

City of Fairfield, California
Popular Annual Financial Report
Fiscal Year Ended June 30, 2019

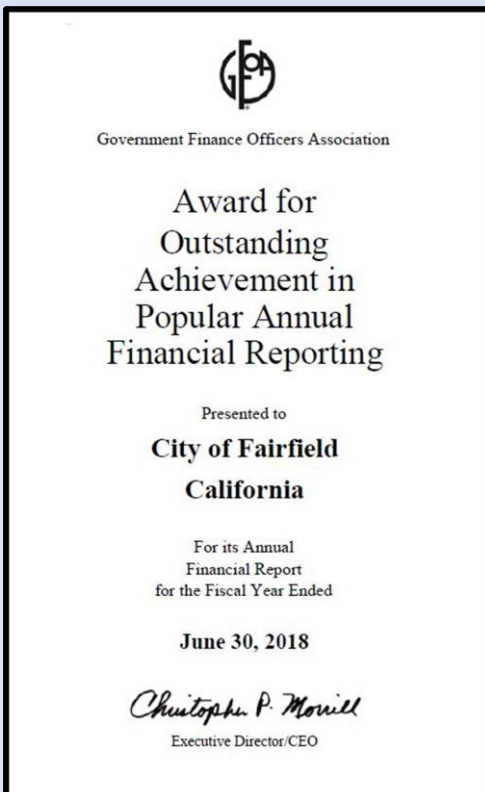


Popular Annual Financial Report for FY 2018-19

Introduction

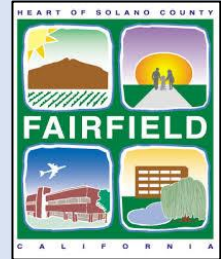
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A Message to Our Readers

The City is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2019. The purpose of the PAFR is to inform the community of the City's fiscal condition in an easy to read format.



This report contains condensed and simplified information from the City's Comprehensive Annual Financial Report (CAFR). The CAFR is a more complete, independently audited financial presentation prepared in accordance with generally accepted accounting principles (GAAP). The City has received an unmodified (clean) opinion on its CAFR, and was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) during the prior fiscal year ended June 30, 2018, marking the 31st time the City of Fairfield has received this award. The City also received the Award for Outstanding Achievement in Popular Annual Financial Reporting for its PAFR for the prior fiscal year.

Except for the General Fund information included in this report, the financial numbers are presented using the accrual method of accounting similar to the private sector, where revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. In addition, information is presented in a summarized format and certain information and disclosures required by GAAP are omitted.

For additional details regarding information contained in this PAFR, you can review the City's most current CAFR, operating budget and Capital Improvement Plan at <http://www.fairfield.ca.gov/gov/depts/finance/>



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City Council and Elected Officials



Chuck Timm
Councilmember



Harry T. Price
Mayor



Pam Bertani
Vice Mayor



Karen L. Rees
City Clerk



Catherine Moy
Councilmember



Rick Vaccaro
Councilmember



Arvinda Krishnan
City Treasurer

Management Leadership Team

Sean P. Quinn
Interim City Manager

Anthony M. Velasquez
Fire Chief

Emily Combs
Director of Finance

Greg W. Stepanich
City Attorney

Farbod Pirouzmand
Director of Human Resources

Paul Kaushal
Interim Director of Public Works

Laura Snideman
Assistant City Manager

Ann Mottola
Director of Parks and Recreation

Randy Fenn
Police Chief

David Feinstein
Interim Director of Community Development

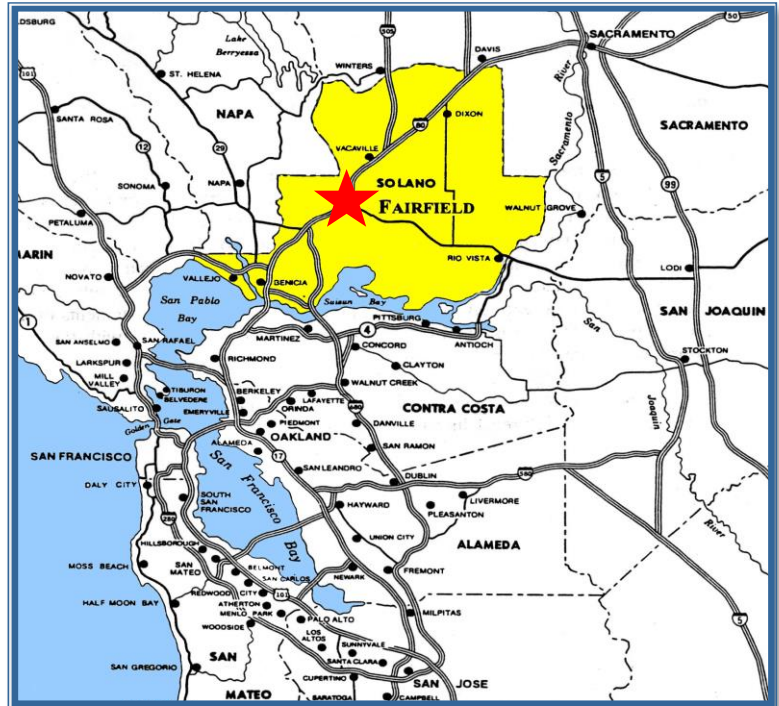


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City Profile and Demographic Information

City Profile

Fairfield sits at the northeastern portion of the San Francisco Bay Area. The county seat of Solano County since 1858, Fairfield has the vision of a progressive city. Founded in 1856 by Captain Robert Waterman, the City was named after Fairfield, Connecticut. Community amenities include an enclosed regional shopping mall with over one million square feet and 150 stores, an adult recreation center, the 650-acre Rockville Hills Park, and a weekly farmer's market in season. Situated between two of the fastest growing areas in California, Fairfield bridges the gap between the San Francisco Bay Area and the Sacramento metropolitan region. The Napa and Sonoma wineries lie an hour to the west, and Lake Tahoe two hours to the east.



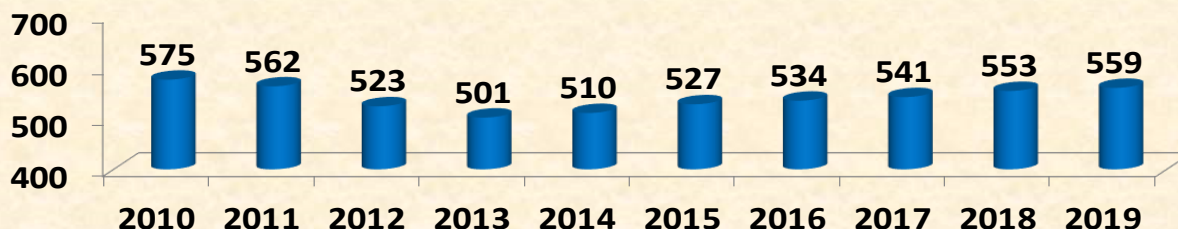
Government Profile

The City is a general law city, and was incorporated in 1903. It has a Council-Manager form of government with a separately-elected Mayor and four Council members elected at large to staggered four-year terms. There are also two citizen commissions whose members are appointed by the Council to fixed terms: Planning and Youth. The City also has a five-member Fairfield Taxpayers Committee (the "Measure P Committee") whose members are appointed by Council to a fixed term. The City Clerk and Treasurer are elected. The City Council appoints the City Manager and Attorney. Department heads are appointed by the City Manager.

The City is organized into seven departments: Public Works, Police, Fire, Finance, Community Development, Human Resources, and Parks and Recreation. In addition, City Administration comprises the executive, information technology, legislative, and legal divisions. The chart below shows the City's full time staff levels during the past ten years, which decreased with the elimination of redevelopment and during the most recent recession, and consequently significantly affected property values within the City.

The City provides a broad range of services including police and fire protection; construction and maintenance of streets, parks, storm drains and other infrastructure; recreational and cultural activities, including two 18-hole championship golf courses; and administrative support services. Some major public services delivered within the City's boundaries, including library, wastewater, and education, are provided by other governmental agencies for which the City is not financially accountable for the operations.

Total Authorized Full-Time Employees





Popular Annual Financial Report for FY 2018-19

City Profile and Demographic Information

City and Demographic Information

Fairfield is an ethnically diverse community (U.S. Census Bureau data from 2010 indicates that of the total population, 16% is black, 15% is Asian, 27% is Hispanic, 35% is white and 7% is other/mixed). Local educational institutions include Solano Community College, and campuses of St. Mary's College, Golden Gate University, University of Phoenix, Chapman University, California Maritime Academy, and Touro University. The University of California Berkeley and Davis are within 40 minutes drive.

✓	Size:	37.4 square miles
✓	Population / Growth Rate (CA DOF 1/19):	117,149 / 1.0%
✓	Population Ranking CA Cities:	54
✓	Median Age:	34 years
✓	Per Capita Personal Income:	\$46,116
✓	Unemployment Rate (EDD 3/19):	4.3%
✓	Projected Jobs (ABAG 2025):	61,750
✓	% of Pop. High School / College Degree:	84.9% / 25.3%
✓	Part 1 Crime Rate (2018):	32.80 per 1,000 persons
✓	Elevation:	15 to 400 ft. above sea level
✓	Fire Protection:	ISO Rating 3 fire class



Major Employers as of June 30, 2019

✓	Travis Air Force Base	U.S. Military	13,414
✓	Fairfield-Suisun Unified School District	Education	2,213
✓	County of Solano	Government	2,633
✓	NorthBay Healthcare Center	Healthcare	1,969
✓	Solano Community College	Education	750
✓	Partnership HealthPlan	Insurance	561
✓	City of Fairfield	Government	559
✓	Jelly Belly Candy Co.	Manufacturing	489
✓	Sutter Fairfield Medical Campus	Healthcare	475
✓	Westamerica Bancorporation	Banking	418



Trend Information / Comparison of Cities

See the City's original budget for fiscal years 2019-20 and 2020-21 for more information regarding these trends among comparable cities:

- ✓ The City's population growth rate is above average.
- ✓ The City's per capita revenues from tax revenues are below average.
- ✓ The City has had significant swings in its property and sales tax revenues, building and foreclosure activity, unemployment rates, transit ridership and golf rounds played.
- ✓ The City's pension obligation contribution rate has increased significantly over the past ten years.
- ✓ The City's Other Post-Employment Benefits (OPEB) liability is below the average.
- ✓ The City has a low industrial vacancy rate, but a high office vacancy rate.
- ✓ Full-time staffing has dropped significantly over time and is below average on a per capita basis.





Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Economic Summary for FY 2018-19 (as of June 2019)

Below is a summary analysis of some key indicators of the region's economic environment.

Stock and Financial Markets

The value of the stock markets increased for the fiscal year. Interest rates declined during the year. The U.S. Economy remains healthy, and industry analysts are forecasting a growth rate in GDP of 2.0% for FY 19-20, down from 3.0% in FY 18-19.

Stock / Financial Markets	Index / Rate	Fiscal Year Change
Dow Jones	26,599	2,328
S&P 500	2,942	224
2 Year Treasury	1.8%	-0.7%
2 Year Corporate Bonds AA Rated	1.8%	-0.7%
20 Year Muni Bonds AA Rated	2.3%	-0.7%
30 Year Home Mortgage	3.8%	-0.9%

Employment

The U.S. and regional job market continues to be strong, as evidenced by low unemployment numbers in recent labor reports. Industry analysts expect the unemployment rate to be neutral in FY 19-20.

Unemployment	Rate	Fiscal Year Change
United States	3.7%	-0.3%
California	4.2%	-0.1%
Solano County	3.9%	-0.3%
Fairfield	3.9%	-0.3%

Inflation

Inflation continues to creep upward, representing rising wage pressures from the stronger job market, in spite of continuing low energy and commodity prices. Oil prices have decreased over the previous year, resulting in gasoline prices decreasing 22% in FY 18-19.

Inflation Rates	Rate	Fiscal Year Change
Bay Area CPI	3.9%	0.0%
Turner Building CPI	1.3%	0.0%
Personal Savings Rate	8.1%	1.4%
Oil Prices (as of 6/30/19)	\$58	(\$16)

Rental Vacancy Rates

Fairfield's office vacancy rates decreased during the fiscal year but remained above the County rate of 14.4%, while industrial vacancy rates decreased and fell below the County rate of 6.1%. Apartment vacancy rates for the Fairfield/Vallejo region increased slightly while retail vacancy rates for the region decreased.

Vacancy Rates	Rate	Fiscal Year Change
Office - Fairfield	21.2%	-1.6%
Industrial - Fairfield	5.6%	-1.8%
Apartment - Fairfield/Vallejo Region	3.8%	1.6%
Retail - Fairfield/Vallejo Region	4.1%	-6.7%



Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Government-Wide Financial Analysis

The Statement of Net Position (Statement) presents information on the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the City's financial position is improving or weakening. The Statement reflects the fact that the City's net position increased by \$17 million in the current fiscal year, due to increases in property and sales tax collections along with strong investment earnings over the past year. Below are descriptions of items included in the Statements.

Summary Statements of Net Position (in millions) - All Activities

	Totals - All Funds		Change from 2018	
	2019	2018	\$	%
Current and other assets	\$ 407	\$ 401	\$ 6	1%
Long-Term Assets	532	532	-	0%
Total assets	939	933	6	1%
Total deferred outflows of resources	49	45	4	9%
Long term liabilities outstanding	334	338	(4)	-1%
Current and other liabilities	46	48	(2)	-4%
Total liabilities	380	386	(6)	-2%
Total deferred inflows of resources	5	7	(2)	-29%
Net position:				
Net investment in capital assets	453	447	6	1%
Restricted	179	171	8	5%
Unrestricted	(30)	(33)	3	9%
Total net position	\$ 602	\$ 585	\$ 17	3%

All Funds Balance Sheet

- **Current Assets** – This includes cash and investments, and items such as receivables, inventory and prepaid items expected to be converted into cash within one year. See the cash and investments section of this PAFR for additional information on these assets.
- **Long-Term Assets** – Includes land held for redevelopment and capital assets consisting of land, buildings, improvements, infrastructure, vehicles and equipment. These items provide services to the community and are not available for future spending. See the capital assets section of the PAFR for additional information.
- **Current Liabilities** – Represents liabilities expected to be paid with cash within one year, including accounts payable, interest payable and unearned revenue.
- **Long Term Liabilities** – Includes the outstanding obligations for the City, including the City's long-term debt for pensions, OPEB, compensated absences, claims outstanding and bonded debt. See the long-term obligations section of this PAFR for additional details on these liabilities.
- **Deferred Outflows/Inflows of Resources** – Represents a consumption or acquisition of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) or an inflow of resources (revenue) until that time.
- **Net Position** – Net investment in capital assets represents the City's capital assets net of accumulated depreciation and related debt. The restricted portion is subject to externally imposed restrictions for activities such as capital projects, debt service, and community development and is not available for general operations. The unrestricted portion is available for general operations. The deficit amount shown is due to the City's outstanding pension obligation.



Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Government-Wide Financial Analysis (Continued)

The City's Statement of Activities is shown on the following page (in millions) for FY 2019 and 2018. The Statement of Activities summarizes by major revenues and expenses categories the receipt and expenditure of all funds during the year for governmental and business-type activities. Business-type activities include the City's Water Utility, North Bay Water Treatment Plant, Golf and Transit Funds.

The total cost of all services this year was \$211 million, with the amount for all governmental activities totaling \$148 million and related program revenues covering \$50 million (34%), resulting in a net cost of \$98 million. The City paid for the remaining portion of governmental activities with taxes (some of which could only be used for certain purposes) and other revenues, such as interest, general entitlements, the sale of property, and transfers. The cost for business-type activities this year was \$63 million. Revenues received to offset these activities include charges for services of \$50 million and \$18 million from operating and capital grants and contributions. There was an increase of \$8 million in the net position for business-type activities (including investment earnings and transfers), from \$130 million to \$138 million.

Description of Items in Statement of Activities

The following provides a brief description of the key items included in the Statement of Activities:

Revenues

- ✓ Charges for Services – These revenues are collected for services to the public such as recreational classes
- ✓ Grants and Contributions – Represents funding received from other governments and organizations for the purpose of financing the operating and capital costs of a special program, such as the City's affordable housing program
- ✓ Taxes – Includes property, sales and transaction, franchise, transient occupancy and business license other taxes, which are described in more detail in a subsequent section of this PAFR

Revenues



Expenses

- ✓ Admin / Finance – Includes the City Council, City Manager, Risk Management, Human Resources, contract City Attorney services, Information Technology, Finance and non-departmental programs
- ✓ Police and Fire – Includes Patrol, Dispatch, Investigations, Crime Prevention, Code Enforcement, Fire Suppression, Prevention, and Inspection
- ✓ Public Works – Includes Maintenance of Trees, Streets, Parks, Facilities, Sewer, Building and Equipment, Assessment Districts
- ✓ Water Treatment Plants – Accounts for the City's two water treatment plants
- ✓ Community Development – Includes Planning, Building, Economic Development and Housing
- ✓ Recreation / Golf – Includes Adult and Youth Activities, Aquatics and the City's two golf courses
- ✓ Transportation – Accounts for the operations of the City's transit system

Expenses



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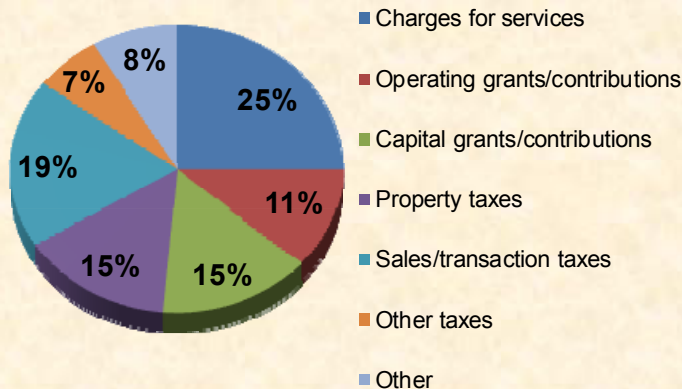
Financial and Budgetary Information

All Funds Financials

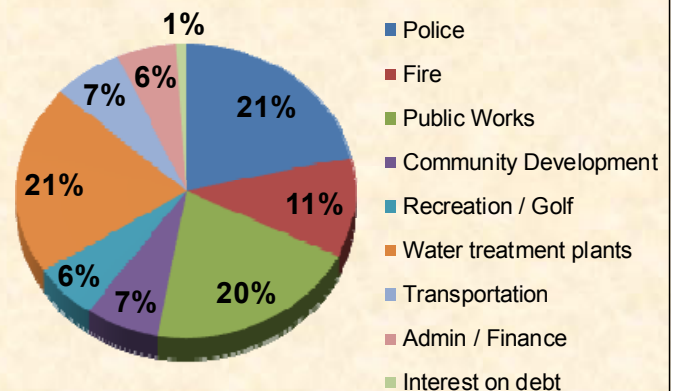
Summary Statements of Activities (in millions)

	Total - All Funds		Change from 2018	
	2019	2018	\$	%
Revenues:				
Program Revenues:				
Charges for services	\$ 57	\$ 51	\$ 6	12%
Operating grants and contributions	26	27	(1)	-4%
Capital grants and contributions	34	45	(11)	-24%
General Revenues:				
Property taxes	34	31	3	10%
Sales and transaction taxes	43	41	2	5%
Other taxes	15	16	(1)	-6%
Other revenues	19	9	10	111%
Total revenues	228	220	8	4%
Expenses:				
Administration	10	10	-	0%
Finance	2	1	1	100%
Police	45	43	2	5%
Fire	23	21	2	10%
Public works	43	42	1	2%
Community development	15	14	1	7%
Parks and recreation	8	7	1	14%
Interest on debt	2	2	-	0%
Water utility	35	34	1	3%
North bay treatment plant	9	9	-	0%
Transportation	14	13	1	8%
Golf courses	5	5	-	0%
Total expenses	211	201	10	5%
Increase (decrease) in net position	17	19	(2)	-11%
Net position July 1	585	566	19	3%
Net position June 30	\$ 602	\$ 585	\$ 17	3%

Government-Wide Revenues by Source
\$228 Million



Government-Wide Expenses by Source
\$211 Million





Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Financial Overview – General Fund

The General Fund is the main operating fund of the City. General Fund revenues exceeded the final budget by \$8 million or 8%, driven by higher than anticipated collections of the City's sales and transactions and use taxes and transient occupancy (hotel) taxes, higher assessed property valuations, and an increase in development revenues and investment income. Total General Fund expenditures were under budget by \$0.4 million or 0.3%, due mainly to staff vacancies, offset by increased public safety overtime costs. In comparing FY 2019 to 2018, General Fund revenues increased by 7% in FY 18-19, but General Fund expenditures (excluding transfers and a one-time payment towards the City's CalPERS unfunded accrued liability), increased by 11% over FY 17-18.

General Fund

	2019		\$ Variance Positive (Negative)	2018 Actual
	Budget	Actual		
Revenues:				
Property taxes	\$ 31,998,302	\$ 33,422,699	\$ 1,424,397	\$ 30,708,943
Sales tax	22,554,395	23,456,467	902,072	21,746,668
Transaction and use taxes (Measure P)	19,082,000	19,602,753	520,753	19,465,133
Utility and franchise taxes	9,055,000	9,536,831	481,831	9,561,603
Other taxes	5,040,000	6,071,129	1,031,129	6,051,344
Licenses, permits and fines	2,554,000	3,479,535	925,535	2,734,897
Intergovernmental	344,984	467,962	122,978	459,490
Charges for services	6,534,432	6,911,323	376,891	7,174,139
Investment income	275,000	2,009,675	1,734,675	222,858
Miscellaneous	2,081,118	2,539,420	458,302	2,461,853
Total Revenues	99,519,231	107,497,794	7,978,563	100,586,928
Expenditures:				
Current:				
Administration	4,476,058	4,120,034	356,024	3,654,682
Finance	1,172,489	934,491	237,998	906,821
Police	40,614,292	41,411,882	(797,590)	38,083,461
Fire	19,875,979	20,741,762	(865,783)	18,225,615
Public works	12,356,034	11,878,134	477,900	10,717,240
Parks and recreation	6,463,437	5,893,668	569,769	5,240,660
Community development	3,754,331	3,422,777	331,554	2,739,788
Non-departmental	15,344,527	15,298,522	46,005	5,049,006
Total Expenditures	104,057,147	103,701,270	355,877	84,617,273
Excess revenues over expenditures	(4,537,916)	3,796,524	8,334,440	15,969,655
Other Financing Sources (Uses):				
Transfers in	22,257,998	22,257,998	-	255,780
Transfers out	(5,910,580)	(5,886,532)	24,048	(14,330,091)
Total other financing sources (uses)	16,347,418	16,371,466	24,048	(14,074,311)
Net change in fund balance	11,809,502	20,167,990	8,358,488	1,895,344
Fund Balance - Beginning of Year	27,540,380	27,540,380	-	25,645,036
Fund Balance - End of Year	\$ 39,349,882	\$ 47,708,370	\$ 8,358,488	\$ 27,540,380

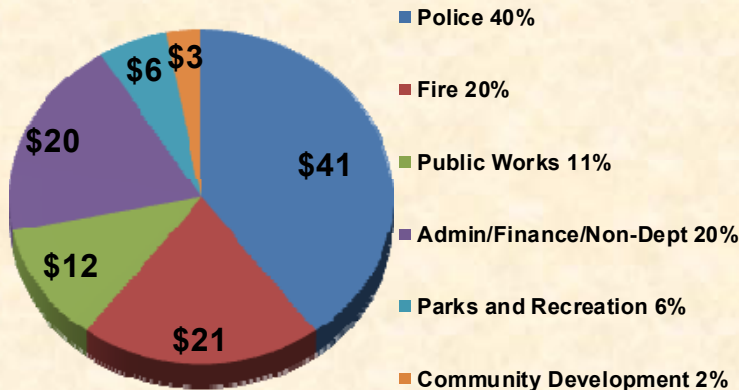


Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Financial Long Term Outlook – General Fund

**General Fund Expenses by Department
FY 2018-19 (in Millions)**



The City was able to maintain General Fund reserves at the City Council's established level of 20% of expenditures during FY 18-19, and to present a balanced budget for the General Fund for FY 19-20. The following table provides an overview of the City's General Fund reserve levels over the next four years, including the impact of one-time payments towards the City's unfunded accrued liability for employee pensions. The forecast assumes no recession occurs other than a slowdown in auto sales and excludes the Pension Stabilization Fund.

**General Fund Five Year Trend through Fiscal Year 2022-23
(In Millions)**

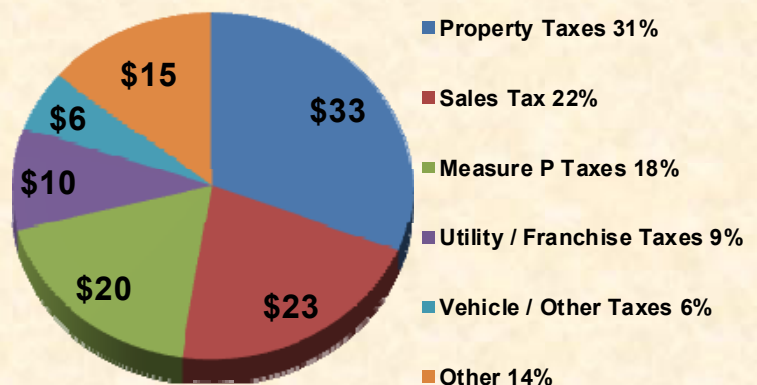
Revenues / Transfers In
Expenditures / Transfers Out
(Deficit)/Surplus for Year
Available Ending Reserves
% of Expenditures

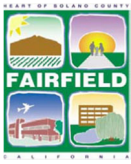
	18-19	19-20	20-21	21-22	22-23	Trend
Revenues / Transfers In	\$107.3	\$103.2	\$104.7	\$107.2	\$110.0	
Expenditures / Transfers Out	<u>99.6</u>	<u>103.2</u>	<u>108.9</u>	<u>110.8</u>	<u>112.8</u>	
(Deficit)/Surplus for Year	7.7	0.0	(4.2)	(3.6)	(2.8)	
Available Ending Reserves	\$35.3	\$35.3	\$31.1	\$27.5	\$24.7	
% of Expenditures	35%	34%	29%	25%	22%	

The General Fund's major revenue sources include property and sales / Measure P local taxes, utility users and franchise taxes, transfer and vehicle taxes and hotel taxes. Together these groups comprise 87% of total budgeted revenues for FY 19-20. The remaining 13% includes revenues such as licenses and permits, charges for services and interest/rental income.

A significant portion of the City's General Fund revenue is dependent on Measure P, a 1% local transaction and use tax, which went into effect April 1, 2013 and will expire in 2033. Measure P revenue stabilized the General Fund and has enabled the City to provide services that keep the community safe and address infrastructure needs.

**General Fund Revenues by Category
FY 2018-19 (in Millions)**





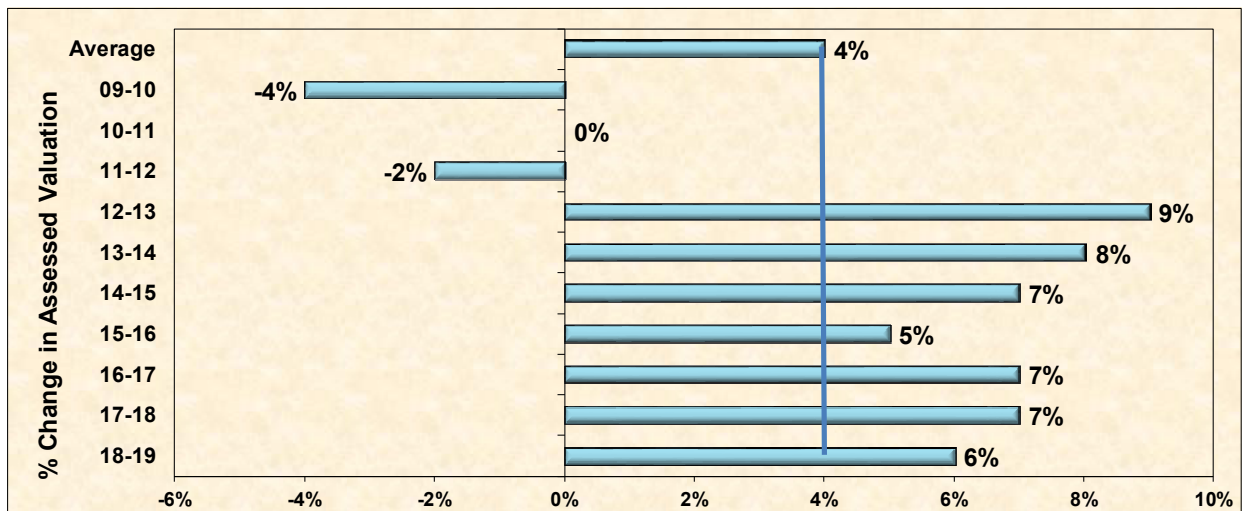
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Financial and Budgetary Information

Government-Wide Financial Analysis General Fund Major Revenue Sources

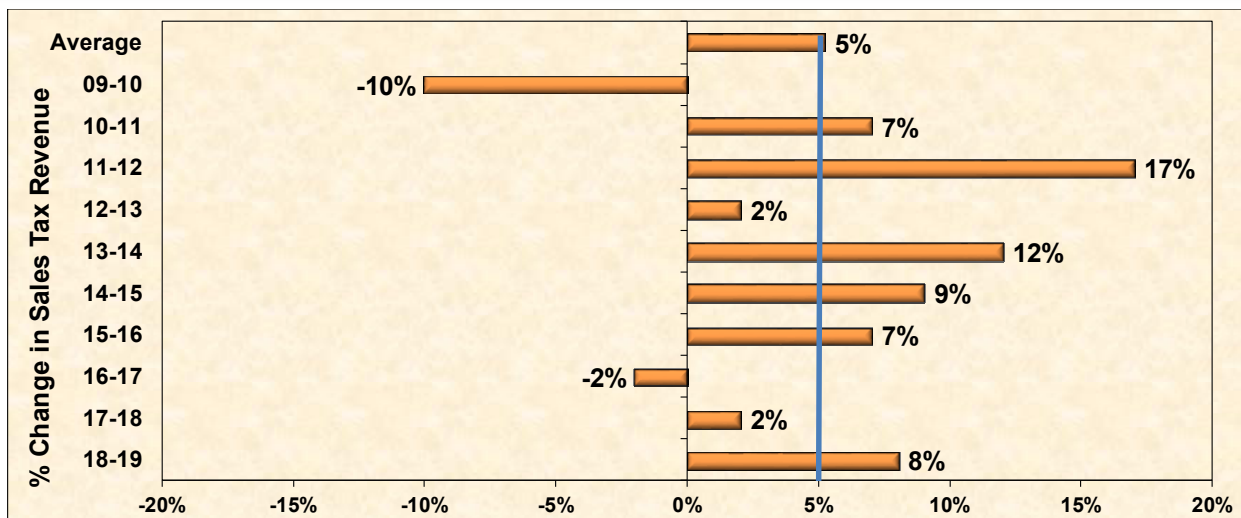
Property Taxes - Pursuant to Proposition 13, passed by California voters in 1978, countywide property taxes are set at 1% of assessed value. Upon change of ownership, the assessed value of a property is reset to the current market value (sales price). The City receives approximately 17% of the 1% countywide property tax collected in the City. In FY 18-19, Fairfield property values increased by approximately 6%, compared to the County's overall increase of 5%. Property taxes are one of the largest sources of revenue to the General Fund and were approximately 31% of the City's total General Fund revenues for FY 18-19. The collection of secured property taxes are expected to increase by approximately 4% for FY 19-20 and for future years, resulting from the increase in assessed values for properties and new development within the City. Note that residential properties represent 70% of the total assessed property valuation within the City.

Property Taxes



Sales Taxes - Sales and local sales transaction taxes are the City's other major sources of revenue. The sales tax rate in Solano County is 8.375%, of which 1% is the "local" or City share and 1% reflects the local use tax. Retail sales nationwide for the year ended June were up 3.3% in total. The chart below shows the change in sales tax for the past 10 years, including a comparison of FY 17-18 to FY 18-19 where the City's sales tax collections were up 8%. Sales tax is projected to decrease in FY 19-20 due to the closure of an auto dealership and softening auto sales.

Sales Taxes





Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Financial Long Term Outlook – Other Funds

Water Funds

The following is a brief summary of the forecasts for the City's enterprise and internal service funds, for which detailed information can be found in the City's FY 18-19 CAFR:

The City is anticipating a continued rebound in revenues from the drop in usage during the prior drought, but is still unsure of the extent to which revenues will return to their pre-drought revenues.

Of the total annual revenues below for fiscal years 2018-19 through 2022-23, approximately \$2.0 million (6%) is anticipated to be received annually from water connection fees related to new development in the City. The deficits shown below are due to the use of existing capital reserves for one-time projects including the East-West pipeline project, replacement of water mains and projects related to its pump stations and reservoirs. The Water Utility will continue to monitor its revenues to maintain adequate reserve levels needed for future capital replacement requirements and maintain its required debt service coverage ratios required under its outstanding bonds. The Water Funds' forecast through FY 22-23 is below, and includes water rate increases of 4% annually for four years beginning January 1, 2018 through January 1, 2021:



Water Funds Five Year Trends through Fiscal Year 2022-23
(in millions)

	18-19	19-20	20-21	21-22	22-23	Trend
Revenues / Transfers In	\$37.7	\$36.3	\$37.5	\$38.3	\$39.0	
Expenses / Transfers Out	35.7	40.9	45.3	39.7	38.5	
(Deficit) / Surplus for Year	2.0	(4.6)	(7.8)	(1.4)	0.5	
Ending Working Capital	59.9	55.3	47.5	46.1	46.6	

Golf Funds

These funds account for the operations of the City's Paradise Valley and Rancho Solano golf courses. The total number of taxable rounds increased by 5% during the past fiscal year. Despite cost saving measures implemented by City staff in previous years, both courses require financial support from the City. In addition, the clubhouses and other ancillary buildings are showing their age and are in need of rehabilitation. The City's forecast through FY 22-23 is below, which reflects a reduction in debt service beginning in FY 19-20:



Golf Funds Five Year Trends through FY 2022-23
(in millions)

	18-19	19-20	20-21	21-22	22-23	Trend
Revenues	\$4.6	\$4.4	\$4.5	\$4.5	\$4.6	
Transfer In from Admissions Tax	0.5	0.5	0.5	0.5	0.4	
Transfer In from Intgovt/General Funds	0.5	0.0	0.0	0.0	0.0	
Expenses / Transfers Out	4.8	4.9	5.0	5.0	5.0	
(Deficit) / Surplus for Year	0.8	0.0	0.0	0.0	0.0	
Ending Working Capital	0.3	0.3	0.3	0.3	0.3	



Popular Annual Financial Report for FY 2018-19

Financial and Budgetary Information

Financial Long-Term Outlook – Other Funds (Continued)

Transit Funds

These funds account for the operations of the City's fixed route and demand response bus service, which receive grants for its operations and capital needs from federal, state and local governments. In FY 18-19, the Transit system continued to be active as it served approximately one million customers. The long-run forecast for the Transit division projects that it will have sufficient funding to satisfy its operational and bus replacement needs. Transit relies heavily on grants to satisfy its equipment replacement and capital needs, and there is no guarantee that these grants will be available in the future. In the event grant funds are not available, Transit will have to explore alternatives to reduce operating expenses and/or increase revenues. The City's forecast for the Transit fund through FY 22-23 is shown below, which assumes that grant funds will be received for replacement of the bus fleet:



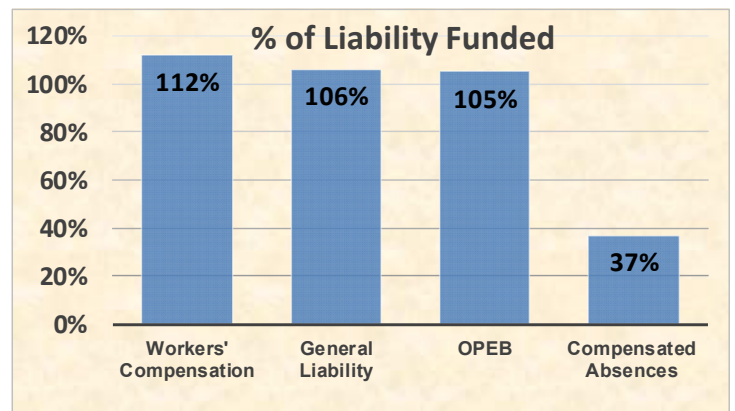
Transit Fund Five Year Trends through FY 2022-23
(in millions)

Revenues / Transfers In
Expenses / Transfers Out
(Deficit) / Surplus for Year
Ending Working Capital

	18-19	19-20	20-21	21-22	22-23	Trend
Revenues / Transfers In	\$17.3	\$20.3	\$20.1	\$30.7	\$18.6	
Expenses / Transfers Out	13.8	20.3	20.1	30.7	18.6	
(Deficit) / Surplus for Year	3.5	0.0	0.0	0.0	0.0	
Ending Working Capital	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	

Internal Service

These funds account for many services provided to all departments within the City, including the funding for insurance and compensated absences. Since the City is self-insured, it is prudent to fund a portion or all of the liability owed over time so other funds are not heavily affected in any one year. See Notes 9 and 13 in the City's FY 18-19 CAFR for the actuarial assumptions used. The major self-insurance liabilities, other post-employment benefits (OPEB), and compensated absences with their corresponding funding reserves as of June 30, 2019 are listed below:



	Workers' Compensation	General Liability	Other Post-Employment Benefits (OPEB)	Compensated Absences (Governmental Activities only)
Cash Reserve	\$12,515,862	\$3,367,279	\$2,203,950	\$6,373,976
Actuarial Liability	\$11,151,000	\$3,175,000	\$2,105,771	\$17,133,959
% of Liability Funded	112%	106%	105%	37%



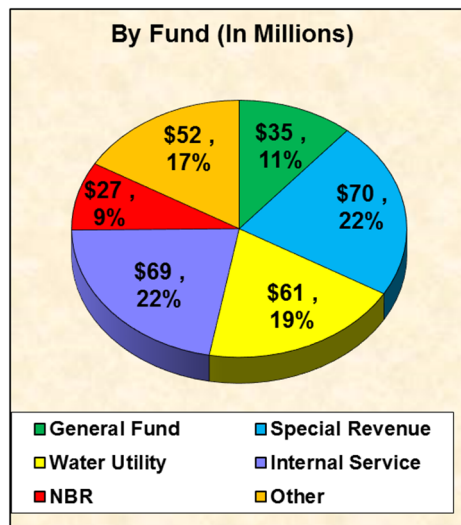
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Financial and Budgetary Information

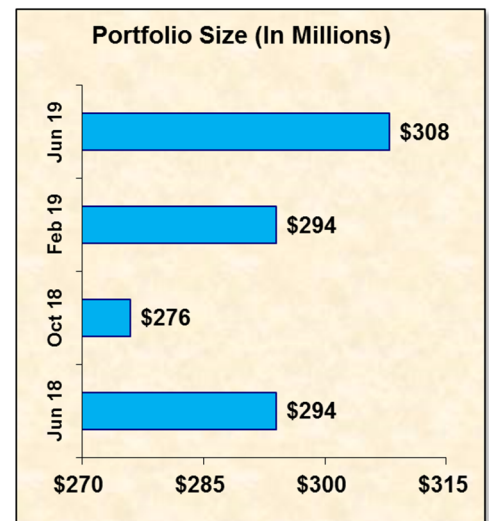
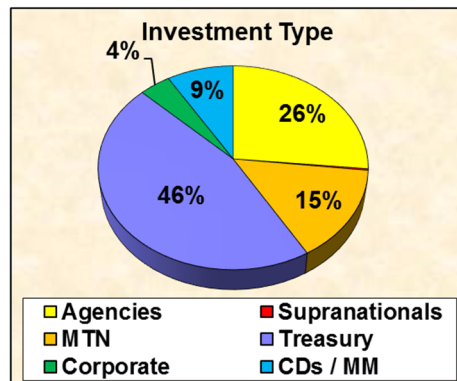
Cash and Investments (as of June 2019)

The City's investments listed below are in accordance with City's investment policy, which emphasizes the safety, liquidity and return of its investments. The portion of the portfolio not invested in the State Local Agency Investment Fund (LAIF) is invested with the City's two investment advisors, Public Financial Management (PFM) and Chandler Asset Management (Chandler). The City also held \$6.8 million in bank balances and \$4.0 million in bond reserves as of 6/30/19. All of the City's rated investments are rated "A" or higher at 6/30/19. See Note 4 in the City's FY 18-19 CAFR for additional information regarding the City's investments.

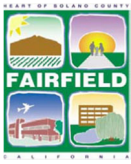
Summary by Instrument Type	Money Market Funds		Investment Managers		Grand Total	Percent of Total
	LAIF	CAMP	Chandler	PFM		
Agencies	\$9,732,131		\$59,234,323	\$12,802,068	\$81,768,522	27%
Treasury	22,146,345		47,973,600	70,832,800	140,952,745	46%
Medium Term Notes (MTN)			19,655,593	25,661,647	45,317,240	15%
Certificate of Deposits (CDs)	9,984,562			9,018,164	19,002,726	6%
Commercial Paper (CP)	2,871,407		3,197,093	6,499,917	12,568,417	4%
Supranationals				755,075	755,075	0%
Money Market (MM) / Other	342,586	1,821,594	1,324,002	4,181,941	7,670,123	2%
Total Market Value	\$45,077,031	\$1,821,594	\$131,384,611	\$129,751,612	\$308,034,848	100%
Yield to Maturity	2.43%	2.48%	2.03%	2.23%	2.18%	
Trailing 12 month yield	2.26%	2.41%	1.89%	2.17%	2.11%	



Cash & Investments



Summary by Maturity	Money Market Funds		Investment Managers		Grand Total	Percent of Total
	LAIF	CAMP	Chandler	PFM		
0-1 month	\$45,077,031	\$1,821,594	\$4,709,154	\$5,429,381	\$57,037,160	19%
1-12 months			42,845,975	17,556,487	60,402,462	20%
1-2 years			29,766,136	56,518,592	86,284,728	28%
2-3 years			20,352,809	47,229,436	67,582,245	21%
3-4 years			21,554,953	3,017,716	24,572,669	8%
4-5 years			12,155,584		12,155,584	4%
Total Market Value	\$45,077,031	\$1,821,594	\$131,384,611	\$129,751,612	\$308,034,848	100%
Total Amortized Cost	45,000,000	1,821,594	130,462,822	128,890,525	306,174,941	
Amount Market Value Over / (Under) Cost	\$77,031	\$0	\$921,789	\$861,087	\$1,859,907	
Estimated GASB 31 YTD Market Value Entry	\$170,688	\$0	\$2,377,242	\$1,747,550	\$4,295,480	1.40%
% of Portfolio	14.6%	0.6%	42.7%	42.1%	100.0%	
Average Maturity (years)	0.50	0.15	1.91	1.71	1.61	



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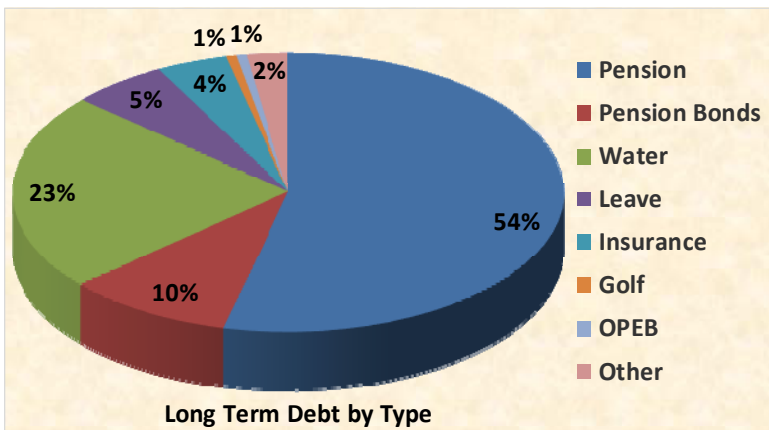
Financial and Budgetary Information

Long-Term Obligations

The City continues to maintain good credit ratings on all of its debt issues, as evidenced by the AA rating assigned by Standard and Poor's to its Pension Obligation Bonds (with AAA being the highest rating). The graph below summarizes the City's long-term obligations (in millions). The City's net OPEB liability, covering retiree health and dental payments, was \$2.1 million. The City set aside \$3.0 million in an internal service fund and in March 2018, the City established an irrevocable trust to help offset this liability. The City's net OPEB liability relates to a closed plan with 24 members. The actuarial study prepared in the analysis of this obligation assumes a long-term rate of return of 6.5%. The health costs will decrease 0.5% annually from 8.0% until the rate reaches 4.5%. The dental rate of 4.5% will increase annually. Annual payments for FY 18-19 totaled \$252,045. See Note 13 in the City's FY 18-19 CAFR for more information regarding the City's net OPEB Liability.

The City's total net pension liability with CalPERS for FY 18-19 was \$180 million, based upon a measurement date of June 30, 2018. This represents a 72% funding of the total pension liability of \$631 million. In addition, the City has pension obligation bonds totaling \$44.7 million of principal and interest with annual debt service of \$2.9 million. See Note 12 of the City's FY 18-19 CAFR for more information regarding the City's pension obligation.

The City's long-term obligations for governmental activities increased \$4 million during FY 2018-19, to a total of \$230 million, mainly due to an increase in the net pension liability due to the lowering of the CalPERS' discount rate. Long-term obligations for business-type activities decreased in FY 2018-19 by \$6 million, to \$105 million, a result of scheduled annual debt payments. Refer to Note 8 in the footnote section of the City's FY 18-19 CAFR for a more detailed listing of the City's outstanding debt and Notes 18 and 19 in the City's FY 18-19 CAFR for more information on Successor Agency debt as well as non-commitment debt.



Net Pension / Long Term Debt

Summary of Long-Term Indebtedness (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 7	\$ 8			\$ 7	\$ 8
Pension Obligation Bonds	33	32			33	32
Utility-Water Revenue Bonds			\$ 77	\$ 83	77	83
Recreational Revenue Bonds			2	3	2	3
Long-Term Notes Payable	1	1			1	1
Compensated Absences	17	16	2	2	19	18
Claims and Judgments	14	14			14	14
Net OPEB Liability	2	3			2	3
Net Pension Liability	156	152	24	23	180	175
Total Indebtedness	\$ 230	\$ 226	\$ 105	\$ 111	\$ 335	\$ 337



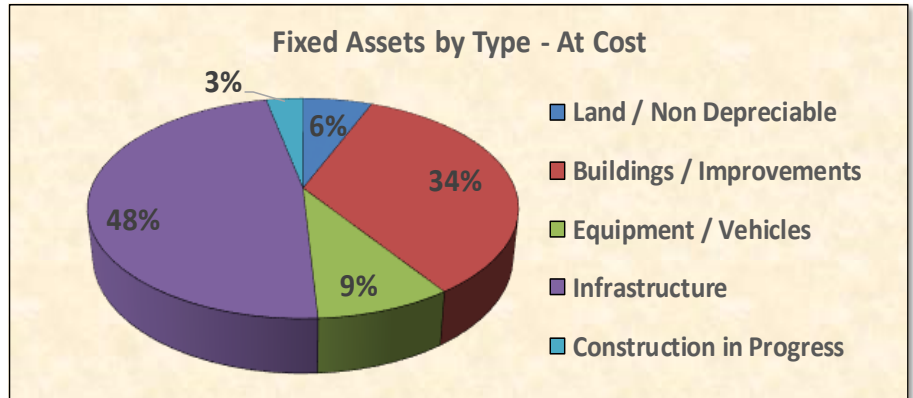
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Financial and Budgetary Information

Capital Assets

For FY 18-19, the value of the City's capital assets at cost before depreciation was \$1 billion, with the changes detailed by category in the table below. Major capital projects in FY 18-19 include:

- Radio Communications System Replacement – \$1.8 million (partial)
- Sewer Main Replacements - \$1.6 million
- Various City Park Improvements (Allan Witt, Laurel Creek, etc.) - \$2.4 million
- Various Street Resurfacing and Pavement Maintenance Projects - \$9.5 million



Capital Assets

Asset Type	Original Cost as Reported 6/30/19	% of Total	Net Additions (Deletions) for Fiscal Year	Annual Depreciation at Cost
Governmental Activities				
Land / Construction in Progress	68,429,577	7%	(67,173,606)	N/A
Buildings / Improvements	271,129,397	26%	74,782,637	6,332,323
Vehicles and Equipment	46,090,399	4%	2,958,858	2,451,333
Infrastructure				
Streets	180,340,091	17%	842,247	4,218,991
Storm Drains	46,067,811	4%	230,660	767,115
Sewer Pipes/Pump Stations	15,128,885	1%	160,690	277,958
Streetlights/Traffic Signals	25,324,239	2%	67,923	410,656
Bridges/Retention Basins	29,686,454	3%	65,206	506,147
	682,196,853	64%	11,934,615	14,964,523
Business-type Activities				
Water Utility	218,436,081	21%	1,983,307	6,463,133
North Bay Treatment Plant (NBR)	63,338,403	6%	2,146,614	1,529,631
Transit	36,400,108	4%	5,470,988	1,789,150
Golf Land and Improvements	31,161,166	3%	660,721	196,417
	349,335,758	34%	10,261,630	9,978,331
Total Capital Assets	1,031,532,611		22,196,245	24,942,854
Less Accumulated Depreciation	(499,334,943)			
Net Capital Assets	532,197,668			

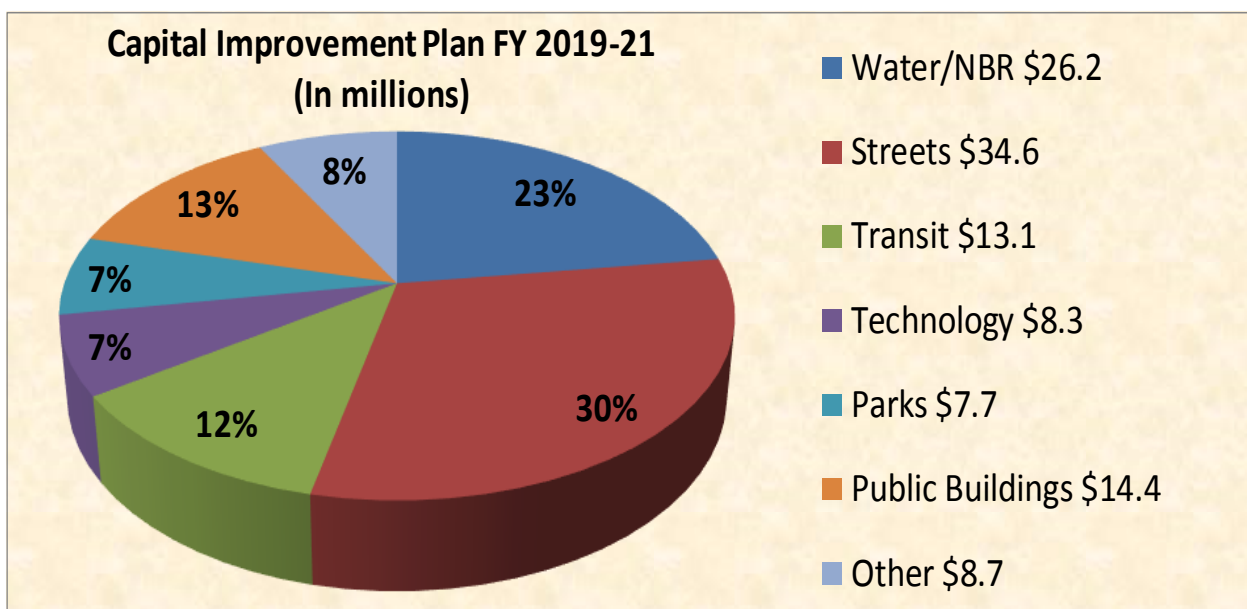


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Financial and Budgetary Information

Capital Improvement Plan

The City's adopted two-year budget includes a capital improvement program (CIP) totaling \$113 million over the next two years. The CIP is designed to meet community needs, with special emphasis on those projects that contribute to the City's economic vitality and quality of life, including annual street pavement maintenance, the West Texas Gateway project, sewer main replacements, local bus replacement, an electronic bus charging station, the East / West Transmission Pipeline, the replacement of the City's radio communication system, as well as improvements at Allan Witt, Veteran's Memorial Park and other community parks. It should be noted that there is approximately \$162 million of unfunded capital and maintenance projects outstanding over the next five years, the largest being streets.



Capital Projects by Type

Some of the major projects for fiscal years 2019-20 and 2020-21 (and their estimated costs) include the following:

- Performing annual pavement maintenance (\$8.5 million), including the replacement of existing or installation of new ADA accessible ramps, and application of asphalt rubber cape seal or slurry seal with fiber additive on various streets throughout the City. This project is primarily funded with General and Gas Tax funds.
- Improvements to Allan Witt Park Community Park (\$4.1 million), including the design and construction of a skate park, a dog park, and play area improvements. This project is funded with AB 1600 Parks funds and Quimby Act funds.
- Installation of segments of the East West Water Transmission Pipeline (\$4.6 million), funded with water fees.
- Installation of an electric bus charging system (\$4.1 million) with State and federal funds.
- West Texas Gateway Project (\$4.0 million), which will modify the eastbound I-80 off-ramp to provide direct bus access to the Fairfield Transportation Center (FTC) and modify three signalized intersections along the Beck Avenue corridor. This project is funded with AB 1600 Street funds and State and regional grants.