3,516,456
\$74,638	\$506,745	\$491,517	\$4,111	\$95,854	\$199,258	\$4,293,202

CITY OF SAN PABLO
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

SPECIAL REVENUE FUNDS					
	GAS TAX			PUBLIC SAFETY	
	Budget	Actual	Variance Positive (Negative)	Budget	Variance Positive (Negative)
REVENUES					
Property taxes					
Sales tax				\$111,000	\$119,119
Licenses and permits					\$8,119
Intergovernmental	\$830,906	\$788,404	(\$42,502)		
Charges for services	73,774	161,657	87,883		
Use of money and property					
Miscellaneous		40,140	40,140		
Total Revenues	904,680	990,201	85,521	111,000	119,119
EXPENDITURES					
Current:					
General Government					
Community:					
Development					
Public Works & Engineering	2,204,940	1,932,808	272,132		
Capital outlay	160,000	82,142	77,858		
Total Expenditures	2,364,940	2,014,950	349,990		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,460,260)	(1,024,749)	435,511	111,000	119,119
OTHER FINANCING SOURCES (USES)					
Transfers in		1,031,423	1,031,423		
Total Other Financing Sources (Uses)		1,031,423	1,031,423		
NET CHANGE IN FUND BALANCES	<u>(\$1,460,260)</u>	6,674	<u>\$1,466,934</u>	<u>\$111,000</u>	119,119
Fund balances (deficits) at beginning of year		(15,090)			122,198
FUND BALANCES (DEFICITS) AT END OF YEAR		<u>(\$8,416)</u>			<u>\$241,317</u>

SPECIAL REVENUE FUNDS

N.P.D.E.S.			DEVELOPMENT SERVICES			MEASURE C / J		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
							\$429,397	\$429,397
\$328,000	\$386,920	\$58,920	\$330,000	\$370,256	\$40,256			
5,000	6,625	1,625	560,000	777,680	217,680			
	831	831		(1,863)	(1,863)		21,559	21,559
800	11,379	10,579	20,000	3,252	(16,748)			
333,800	405,755	71,955	910,000	1,149,325	239,325		450,956	450,956
422,618	340,385	82,233	1,483,618	1,505,254	(21,636)			
422,618	340,385	82,233	1,483,618	1,505,254	(21,636)			
(88,818)	65,370	154,188	(573,618)	(355,929)	217,689		450,956	450,956
				336,538	336,538			
				336,538	336,538			
<u>(\$88,818)</u>	65,370	<u>\$154,188</u>	<u>(\$573,618)</u>	(19,391)	<u>\$554,227</u>		450,956	<u>\$450,956</u>
	156,807			(132,500)			2,166,936	
	<u>\$222,177</u>			<u>(\$151,891)</u>			<u>\$2,617,892</u>	

(Continued)

CITY OF SAN PABLO
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

SPECIAL REVENUE FUNDS					
	ASSET SEIZURES			PARATRANSIT	
	Budget	Actual	Variance Positive (Negative)	Budget	Variance Positive (Negative)
REVENUES					
Property taxes					
Sales tax					
Licenses and permits					
Intergovernmental				\$715,000	\$302,940
Charges for services					(412,060)
Use of money and property		\$1,092	\$1,092	9,000	4,839
Miscellaneous		29,052	29,052		40,495
Total Revenues		30,144	30,144	724,000	348,274
					(375,726)
EXPENDITURES					
Current:					
General Government					
Community:					
Development				412,165	355,753
Public Works & Engineering					56,412
Capital outlay					
Total Expenditures				412,165	355,753
					56,412
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		30,144	30,144	311,835	(7,479)
					(319,314)
OTHER FINANCING SOURCES (USES)					
Transfers in					
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES		30,144	\$30,144	\$311,835	(7,479)
					(319,314)
Fund balances (deficits) at beginning of year		44,494			514,224
FUND BALANCES (DEFICITS) AT END OF YEAR		\$74,638			\$506,745

SPECIAL REVENUE FUNDS

<u>STREET LIGHTING AND LANDSCAPING</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$845,000	\$830,319	(\$14,681)
110,000	139,416	29,416
	9,723	9,723
	25,000	25,000
<u>955,000</u>	<u>1,004,458</u>	<u>49,458</u>
9,180	16,505	(7,325)
1,424,868	1,158,274	266,594
46,142	35,907	10,235
<u>1,480,190</u>	<u>1,210,686</u>	<u>269,504</u>
<u>(525,190)</u>	<u>(206,228)</u>	<u>318,962</u>
	260,276	260,276
	260,276	260,276
<u>(\$525,190)</u>	54,048	<u>\$579,238</u>
	<u>437,469</u>	
	<u>\$491,517</u>	



CITY_{OF} SAN PABLO

City of New Directions

AGENCY FUNDS

GASB Statement 34 requires that Agency Funds be presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

COMMUNITY ORGANIZATIONS AND ACTIVITIES

This fund accounts for deposits held as an agent for community organizations and activities.

WEST CONTRA COSTA TRANSPORTATION ADVISORY COMMITTEE

This fund accounts for assets belonging to the West Contra Costa Transportation Advisory Committee held as an agent by the City, which maintains the Committee's books and accounts.

WEST CONTRA COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY

This fund accounts for assets belonging to the West Contra Costa Integrated Waste Management Authority held as an agent by the City, which maintains the Authority's books and accounts.

CITY OF SAN PABLO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Community Organizations and Activities</u>				
<u>Assets</u>				
Restricted cash and investments	\$761,775	\$193,140	\$173,072	\$781,843
Total Assets	<u>\$761,775</u>	<u>\$193,140</u>	<u>\$173,072</u>	<u>\$781,843</u>
<u>Liabilities</u>				
Accounts payable	\$11,908	\$7,885	\$11,908	\$7,885
Deposits held as agent for others	<u>749,867</u>	<u>185,255</u>	<u>161,164</u>	<u>773,958</u>
Total Liabilities	<u>\$761,775</u>	<u>\$193,140</u>	<u>\$173,072</u>	<u>\$781,843</u>
<u>West Contra Costa Transportation Advisory Committee</u>				
<u>Assets</u>				
Restricted cash and investments	\$1,473,271	\$3,249,832	\$1,283,514	\$3,439,589
Due from other governments	<u>303,848</u>	<u>697,703</u>	<u>303,848</u>	<u>697,703</u>
Total Assets	<u>\$1,777,119</u>	<u>\$3,947,535</u>	<u>\$1,587,362</u>	<u>\$4,137,292</u>
<u>Liabilities</u>				
Accounts payable	\$35,745	\$1,767	\$35,745	\$1,767
Deposits held as agent for others	<u>1,741,374</u>	<u>3,945,768</u>	<u>1,551,617</u>	<u>4,135,525</u>
Total Liabilities	<u>\$1,777,119</u>	<u>\$3,947,535</u>	<u>\$1,587,362</u>	<u>\$4,137,292</u>
<u>West Contra Costa Integrated Waste Management Authority</u>				
<u>Assets</u>				
Restricted cash and investments		\$1,029,079	(\$3,165,336)	\$4,194,415
Due from other governments		<u>81,370</u>		<u>81,370</u>
Total Assets		<u>\$1,110,449</u>	<u>(\$3,165,336)</u>	<u>\$4,275,785</u>
<u>Liabilities</u>				
Accounts payable		\$24,034		\$24,034
Deposits held as agent for others		<u>1,086,415</u>	<u>(\$3,165,336)</u>	<u>4,251,751</u>
Total Liabilities		<u>\$1,110,449</u>	<u>(\$3,165,336)</u>	<u>\$4,275,785</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$2,235,046	\$4,472,051	(\$1,708,750)	\$8,415,847
Due from other governments	<u>303,848</u>	<u>779,073</u>	<u>303,848</u>	<u>779,073</u>
Total Assets	<u>\$2,538,894</u>	<u>\$5,251,124</u>	<u>(\$1,404,902)</u>	<u>\$9,194,920</u>
<u>Liabilities</u>				
Accounts payable	\$47,653	\$33,686	\$47,653	\$33,686
Deposits held as agent for others	<u>2,491,241</u>	<u>5,217,438</u>	<u>(1,452,555)</u>	<u>9,161,234</u>
Total Liabilities	<u>\$2,538,894</u>	<u>\$5,251,124</u>	<u>(\$1,404,902)</u>	<u>\$9,194,920</u>

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. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds
5. Continuing Disclosure Requirements - Debt Service Coverage Schedule

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:

1. Demographic and Economic Statistics
2. Principal Employers

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:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

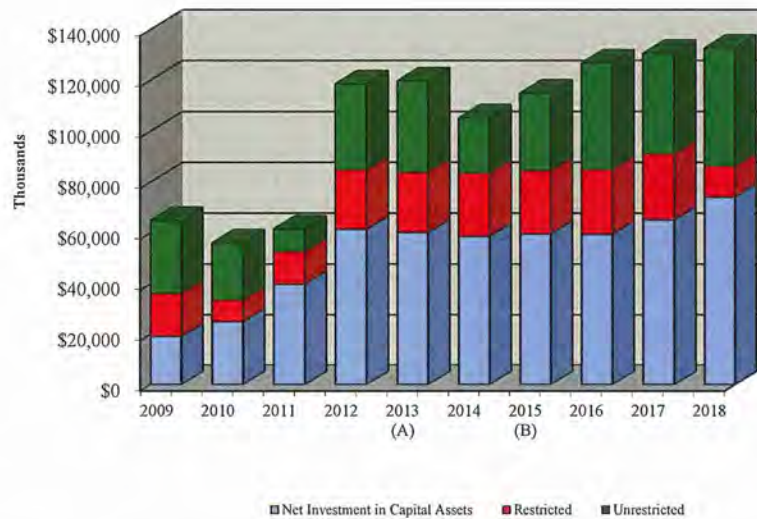
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013 (A)	2014	2015 (B)	2016	2017	2018
<i>Governmental activities</i>										
Net investment in capital assets	\$19,236,798	\$25,129,231	\$39,968,889	\$61,548,129	\$60,286,124	\$58,716,354	\$59,671,326	\$59,552,820	\$65,203,760	\$74,150,591
Restricted	17,023,526	8,544,531	12,660,690	23,252,245	23,589,889	24,793,010	24,843,522	25,307,852	25,912,314	12,096,519
Unrestricted	28,686,988	22,456,421	8,948,361	33,879,184	35,928,112	21,808,206	30,508,198	41,969,726	39,526,263	46,421,552
Total governmental activities net position	<u>\$64,947,312</u>	<u>\$56,130,183</u>	<u>\$61,577,940</u>	<u>\$118,679,558</u>	<u>\$119,804,125</u>	<u>\$105,317,570</u>	<u>\$115,023,046</u>	<u>\$126,830,398</u>	<u>\$130,642,337</u>	<u>\$132,668,662</u>

(A) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

(B) The City implemented the provisions of GASB Statements 68 and 71 in fiscal year 2015, which required the restatement of net position, however amounts prior to 2015 have not been restated.

CITY OF SAN PABLO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013 (c)
Expenses					
Governmental Activities:					
General Government	\$3,200,437	\$3,746,905	\$3,873,454	\$4,041,867	\$5,680,263
Community					
Recreation	1,132,500	1,260,952	1,296,966	1,141,266	1,342,621
Development	23,541,394	17,744,655	4,482,336	2,062,972	1,176,592
Housing	554,770	244,168	86,761	6,937	13,600
Public Works & Engineering	6,424,687	6,390,441	7,379,061	7,447,687	8,064,981
Police	13,573,473	14,471,506	14,397,742	13,676,212	15,393,927
Interest and fiscal charges	4,035,250	3,894,561	3,813,714	2,175,282	
Total Governmental Activities Expenses	52,462,511	47,753,188	35,330,034	30,552,223	31,671,984
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	31,223	26,562	66,541	113,227	218,312
Community:					
Recreation	144,942	166,294	251,779	204,475	245,934
Development	438,378	588,719	332,055	289,569	527,404
Public Works & Engineering	57,724	118,661	106,798	85,258	143,158
Police	403,428	338,838	325,909	303,410	486,569
Operating Grants and Contributions	1,424,555	1,620,850	2,497,146	2,158,891	1,930,939
Capital Grants and Contributions	1,521,513	3,383,502	2,304,659	3,095,927	1,846,299
Total Government Activities Program Revenues	4,021,763	6,243,426	5,884,887	6,250,757	5,398,615
Net (Expense)/Revenue					
Governmental Activities	(48,440,748)	(41,509,762)	(29,445,147)	(24,301,466)	(26,273,369)
General Revenues and Other					
Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	1,302,668	1,099,009	1,129,241	1,345,016	1,229,599
Incremental Property Taxes	14,675,932	9,751,633	9,415,129	5,051,415	
Sales Taxes	1,342,904	1,250,870	1,313,493	1,396,988	2,253,736
In-Lieu Sales Tax	472,411	456,357	316,486	421,134	468,552
Utility Users Tax	1,366,676	1,512,840	2,083,913	2,339,064	2,473,792
Transient Occupancy Taxes (a)				309,167	356,177
Franchise Taxes (a)				540,565	627,473
Payment in Lieu of taxes (a)				1,757,473	1,792,638
Business Licenses (nonregulatory)	327,507	321,824	313,623	15,800,631	17,388,179
Other Taxes (b)	14,891,478	15,332,960	16,217,232	85,790	109,928
Intergovernmental unrestricted:					
Motor Vehicle In-Lieu Fees	2,532,312	1,937,853	1,881,451	1,688,305	1,654,714
Use of Money and Property	2,032,690	777,955	666,850	394,790	238,115
Gain on Sale of Property	6,091		1,327,416		
Miscellaneous	266,488	251,332	228,070	344,653	167,902
Special item - assets transferred from Successor Agency					
Extraordinary item - assets transferred to/liabilities assumed by Successor Agency				49,928,093	(1,176,610)
Total Governmental Activities	39,217,157	32,692,633	34,892,904	31,474,991	28,760,805
Change in Net Position					
Governmental Activities	(\$9,223,591)	(\$8,817,129)	\$5,447,757	\$7,173,525	\$2,487,436

(a) Included in Other Taxes prior to fiscal year 2012.

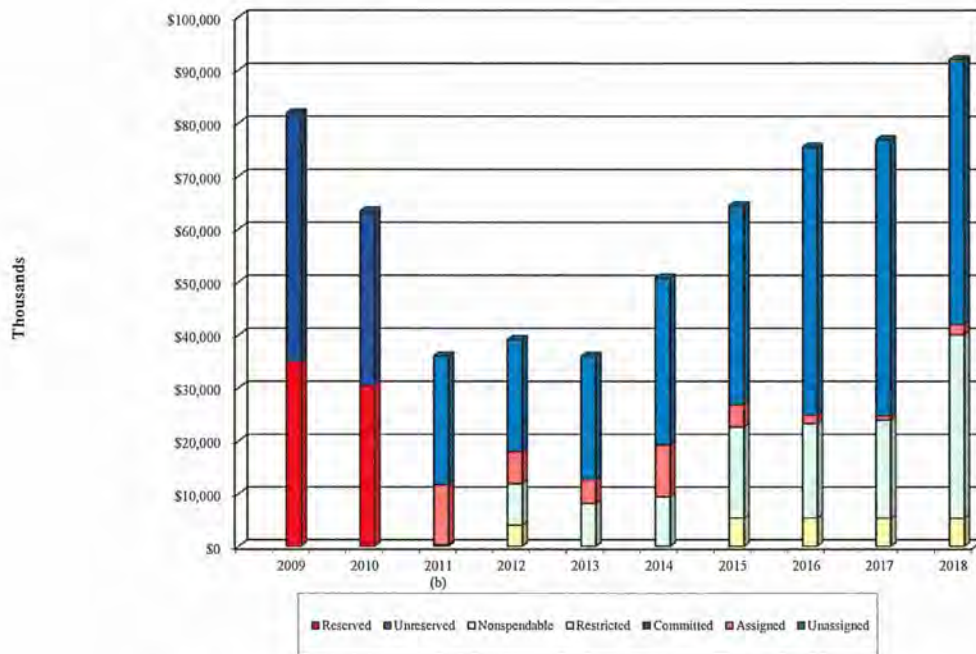
(b) Includes business licenses previously included in Other Taxes.

(c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

(d) The City implemented the provisions of GASB Statements 68 and 71 in fiscal year 2015, however amounts prior to 2015 have not been restated.

Fiscal Year Ended June 30,				
2014	2015 (d)	2016	2017	2018
\$5,918,919	\$5,868,035	\$10,749,217	\$11,105,576	\$10,840,251
1,306,695	1,417,109	1,613,344	333,076	256,371
1,115,441	1,538,176	1,351,207	4,332,370	4,961,457
12,100		23,000	17,793	23,810
7,304,089	9,591,938	7,253,853	7,970,136	7,784,816
14,959,000	15,207,587	13,239,813	17,438,358	18,525,592
	1,069,642	1,035,279	925,564	1,331,646
30,616,244	34,692,487	35,265,713	42,122,873	43,723,943
522,654	612,276	435,262	1,119,770	524,488
236,757	321,941	334,418	127,698	52,022
561,699	483,379	504,454	1,154,979	1,216,911
168,230	225,034	187,923	138,126	246,289
396,612	666,228	569,627	522,678	1,009,555
1,962,725	2,064,275	1,679,873	929,109	1,271,647
7,078,669	5,202,454	4,562,945	1,438,055	1,955,492
10,927,346	9,575,587	8,274,502	5,430,415	6,276,404
(19,688,898)	(25,116,900)	(26,991,211)	(36,692,458)	(37,447,539)
1,515,310	1,676,678	1,562,739	2,011,222	2,442,226
2,912,396	3,803,069	4,168,439	4,601,301	4,293,283
548,465	490,239	406,799		
2,553,955	2,467,509	2,572,145	2,686,980	2,650,707
424,570	455,006	523,213	523,513	565,474
719,358	884,123	790,828	935,005	900,299
1,828,490	1,865,060	1,902,362	1,940,410	1,979,218
18,291,111	19,701,338	22,986,063	24,213,462	26,197,153
114,542	132,130	157,190	82,602	87,911
1,713,415	1,961,310	2,158,330	2,317,615	2,487,919
246,226	633,516	865,048	190,354	849,714
320,447	545,773	705,407	1,001,933	834,155
1,534,820	206,625			
32,723,105	34,822,376	38,798,563	40,504,397	43,288,059
\$13,034,207	\$9,705,476	\$11,807,352	\$3,811,939	\$5,840,520

CITY OF SAN PABLO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	2009	2010	2011 (b)	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$71,191	\$32,630								
Unreserved	20,125,976	21,359,353								
Nonspendable			\$94,156	\$4,024,921	\$28,503	\$45,219	\$5,402,621	\$5,384,995	\$5,367,811	\$5,341,934
Restricted			206,626							
Assigned				20,215	227,579	763,614	145,329	1,315,623	895,605	1,924,937
Unassigned			24,008,243	21,100,922	23,285,950	31,512,493	37,596,248	50,715,535	54,246,048	50,765,118
Total General Fund	<u>\$20,197,167</u>	<u>\$21,391,983</u>	<u>\$24,309,025</u>	<u>\$25,146,058</u>	<u>\$23,542,032</u>	<u>\$32,321,326</u>	<u>\$43,144,198</u>	<u>\$57,416,153</u>	<u>\$60,509,464</u>	<u>\$58,031,989 (a)</u>
All Other Governmental Funds										
Reserved	\$34,879,869	\$30,555,643								
Unreserved, reported in:										
Special revenue funds	1,570,804	1,829,801								
Capital project funds	25,252,717	9,611,508								
Restricted			\$29,624,123	\$7,862,952	\$8,117,456	\$9,387,695	\$17,266,389	\$17,900,895	\$18,551,388	\$34,725,598
Assigned			11,451,201	6,112,651	4,365,599	9,082,664	4,010,660	300,282		
Unassigned			(10,350)					(113,266)	(2,192,718)	(782,655)
Total all other governmental funds	<u>\$61,703,390</u>	<u>\$41,996,952</u>	<u>\$41,064,974</u>	<u>\$13,975,603</u>	<u>\$12,483,055</u>	<u>\$18,470,359</u>	<u>\$21,277,049</u>	<u>\$18,087,911</u>	<u>\$16,358,670</u>	<u>\$33,942,943 (a)</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

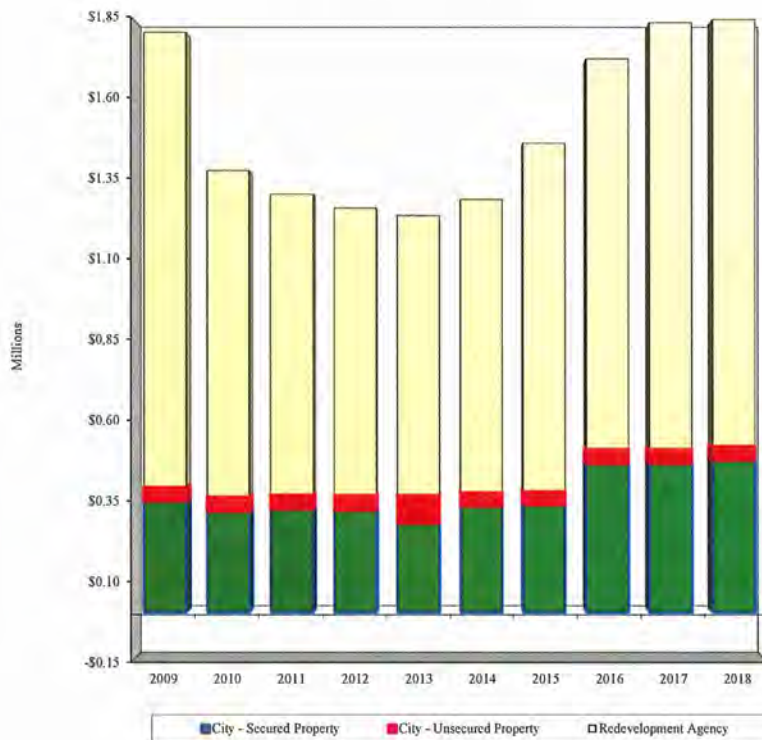
	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Revenues					
Property taxes	\$1,310,791	\$1,104,259	\$1,129,241	\$1,345,016	\$1,083,129
Incremental property taxes	14,675,932	9,751,633	9,415,129	5,051,415 (b)	
Sales taxes	1,342,904	1,893,530	1,336,319	1,774,609	2,561,567
In-lieu sales tax	472,411	456,357	316,486	421,134	468,552
Utility users tax	1,366,676	1,512,840	2,083,913	2,339,064	2,473,792
Business license tax (a)				15,501,584	17,105,522
Other taxes	14,891,478	15,332,960	16,217,232	2,692,995	2,862,216
Licenses and permits	327,507	321,824	313,623	299,047	282,657
Fines and forfeits	248,344	253,830	175,236	160,779	199,033
Intergovernmental	5,368,548	5,792,474	6,927,565	6,732,431	5,341,904
Charges for services	784,975	980,009	786,693	733,972	1,324,955
Use of money and property	2,217,675	904,473	1,275,476	1,070,834	886,060
Miscellaneous	237,809	135,070	143,404	125,916	105,815
Total Revenues	43,245,050	38,439,259	40,120,317	38,248,796	34,695,202
Expenditures					
Current:					
General government	3,092,038	3,608,932	5,077,971	4,051,309	5,644,563
Community					
Recreation	1,107,073	1,232,619	1,281,164	1,045,283	1,198,105
Development	10,911,000	8,120,814	3,231,110	1,776,767	1,116,502
Housing	5,778,117	680,286	214,996	6,937	1,850
Public Works & Engineering	3,266,892	3,173,331	2,912,684	3,039,965	3,108,904
Police	13,504,115	14,281,329	14,109,881	13,601,625	14,879,348
Supplemental Educational Revenue Augmentation Fund Payment		5,939,603	1,222,860		
Estimated reduction in value of land held for redevelopment	12,520,417	3,486,168			
Capital outlay	3,983,178	9,741,894	4,993,318	8,925,221	11,656,245
Debt service:					
Principal repayment	1,865,000	3,050,000	3,165,543	3,290,000	
Interest and fiscal charges	3,794,982	3,640,060	3,541,450	2,182,278	
Total Expenditures	59,822,812	56,955,036	39,750,977	37,919,385	37,605,517
Excess (deficiency) of revenues over (under) expenditures	(16,577,762)	(18,515,777)	369,340	329,411	(2,910,315)
Other Financing Sources (Uses)					
Transfers in	16,958,273	15,160,490	21,666,427	15,145,921	8,671,125
Transfers (out)	(16,958,273)	(15,160,490)	(21,666,427)	(15,145,921)	(8,671,125)
Proceeds or gain from sale of property	7,094	4,155	1,327,416		
Issuance of debt			1,222,860		
transferred to capital assets			(911,727)		
Total Other Financing Sources (Uses)	7,094	4,155	1,638,549		
Special and Extraordinary Items					
Assets transferred to Housing Successor				5,865,000	
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor				(32,469,574)	
Total Special and Extraordinary Items				(26,604,574)	
Change in Fund Balance	(\$16,570,668)	(\$18,511,622)	\$2,007,889	(\$26,275,163)	(\$2,910,315)
Debt service as a percentage of noncapital expenditures	10.1%	14.2%	19.3%	18.9%	

(a) Included in Other Taxes prior to fiscal year 2012.

(b) The Redevelopment Agency was dissolved on January 31, 2012.

Fiscal Year Ended June 30,				
2014	2015	2016	2017	2018
\$1,515,310	\$1,676,678	\$1,562,739	\$1,716,156	\$2,063,312
3,272,038	4,188,421	5,019,746	5,002,384	4,555,525
548,465	490,239	406,799		
2,553,955	2,467,509	2,572,145	2,686,980	2,650,707
17,951,434	19,390,922	22,665,705	23,876,317	25,826,897
3,064,960	3,304,319	3,334,876	3,474,030	3,532,902
339,677	310,416	320,358	337,145	370,256
178,497	250,670	253,290	242,120	202,854
10,466,512	9,707,728	7,946,402	4,936,968	6,032,257
1,622,447	1,435,849	1,347,066	1,547,551	2,053,387
494,277	1,076,231	1,303,736	1,269,461	1,279,434
265,763	211,850	296,132	881,219	968,047
42,273,335	44,510,832	47,028,994	45,970,331	49,535,578
5,798,844	6,151,008	10,812,295	10,629,175	10,446,232
1,173,065	1,321,969	1,490,995	73,015	
1,097,422	1,572,053	1,417,014	4,203,880	4,868,887
12,100		23,000	17,793	23,810
3,153,976	3,458,187	3,360,427	4,064,962	4,618,334
14,858,753	15,435,553	13,753,176	14,927,935	16,028,684
2,912,525	18,095,578	4,215,533	9,598,715	11,267,518
	85,000	354,982	470,234	1,480,988
	778,547	737,339	620,552	1,019,327
29,006,685	46,897,895	36,164,761	44,606,261	49,753,780
13,266,650	(2,387,063)	10,864,233	1,364,070	(218,202)
3,904,184	7,075,398	5,721,373	11,860,143	15,548,139
(3,904,184)	(7,075,398)	(5,721,373)	(11,860,143)	(15,548,139)
		218,584		
1,141,738	15,810,000			15,325,000
	15,810,000	218,584		15,325,000
358,210	206,625			
358,210	206,625			
\$13,624,860	\$13,629,562	\$11,082,817	\$1,364,070	\$15,106,798
	3.0%	3.4%	3.1%	6.5%

**CITY OF SAN PABLO
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

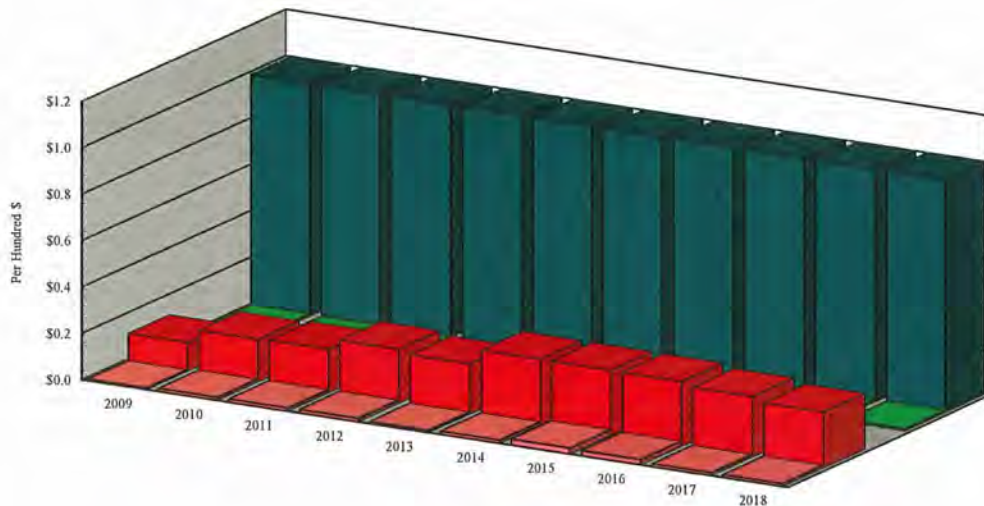


Fiscal Year	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate			Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total			
2009	\$346,890,514	\$45,660,517	\$392,551,031	\$1,222,217,550	\$194,668,521	\$1,416,886,071	\$1,809,437,102	\$1,809,437,102	0.805%
2010	315,643,724	47,360,647	363,004,371	926,984,713	88,794,964	1,015,779,677	1,378,784,048	1,378,784,048	0.789%
2011	322,164,784	46,296,587	368,461,371	854,184,022	82,697,584	936,881,606	1,305,342,977	1,305,342,977	0.782%
2012	317,570,213	49,107,847	366,678,060	819,841,729	74,886,120	894,727,849	1,261,405,909	1,261,405,909	0.773%
2013	277,310,622	89,243,515	366,554,137	811,535,168	60,048,453	871,583,621	1,238,137,758	1,238,137,758	0.098%
2014	330,899,170	44,270,604	375,169,774	834,582,578	78,654,747	913,237,325	1,288,407,099	1,288,407,099	0.097%
2015	335,045,384	44,184,743	379,230,127	960,892,754	124,112,087	1,085,004,841	1,464,234,968	1,464,234,968	0.108%
2016	463,757,740	46,435,464	510,193,204	1,071,145,726	146,395,899	1,217,541,625	1,727,734,829	1,727,734,829	0.108%
2017	464,841,204	45,076,140	509,917,344	1,161,517,848	168,678,121	1,330,195,969	1,840,113,313	1,840,113,313	0.108%
2018	474,524,495	45,161,702	519,686,197	1,260,975,983	193,665,594	1,454,641,577	1,974,327,774	1,974,327,774	0.108%

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF SAN PABLO
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Direct and Overlapping Rates

■ Community College	■ West Contra Costa Unified School District	■ East Bay Regional Park District
■ Bay Area Rapid Transit	■ Basic County Wide Levy	

Fiscal Year	Basic County Wide Levy (a)	Bay Area Rapid Transit	East Bay Regional Park District	West Contra Costa Unified School District	Community College	Total Direct and Overlapping Rates (b)	City's Share of 1% Levy per Prop 13 (c)	Redevelopment Agency Rate (d)	Total Direct Rate (e)
2009	\$1.00000	\$0.00900	\$0.01000	\$0.12300	\$0.00660	\$1.14860	\$0.09828	\$1.01000	\$0.84696
2010	1.00000	0.00570	0.01080	0.18280	0.01260	1.21190	0.09828	1.01080	0.80472
2011	1.00000	0.00310	0.00840	0.18690	0.01330	1.21170	0.09828	1.00840	0.78904
2012	1.00000	0.00410	0.00710	0.23220	0.01440	1.25780	0.09828	1.00710	0.78177
2013	1.00000	0.00430	0.00510	0.21570	0.00870	1.23380	0.09828	0.00000	0.77265
2014	1.00000	0.00750	0.00780	0.28180	0.01330	1.31040	0.09828	0.00000	0.09750
2015	1.00000	0.00450	0.00850	0.28030	0.02520	1.31850	0.09828	0.00000	0.09749
2016	1.00000	0.00260	0.00670	0.27810	0.02200	1.30940	0.09828	0.00000	0.10805
2017	1.00000	0.00800	0.00320	0.26040	0.01200	1.28360	0.09828	0.00000	0.10792
2018	1.00000	0.00840	0.00210	0.23970	0.01140	1.26160	0.09828	0.00000	0.10755

Source: HdL Coren & Cone, Contra Costa County Assessor

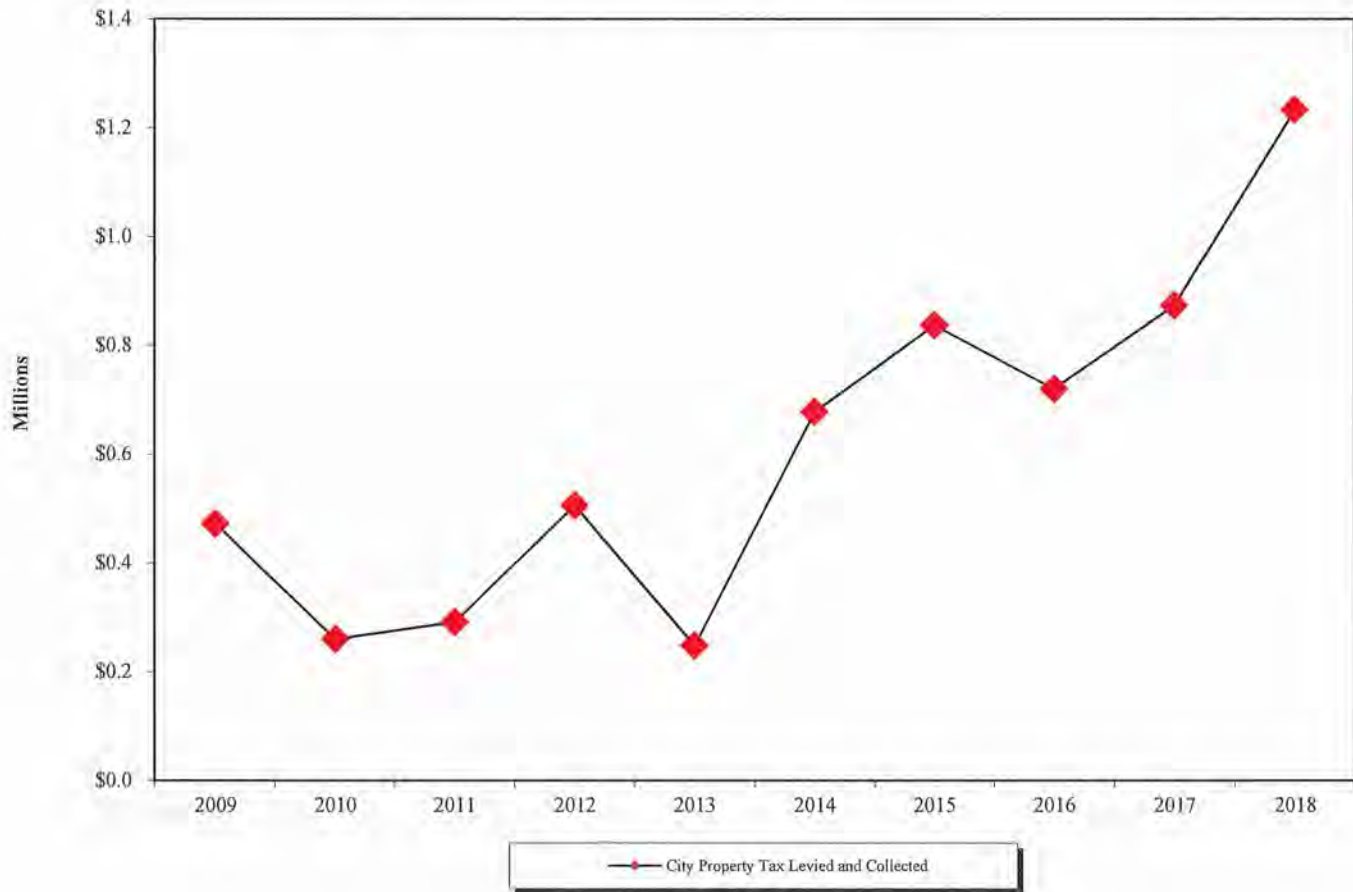
- (a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the, 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (d) Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for fiscal year 2013 and years thereafter.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/2013. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

CITY OF SAN PABLO
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017-2018			2008-2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Donahue Schriber Realty Group	\$23,113,423	1	1.17%	\$24,984,496	1	1.38%
Public Storage, Inc.	16,925,600	2	0.86%	\$7,206,528	10	0.40%
CC San Pablo LP	16,780,413	3	0.85%			
San Pablo Retail Partners II	15,896,462	4	0.81%			
3002 Giant Road LLC	14,822,494	5	0.75%			
Save Mart Supermarkets	13,902,848	6	0.70%	12,092,573	5	0.67%
Gordon Creekside LLC	9,972,890	7	0.51%			
Lytton Rancheria of CA	9,433,158	8	0.48%			
Manuel and Elba Gomez LLC	8,568,000	9	0.43%			
Vale Property LLC	8,488,323	10	0.43%			
Signature at Abella LLC				19,886,091	2	1.10%
San Pablo Retail Partners LLC				16,236,454	3	0.90%
Maddison Park Holdings LLC				13,200,000	4	0.73%
Lucky NoCal Investor LLC				10,129,094	6	0.56%
Giant Development LP				9,535,063	7	0.53%
Murray and Janet Gordon Trust				8,657,109	8	0.48%
West Contra Costa Rentals				7,525,437	9	0.42%
Subtotal	<u>\$137,903,611</u>		<u>7.0%</u>	<u>\$129,452,845</u>		<u>7.2%</u>
Total Assessed Valuation:						
Fiscal Year 2017-2018	\$1,974,327,774					
Fiscal Year 2008-2009	\$1,809,437,102					

Source: HdL Coren & Cone, Contra Costa County Assessor

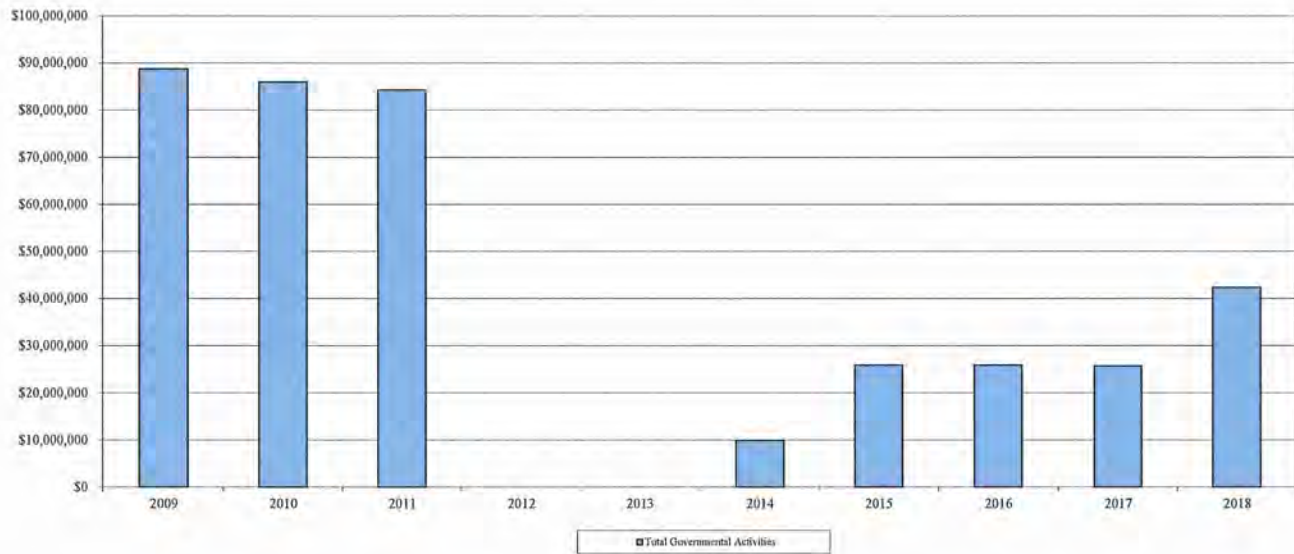
**CITY OF SAN PABLO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	City Property Tax Levied and Collected (1)	Redevelopment Agency Property Tax Levied and Collected	Total Property Tax Levied and Collected (2)	Percent of Total Tax Collections to Tax Levy
2009	\$472,141	\$14,675,932	\$15,148,073	100%
2010	260,080	9,751,633	10,011,713	100%
2011	291,311	9,415,129	9,706,440	100%
2012	505,693	5,051,415 (3)	5,557,108	100%
2013	248,288	0 (3)	248,288	100%
2014	677,924	0 (3)	677,924	100%
2015	836,806	0 (3)	836,806	100%
2016	719,960	0 (3)	719,960	100%
2017	872,985	0 (3)	872,985	100%
2018	1,232,993	0 (3)	1,232,993	100%

- NOTES:
- (1) Excludes Street Lighting and Landscaping, N.P.D.E.S., Oak Park Maintenance District Property Tax and Redevelopment Agency.
 - (2) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.
 - (3) The Redevelopment Agency was dissolved on January 31, 2012.

CITY OF SAN PABLO
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Fiscal Year	Governmental Activities				Total Governmental Activities	Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	SERAF Loan	Capital Leases and Loans	Lease Revenue Bonds			
2009	\$88,745,472				\$88,745,472	16.34%	\$2,790
2010	85,954,993				85,954,993	16.20%	2,675
2011	83,064,430	\$1,222,317			84,286,747	16.85%	2,913
2012	0 (b)	0 (b)			0	0.00%	0
2013	0 (b)	0 (b)			0	0.00%	0
2014	0 (b)	0 (b)	\$9,906,655		9,906,655	1.99%	339
2015	0 (b)	0 (b)	10,112,750	\$15,810,000	25,922,750	5.03%	879
2016	0 (b)	0 (b)	10,265,708	15,600,000	25,865,708	5.19%	839
2017	0 (b)	0 (b)	10,410,486	15,290,000	25,700,486	5.16%	828
2018	0 (b)	0 (b)	12,053,151	30,295,000	42,348,151	8.11%	1,340

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of San Pablo
California Employment Development Department

(a) See Schedule "Demographic and Economic Statistics" for personal income and population data.

(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt assumed by a Successor Agency as of February 1, 2012.

CITY OF SAN PABLO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2018

2017-18 Assessed Valuation	\$1,974,327,774
Less: Redevelopment Incremental Valuation	<u>1,454,641,577</u>
Adjusted Assessed Valuation	<u><u>\$519,686,197</u></u>

	Net Debt Outstanding	Percentage Applicable To City of San Pablo	Amount Applicable To City of San Pablo
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Direct Debt:			
City of San Pablo	\$42,348,151	100.000%	\$42,348,151
Overlapping Debt:			
Bay Area Rapid Transit District	347,167,424	0.917%	3,182,572
Contra Costa County Fire Pension Obligation	65,250,000	1.998%	1,303,809
Contra Costa Community College District	538,665,000	0.920%	4,955,860
County General	505,238,250	0.917%	4,631,649
East Bay Regional Park District	81,146,842	0.917%	743,895
West Contra Costa Unified School District	<u>1,615,018,605</u>	5.909%	<u>95,436,512</u>
Total Overlapping Debt	<u>3,152,486,121</u>		<u>110,254,297</u>
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	 <u><u>\$3,194,834,272</u></u>		 <u><u>\$152,602,448</u></u> (1)

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2017-18 ADJUSTED ASSESSED VALUATION:

Direct Debt	12.88%
Total Direct and Overlapping Tax Assessment Debt	47.90%

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor Combined 2016/17 Lien Date Tax Rolls

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF SAN PABLO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2018

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$1,974,327,774
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$74,037,292
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$42,348,151
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Less Tax Allocation Bonds and SERAF Loan not subject to limit	42,348,151
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Amount of debt subject to limit	0
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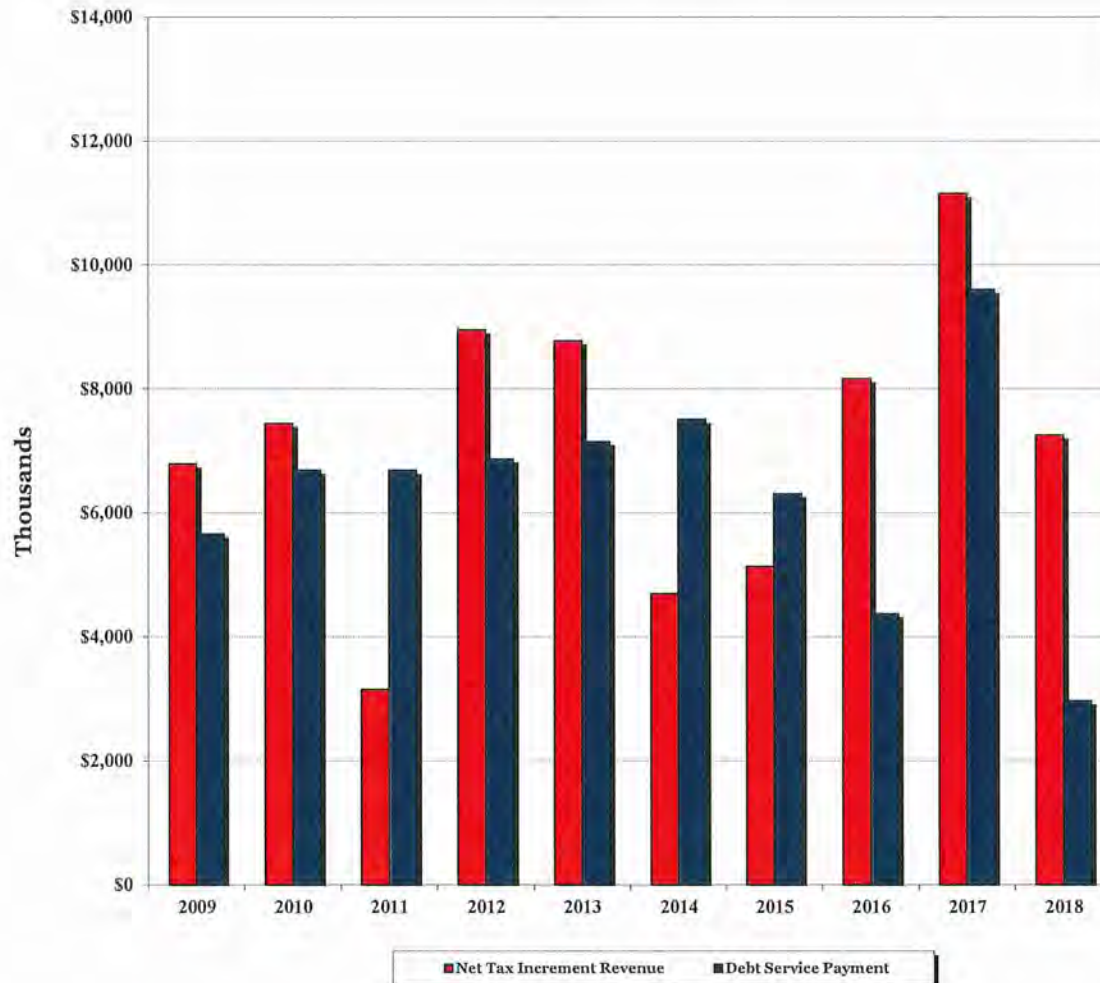
LEGAL BONDED DEBT MARGIN	\$74,037,292
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2009	\$67,853,891	0	\$67,853,891	0.00%
2010	51,704,402	0	51,704,402	0.00%
2011	48,950,362	0	48,950,365	0.00%
2012	47,302,722	0	47,302,722	0.00%
2013	46,430,166	0	46,430,166	0.00%
2014	48,315,266	0	48,315,266	0.00%
2015	54,908,811	0	54,908,811	0.00%
2016	64,790,056	0	64,790,056	0.00%
2017	69,004,249	0	69,004,249	0.00%
2018	74,037,292	0	74,037,292	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF SAN PABLO
BONDED DEBT PLEDGED REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	Redevelopment Agency Property Tax Increments	Less Low and Moderate Income Housing Set-Aside	Net Tax Increment Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2009	\$9,751,633	\$2,965,190	\$6,786,443	\$1,865,000	\$3,794,982	\$5,659,982	1.20
2010	9,415,129	1,972,660	7,442,469	3,050,000	3,640,060	6,690,060	1.11
2011	5,051,415	1,903,187	3,148,228	3,165,000	3,516,993	6,681,993	0.47
2012	8,952,532 (a)	0 (b)	8,952,532	3,290,000	3,577,017	6,867,017 (c)	1.30
2013	8,773,589 (d)	0 (b)	8,773,589	3,430,000	3,718,205	7,148,205 (e)	1.23 (d)
2014	4,695,660 (d)	0 (b)	4,695,660	3,575,000	3,931,553	7,506,553 (e)	0.63 (d)
2015	5,132,531 (d)	0 (b)	5,132,531	3,260,000	3,044,176	6,304,176 (e)	0.81 (d)
2016	8,159,295 (d)	0 (b)	8,159,295	1,525,000	2,849,011	4,374,011 (e)	1.87 (d)
2017	11,150,519 (d)	0 (b)	11,150,519	6,787,381	2,811,164	9,598,545 (e)	1.16 (d)
2018	7,249,096 (d)	0 (b)	7,249,096	320,000	2,647,300	2,967,300 (e)	2.44 (d)

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency.
- (b) As part of the dissolution, the Redevelopment Agency is no longer required to make the low and moderate income housing set-aside.
- (c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.
- (d) Beginning in fiscal year 2013, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations, and is required to use other resources on hand to fund debt service prior to using the tax increment received.
- (e) Includes debt service paid by the Successor Agency.

**CITY OF SAN PABLO
DEBT SERVICE COVERAGE SCHEDULE
LAST TEN FISCAL YEARS**

TENTH TOWNSHIP PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set-Aside	Pledged Tax Revenues	Debt Service On					Total Debt Service	Debt Service Coverage
				1993 Bonds	1999 Bonds	2001 and 2004 Tenth Township Bonds	2006 Bonds	2014 A&B Bonds		
2009	\$12,802,280	(\$2,560,456)	\$10,241,824	\$0	\$900,438	\$2,991,021	\$1,562,362		\$5,453,821	1.88
2010	9,051,332	(1,810,386)	7,240,946	0	897,782	2,553,326	2,963,452		6,414,560	1.13
2011	8,594,963	(1,737,391)	6,857,572	0	893,292	2,559,633	2,953,843		6,406,768	1.07
2012	8,529,190 (a)	0 (b)	8,529,190	0	887,070	2,942,173	2,762,899		6,592,142 (c)	1.29
2013	8,173,104 (d)	0 (b)	8,173,104	0	890,965	3,631,201	2,351,864		6,874,030 (e)	1.19
2014	4,291,235 (d)	0 (b)	4,291,235	0	893,377	3,652,390	2,683,687		7,229,454 (e)	0.59
2015	4,545,428 (d)	0 (b)	4,545,428	0	0	843,427	0	\$5,186,996	6,030,423 (e)	0.75
2016	N/A (d)	0 (d)	N/A (d)	0	0	1,050,812	0	3,372,250	4,423,062 (e)	N/A
2017	N/A (d)	0 (d)	N/A (d)	0	0	5,296,795	0	4,301,750	9,598,545 (e)	N/A
2018	N/A (d)	0 (d)	N/A (d)	0	0	1,922,750	0	5,379,550	7,302,300 (e)	N/A

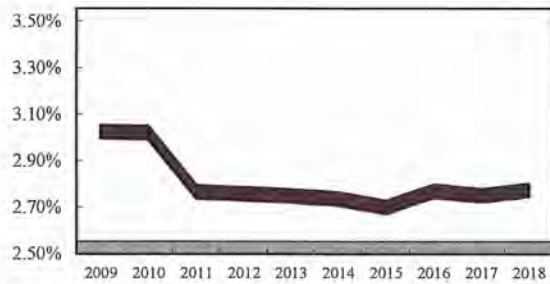
LEGACY PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set-Aside	Available Revenue	Debt Service on 2004 Legacy Bonds		Debt Service Coverage
2009	\$2,023,668	(\$404,734)	\$1,618,934	\$206,161		7.85
2010	811,369	(162,274)	649,095	275,500		2.36
2011	820,166	(165,796)	654,370	275,225		2.38
2012	423,342 (a)	0 (b)	423,342	274,875 (c)		1.54
2013	600,485 (d)	0 (b)	600,485	274,175 (e)		2.19
2014	404,425 (d)	0 (b)	404,425	274,099 (e)		1.48
2015	587,103 (d)	0 (b)	587,103	273,753 (e)		2.14
2016	N/A (d)	N/A (b)	N/A	N/A (e)		N/A
2017	N/A (d)	N/A (b)	N/A	N/A (e)		N/A
2018	N/A (d)	N/A (b)	N/A	N/A (e)		N/A

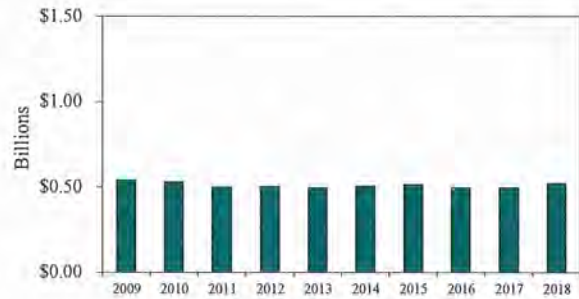
- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency. After January 31, 2012, the distinction between the property taxes collected by the Tenth Township and Legacy Project Areas was not provided, therefore property taxes of \$3,901,117 collected by the Successor Agency have been reported in the Tenth Township Project Area total.
- (b) As part of the dissolution, the Redevelopment Agency is no longer required to make the low and moderate income housing set-aside.
- (c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.
- (d) For the fiscal years ended 2013 thru 2015, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. As of 2016, the County Auditor-Controller no longer tracks this information, therefore, it is Not Available.
- (e) Includes debt service paid by the Successor Agency.

Sources: City of San Pablo Financial Statements

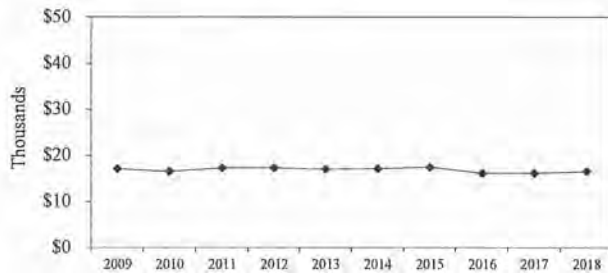
**CITY OF SAN PABLO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



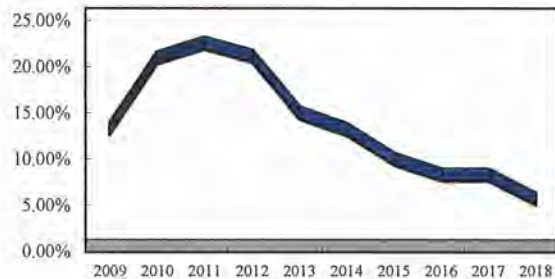
■ City Population as a % of County Population



■ Total Personal Income



◆ Per Capita Personal Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2009	31,808	\$543,217,024 (a)	\$17,078	12.7%	1,060,435	3.00%
2010	32,131	530,514,941 (a)	16,511	20.3%	1,072,953	2.99%
2011	28,931	500,216,990 (a)	17,290	21.9%	1,056,064	2.74%
2012	29,105	503,632,920	17,304 (b)	20.5% (b)	1,065,117	2.73%
2013	29,266	498,078,000	17,019	14.4%	1,074,702	2.72%
2014	29,465	505,502,000	17,156	12.6%	1,087,008	2.71%
2015	29,499	515,554,000	17,477	9.4%	1,102,871	2.67%
2016	30,829	498,050,000	16,155	7.7%	1,123,429	2.74%
2017	31,053	498,050,000	16,155	7.7% (b)	1,139,513	2.73%
2018	31,593	522,292,000	16,531	5.1%	1,149,363	2.75%

NOTES: (a) Data not available. Calculated by multiplying City Population by Per Capita Personal Income
(b) Data not available for fiscal year, therefore data presented is for prior calendar year

Sources: California State Department of Finance
California Employment Development Department

CITY OF SAN PABLO
Principal Employers
Current Year and Nine Years Ago

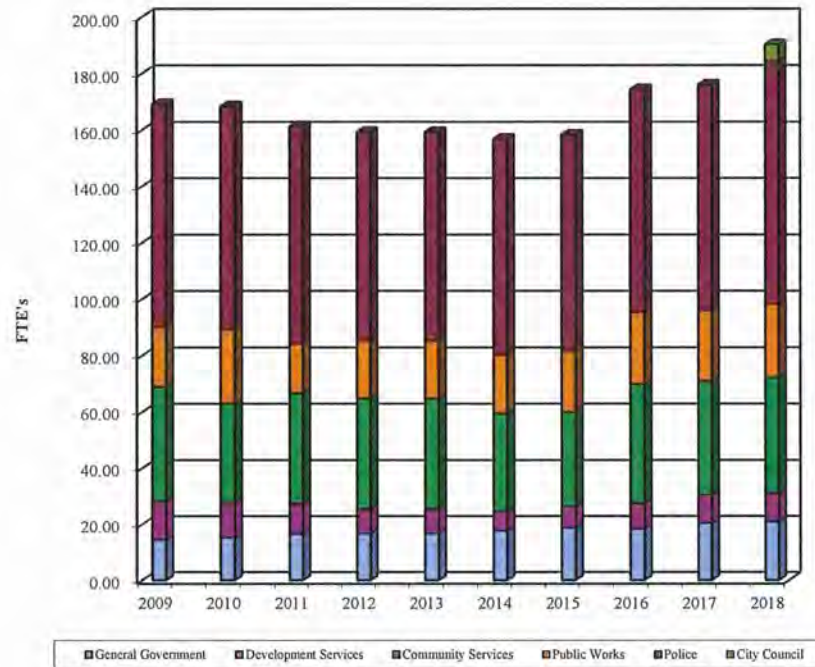
Employer	2017-2018			2008-2009		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Contra Costa College*	455	1	3.2%	599	1	N/A
Casino San Pablo*	396	2	2.8%	503	2	N/A
Vale Care Center*	292	3	2.1%	266	4	N/A
City of San Pablo*	192	4	1.4%	166	5	N/A
Creekside Health Care Center*	138	5	1.0%	95	7	N/A
Las Montanas	136	6	1.0%			
San Pablo Health Care Center*	119	7	0.8%			
HELMS	110	8	0.8%			
Security Pacific	110	9	0.8%			
Joiera	100	10	0.7%			
Doctor's Medical Center* Closed 04/21/2015				394	3	N/A
Brookvue Care Center*				116	6	N/A
Food Maxx				87	8	N/A
Albertson's (Lucky's)				73	9	N/A
Raley's				65	10	N/A
Subtotal	<u>2,048</u>		<u>14.4%</u>	<u>2,364</u>		<u>N/A</u>
Total City Day Population	<u>14,208</u>			<u>N/A</u>		

Sources: City of San Pablo Finance Department
California Employment Development Department

*includes part time employees

N/A = not available

CITY OF SAN PABLO
Full-Time City Government Employees by Function
Last Ten Fiscal Years



Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	14.45	15.30	16.60	16.80	16.80	17.80	18.80	18.50	20.50	21.00 *
Development Services	13.60	12.60	10.90	8.50	8.50	6.60	7.40	9.00	10.00	10.00 *
Community Services	40.85	35.10	39.35	39.50	39.50	35.15	33.85	42.40	40.50	41.30 *
Public Works	21.33	26.35	17.45	20.50	20.50	20.80	21.80	25.50	25.00	26.00
Police	79.00	79.00	77.00	74.00	74.00	76.50	76.50	79.00	80.00	86.00
Total City	169.23	168.35	161.30	159.30	159.30	156.85	158.35	174.40	176.00	184.30
City Council										6.00
Grand Total										190.30

* These figures include all part-time staff were left out of previous FTE counts in the prior years' CAFR's.

CITY OF SAN PABLO
Operating Indicators by Function/Program

Function/Program	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police: (calendar year)										
Police calls for Service	26,106	25,769	32,140	26,009	27,507	35,242	23,239	28,985	22,981	22,718
Crime Reports	6,352	6,178	5,925	5,887	5,890	5,695	3,857	3,116	3,467	3,961
Law violations:										
Major crimes: homicides/rape	22	13	9	12	12	10	12	17	6	10
Other major crimes: robbery/larceny/burglary	1,983	1,760	1,455	1,601	1,465	799	522		565	630
Arrests	1,539	1,729	1,688	1,496	1,789	2,008	1,444	1,862	1,243	1,434
Traffic collisions	323	391	396	440	428	354	123	324	234	239
Traffic citations	4,459	4,229	2,844	2,980	2,851	2,687	1,663	1,813	828	855
Public Works:										
Street resurfacing (miles)	8	14	14	0	7	3	2.4	1.5		1.4
Potholes repaired (square miles)	1	0.60	0.50	13	1	0.81	0.53	2.47	2.89	0.005
Street Sweeping (miles)	2,834	2,234	2,175	2,700	3,144	3,130	2,813	2,813	3,336	6,489
Volume of material removed (cubic yards)	878	880	880	965	1,050	822	735	891	1,060	1,185
Storm Drains:										
Catch basins cleaned	326	326	326	236	307	349	499	271	111	292
Volume of material removed (cubic yards)	23	29	71	9	29	22,310	107,000	147,950	4,280	57.11
Community Development:										
Community Services:										
Recreation class participants	1,211	1,331	2,479	2,594	3,057	4,107	7,437	9,433	9,568	5,128
Senior meals served	17,072	18,165	17,726	16,975	18,144	17,519	16,946	18,366	16,855	15,800
Rentals of Maple Hall	76	72	82	71	135	119	106	298	380	435
Rentals - Other Facilities						37	54	79	115	5,698
Education:										
Enrollment:										
Elementary schools (6)	3,536	3,114	3,002	3,110	2,960	2,973	2,993	2,697	2,627	2,640
Middle Schools (1)	727	930	911	1,660	973	1,040	964	999	1,011	997
High Schools (1)	467	300	286	400	400	400	400	400	400	400

Source: Various City Departments

Notes:

N/A denotes information not available.

CITY OF SAN PABLO
Capital Asset Statistics by Function/Program

Function/Program	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	23	23	21	23	19	19	18	17	14	23
Community Resources:										
Miles of streets	48	48	48	48	48	48	48	49	49	49
Street lights	182	182	182	182	182	182	182	192	192	243
Traffic Signals	25	25	25	25	25	25	25	27	29	29
Roadway Landscaping:										
Landscaped median acreage	1	1	1	1	1	1	1	1	1	1
Street trees	800	800	800	800	800	840	840	840	840	840
Community Recreation:										
Community services:										
City parks	6	6	6	6	6	7	8	8	8	8
City parks acreage	28	28	28	32	22.0	19	23.2	23.2	23.2	23.2
Playgrounds	4	4	4	5	5	5	5	5	5	5
Event center	0	0	0	0	0	0	0	0	0	0
Historic house	3	3	3	3	3	3	3	3	3	3
City trails	1	1	1	1	1	1	1	1	1	1
City trails miles	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	2	2	2	2	2
Senior centers	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Soccer/football fields	6	6	6	6	6	6	9	9	9	9
Wastewater (1)										
Miles of storm drains	17	17	17	17	17	17	17	17	17	17

Source: Various City Departments

Notes:

(1) Wastewater services are provided by Contra Costa County



CITY^{OF} SAN PABLO

City of New Directions