

City of Fairfield, California
Popular Annual Financial Report
Fiscal Year Ended June 30, 2020

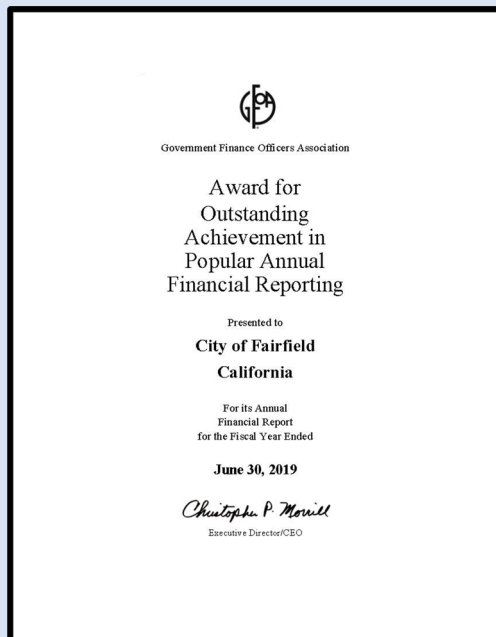


Popular Annual Financial Report for FY 2019-20

Introduction

Table of Contents

- 2 - City Council and Elected Officials
- 2 - Management Leadership Team
- 3 - City and Government Profile
- 4 - City and Demographic Information
- 4 - Major Employers and Trend Information
- 5 - Economic Summary
- 6 - Summary Entity Financial Statements
- 9 - Financial Overview and Long Term Outlook for the City's General Fund
- 11 - Major Revenue Sources
- 12 - Financial Long Term Outlook for the City's Other Funds
- 14 - Cash and Investments
- 15 - Long-Term Obligations
- 16 - Capital Assets
- 17 - Capital Improvement Plan



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/>.

A Message to Our Readers

The City is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. The purpose of the PAFR is to inform the community of the City's fiscal condition in an easy to read format.

The City of Fairfield's Comprehensive Annual Financial Report for the year ended 2018-2019, from which the information has been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate. 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.



Popular Annual Financial Report for FY 2019-20

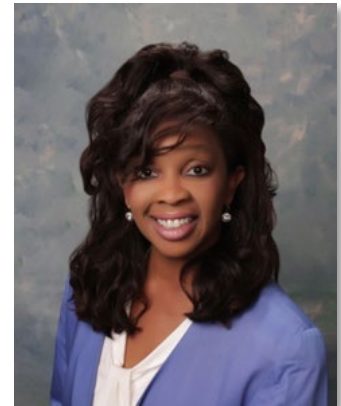
City Council and Elected Officials



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

Stefan T. Chatwin
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
Director of Public Works

David Gassaway
Assistant City Manager

Kristina Chamberlin
Director of Parks and Recreation

Deanna Cantrell
Police Chief

La Tanna Jones
Direct of Housing Services

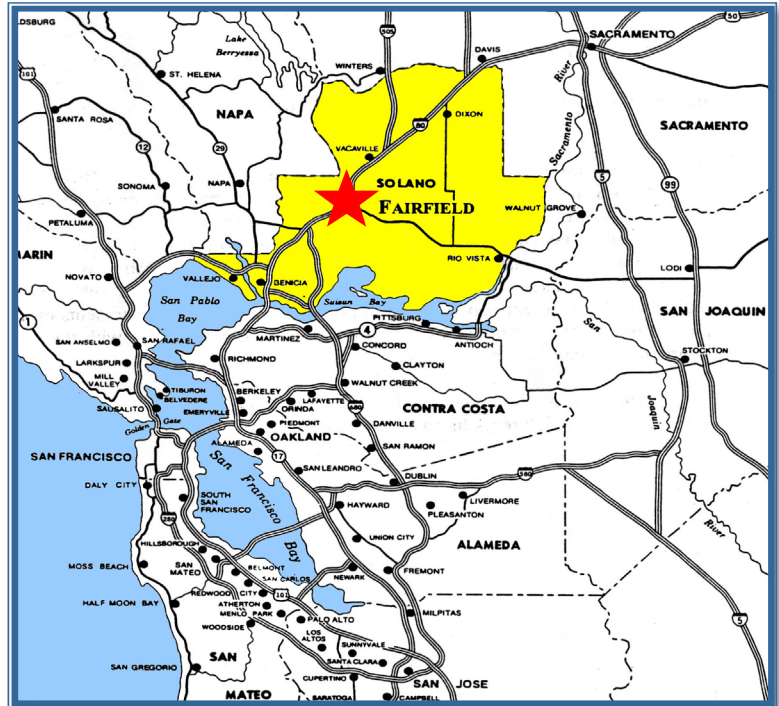


Popular Annual Financial Report for FY 2019-20

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.



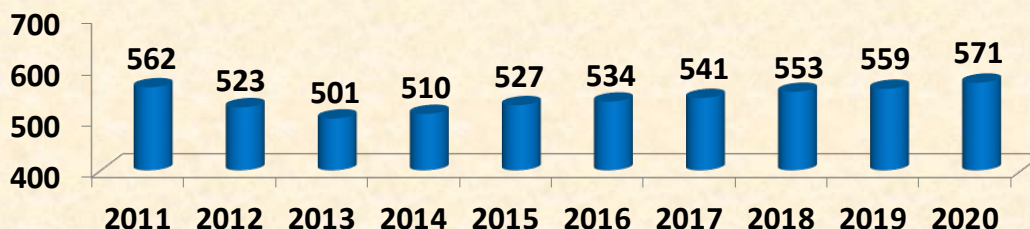
Government Profile

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 eight departments: Public Works, Police, Fire, Finance, Community Development, Human Resources, Parks and Recreation, and Housing Services. 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 2019-20

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:	116,981
✓	Population Ranking CA Cities:	52
✓	Median Age:	35 years
✓	Per Capita Personal Income:	\$51,664
✓	Unemployment Rate (EDD 9/20):	13.6%
✓	% of Pop. High School / College Degree:	85.6% / 26.5%
✓	Part 1 Crime Rate (2019):	33.22 per 1,000 persons
✓	Elevation:	15 to 400 ft. above sea level
✓	Fire Protection:	ISO Rating 3 fire class
✓	Sales Tax Rate:	8.375%
✓	Median Price of Home Sales:	Ranging from \$435,000 to \$487,500



Major Employers as of June 30, 2020

✓	Travis Air Force Base	U.S. Military	13,414
✓	County of Solano	Government	2,633
✓	Fairfield-Suisun Unified School District	Education	2,213
✓	NorthBay Healthcare Center	Healthcare	1,969
✓	Solano Community College	Education	750
✓	City of Fairfield	Government	571
✓	Partnership HealthPlan	Insurance	561
✓	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 average.
- ✓ The City's per capita revenues from tax revenues is 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.





Popular Annual Financial Report for FY 2019-20

Financial and Budgetary Information

Economic Summary for FY 2019-20 (as of June 2020)

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 is recovering from the impact of the coronavirus pandemic, and industry analysts are forecasting a growth rate in GDP of 3.8% for 2021, an increase from an estimated decline of 4.9% for 2020.

Stock / Financial Markets	Index / Rate	Fiscal Year Change
Dow Jones	25,813	(786)
S&P 500	3,100	158
2 Year Treasury	0.2%	-1.6%
2 Year Corporate Bonds AA Rated	0.2%	-1.6%
20 Year Muni Bonds AA Rated	1.7%	-0.6%
30 Year Home Mortgage	2.9%	-0.9%

Employment

The U.S. and regional job market continues to recover from the impact of the coronavirus pandemic on employment, as evidenced by decreasing unemployment numbers in recent labor reports. Industry analysts expect the unemployment rate to continue to decline in FY 20-21.

Unemployment	Rate	Fiscal Year Change
United States	11.1%	7.4%
California	14.9%	10.7%
Solano County	13.6%	9.7%
Fairfield	13.4%	9.5%

Inflation

Inflation continues at a decreasing rate when compared to past years due to the impact of the coronavirus pandemic, representing some pressure from food prices offset by low energy prices. Oil prices have decreased over the previous year, resulting in gasoline prices decreasing 33% in FY 19-20.

Inflation Rates	Rate	Fiscal Year Change
Bay Area CPI	1.6%	-1.6%
Turner Building CPI	-1.0%	-2.3%
Personal Savings Rate	18.7%	10.6%
Oil Prices (as of 6/30/20)	\$39	(\$19)

Rental Vacancy Rates

Fairfield's office vacancy rates increased during the fiscal year and remained above the County rate of 16.0%. Fairfield's industrial vacancy rates increased and rose below the County rate of 5.4%. 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	25.0%	3.8%
Industrial - Fairfield	6.6%	1.0%
Apartment - Fairfield/Vallejo Region	2.7%	-1.1%
Retail - Fairfield/Vallejo Region	10.8%	-0.2%



Popular Annual Financial Report for FY 2019-20

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 decreased by \$2 million in the current fiscal year, due to increased staffing costs as well as a decrease in charges for services due to the COVID-19 pandemic over the last year. Below are descriptions of items included in the Statements.

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

	Totals - All Funds		Change from 2019	
	2020	2019	\$	%
Current and other assets	\$ 425	\$ 407	\$ 18	4%
Long-Term Assets	528	532	(4)	-1%
Total assets	953	939	14	1%
Total deferred outflows of resources	40	49	(9)	-18%
Long term liabilities outstanding	319	334	(15)	-4%
Current and other liabilities	69	46	23	50%
Total liabilities	388	380	8	2%
Total deferred inflows of resources	5	5	-	0%
Net position:				
Net investment in capital assets	455	453	2	0%
Restricted	184	179	5	3%
Unrestricted	(39)	(30)	(9)	-30%
Total net position	\$ 600	\$ 602	\$ (2)	0%

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 2019-20

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 2020 and 2019. 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 \$223 million, with the amount for all governmental activities totaling \$160 million and related program revenues covering \$46 million (29%), resulting in a net cost of \$114 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 \$52 million and \$12 million from operating and capital grants and contributions. There was an increase of \$5 million in the net position for business-type activities (including investment earnings and transfers), from \$138 million to \$143 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



Popular Annual Financial Report for FY 2019-20

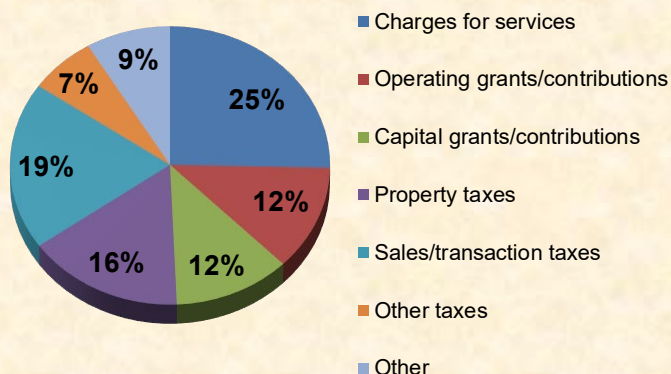
Financial and Budgetary Information

All Funds Financials

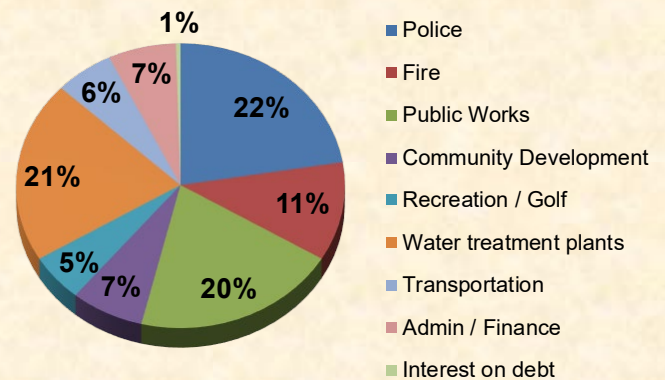
Summary Statements of Activities (in millions)

	Total - All Funds		Change from 2019	
	2020	2019	\$	%
Revenues:				
Program Revenues:				
Charges for services	\$ 56	\$ 57	\$ (1)	-2%
Operating grants and contributions	27	26	1	4%
Capital grants and contributions	26	34	(8)	-24%
General Revenues:				
Property taxes	35	34	1	3%
Sales and transaction taxes	43	43	-	0%
Other taxes	15	15	-	0%
Other revenues	19	19	-	0%
Total revenues	221	228	(7)	-3%
Expenses:				
Administration	13	10	3	30%
Finance	2	2	-	0%
Police	50	45	5	11%
Fire	25	23	2	9%
Public works	45	43	2	5%
Community development	16	15	1	7%
Parks and recreation	8	8	-	0%
Interest on debt	1	2	(1)	-50%
Water utility	37	35	2	6%
North bay treatment plant	9	9	-	0%
Transportation	13	14	(1)	-7%
Golf courses	4	5	(1)	-20%
Total expenses	223	211	12	6%
Increase (decrease) in net position	(2)	17	(19)	-112%
Net position July 1	602	585	17	3%
Net position June 30	\$ 600	\$ 602	\$ (2)	0%

Government-Wide Revenues by Source
\$221 Million



Government-Wide Expenses by Source
\$223 Million





Popular Annual Financial Report for FY 2019-20

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 \$3.5 million or 3.4%, due mainly to higher than anticipated collections of the City's sales and transactions and use taxes, higher assessed property valuations, and an increase in development revenues and investment income. Total General Fund expenditures were under budget by \$1.6 million or 1.6%, due mainly to staff vacancies, offset by increased police facility maintenance costs and fire personnel overtime costs. It's important to note that General Fund revenues decreased by 1% in FY 19-20, however; total General Fund expenditures, excluding transfers and a one-time payment towards the City's CalPERS unfunded accrued liability, increased by 6% over FY 18-19.

General Fund

	2020		\$ Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Revenues:				
Property taxes	\$ 33,796,000	\$ 34,836,685	\$ 1,040,685	\$ 33,422,699
Sales tax	22,120,000	23,170,304	1,050,304	23,456,467
Transaction and use taxes (Measure P)	19,250,000	19,704,286	454,286	19,602,753
Utility and franchise taxes	9,355,000	9,481,483	126,483	9,536,831
Other taxes	5,760,000	5,643,063	(116,937)	6,071,129
Licenses, permits and fines	2,949,000	2,920,083	(28,917)	3,479,535
Intergovernmental	439,984	605,418	165,434	467,962
Charges for services	5,936,022	6,171,143	235,121	6,911,323
Investment income	968,697	2,328,286	1,359,589	2,009,675
Miscellaneous	2,308,669	1,483,304	(825,365)	2,539,420
Total Revenues	102,883,372	106,344,055	3,460,683	107,497,794
Expenditures:				
Current:				
Administration	5,640,719	5,310,485	330,234	4,120,034
Finance	1,370,992	1,019,171	351,821	934,491
Police	43,794,991	44,173,273	(378,282)	41,411,882
Fire	20,588,464	21,575,867	(987,403)	20,741,762
Public works	12,577,988	11,878,627	699,361	11,878,134
Parks and recreation	7,047,077	6,121,707	925,370	5,893,668
Community development	4,012,040	3,314,942	697,098	3,422,777
Non-departmental	8,749,165	8,737,622	11,543	15,298,522
Total Expenditures	103,781,436	102,131,694	1,649,742	103,701,270
Excess revenues over expenditures	(898,064)	4,212,361	5,110,425	3,796,524
Other Financing Sources (Uses):				
Transfers in	811,291	811,291	-	22,257,998
Transfers out	(3,829,524)	(3,612,025)	217,499	(5,886,532)
Total other financing sources (uses)	(3,018,233)	(2,800,734)	217,499	16,371,466
Net change in fund balance	(3,916,297)	1,411,627	5,327,924	20,167,990
Fund Balance - Beginning of Year	47,708,370	47,708,370	-	27,540,380
Fund Balance - End of Year	\$ 43,792,073	\$ 49,119,997	\$ 5,327,924	\$ 47,708,370

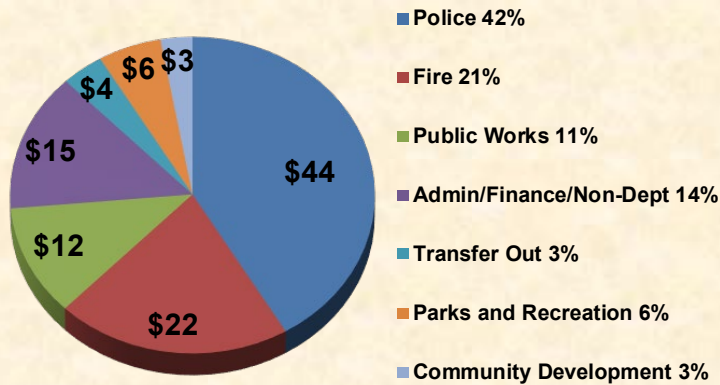


Popular Annual Financial Report for FY 2019-20

Financial and Budgetary Information

Financial Long Term Outlook – General Fund

**General Fund Expenditures by Department
FY 2019-20 (in Millions)**



The City was able to maintain General Fund reserves at the City Council's established level of 20% of expenditures during FY 19-20, and to present a balanced budget for the General Fund for FY 20-21.

The below table provides an overview of the City's General Fund reserve levels over the next four years. The City is currently projecting several years of deficits, primarily due to rising pension costs combined with the loss of revenues resulting from COVID-19.

**General Fund Five Year Trend through Fiscal Year 2023-24
(In Millions)**

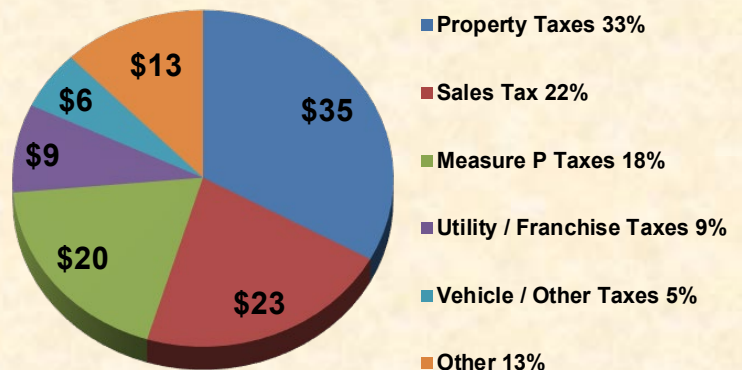
Revenues / Transfers In
Expenditures / Transfers Out
(Deficit)/Surplus for Year
Available Ending Reserves
% of Expenditures

	19-20	20-21	21-22	22-23	23-24	Trend
Revenues / Transfers In	\$107.2	\$103.3	\$107.8	\$110.2	\$113.3	
Expenditures / Transfers Out	105.7	110.7	112.3	113.1	114.6	
(Deficit)/Surplus for Year	1.5	(7.4)	(4.5)	(2.9)	(1.3)	
Available Ending Reserves	\$35.9	\$28.5	\$24.0	\$21.1	\$19.8	
% of Expenditures	34%	26%	21%	19%	17%	

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
2019-20 (in Millions)**





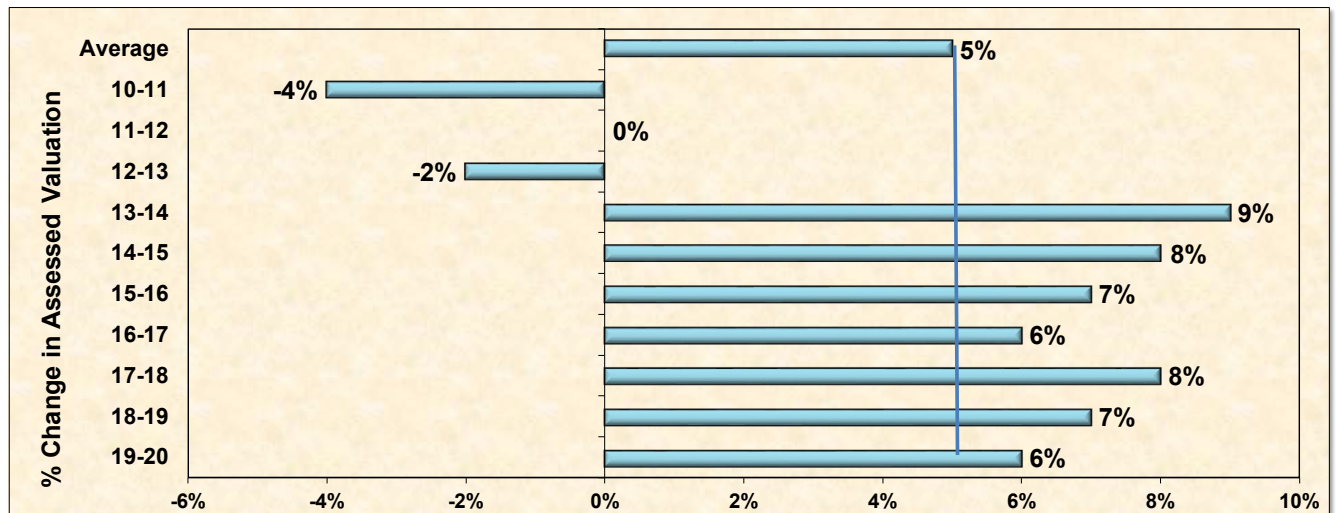
Popular Annual Financial Report for FY 2019-20

Financial and Budgetary Information

Government-Wide Financial Analysis General Fund Major Revenue Sources

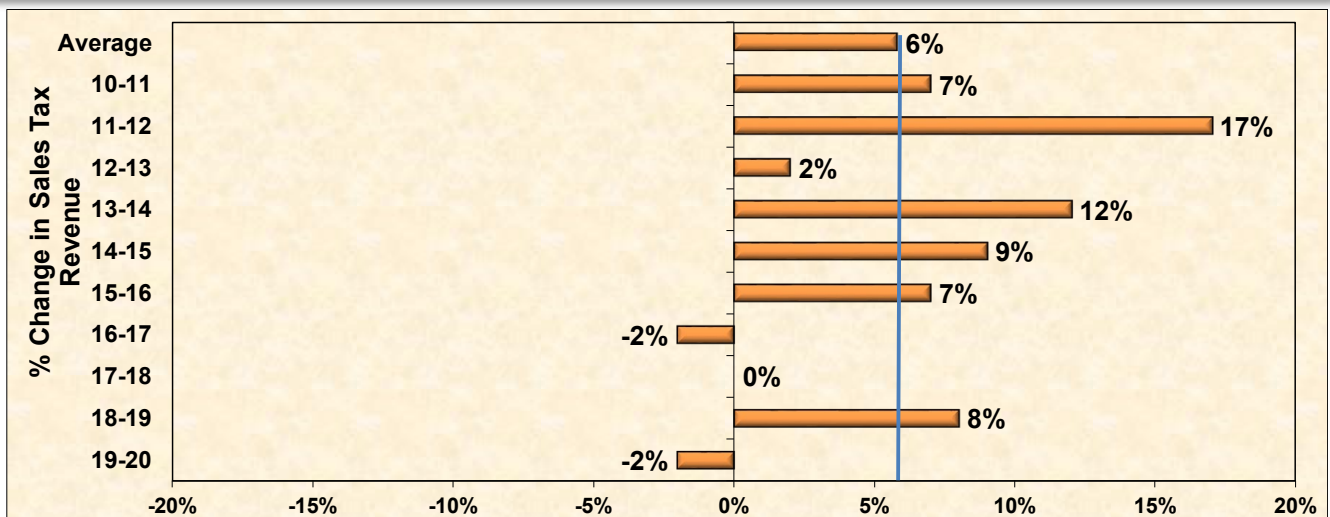
Property Taxes - Pursuant to Proposition 13, passed by California voters in 1978, countywide property taxes are set at 1% of assessed value. Upon change of ownership, the assessed value of a property is reset to the current market value (sales price). The City receives approximately 17% of the 1% countywide property tax collected in the City. In FY 19-20, Fairfield property values increased by approximately 6%, compared to the County's overall increase of 5.4%. Property taxes are one of the largest sources of revenue to the General Fund and were approximately 33% of the City's total General Fund revenues for FY 19-20. The collection of secured property taxes are expected to increase by approximately 4% for FY 20-21 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 5.6% in total. The chart below shows the change in sales tax for the past 10 years, including a comparison of FY 18-19 to FY 19-20 where the City's sales tax collections were down 2%. Sales tax is projected to decrease in FY 20-21 due to the impact of COVID-19.

Sales





Popular Annual Financial Report for FY 2019-20

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 19-20 CAFR:

The City is anticipating a decrease in revenues due to the impact of the coronavirus pandemic on the economy and policy. Of the total annual revenues below for fiscal years 2019-20 through 2023-24, approximately \$2.0 million (5%) 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 23-24 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 2023-24
(in millions)

	19-20	20-21	21-22	22-23	23-24	Trend
Revenues / Transfers In	\$40.6	\$37.5	\$38.3	\$39.0	\$39.8	
Expenses / Transfers Out	<u>36.9</u>	<u>46.4</u>	<u>39.7</u>	<u>38.5</u>	<u>39.2</u>	
(Deficit)/Surplus for Year	3.7	(8.9)	(1.4)	0.5	0.6	
Ending Working Capital	67.2	58.3	56.9	57.4	58.0	

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 decreased by 8% during the past fiscal year, largely due to no rounds of golf being played in the month of April because of the COVID-19 pandemic. 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 23-24 is below, which reflects a reduction in debt service beginning in FY 19-20:



Golf Funds Five Year Trends through FY 2023-24
(in millions)

	19-20	20-21	21-22	22-23	23-24	Trend
Revenues	\$4.2	\$4.5	\$4.5	\$4.5	\$4.6	
Transfer In from Admissions Tax	0.5	0.5	0.5	0.5	0.4	
Expenses / Transfers Out	<u>4.4</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	
(Deficit)/Surplus for Year	0.3	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 2019-20

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. 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 23-24 is shown below, which assumes that grant funds will be received for replacement of the bus fleet:



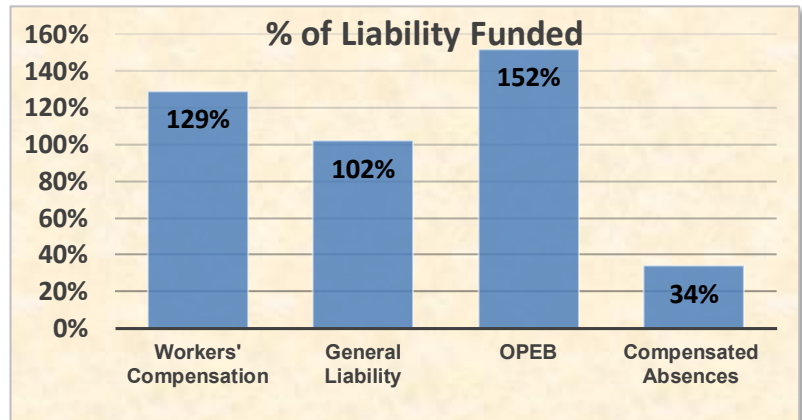
Transit Fund Five Year Trends through FY 2023-24
(in millions)

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

19-20	20-21	21-22	22-23	23-24	Trend
\$11.4	\$20.3	\$28.8	\$16.7	\$15.0	
12.7	18.5	28.8	16.7	15.0	
(1.3)	1.8	0.0	0.0	0.0	
\$0.1	\$1.9	\$1.9	\$1.9	\$1.9	

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 19-20 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, 2020 are listed below:



	Workers' Compensation	General Liability	Other Post-Employment Benefits (OPEB)	Compensated Absences (Governmental Activities only)
Cash Reserve	\$14,239,857	\$3,790,154	\$1,596,186	\$6,161,903
Actuarial Liability	\$11,061,903	\$3,731,311	\$1,048,130	\$18,065,649
% of Liability Funded	129%	102%	152%	34%



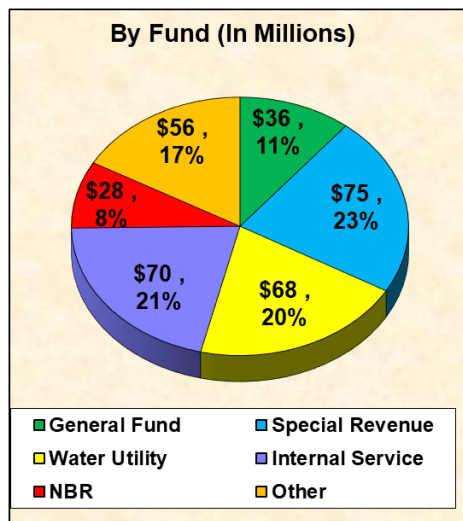
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Financial and Budgetary Information

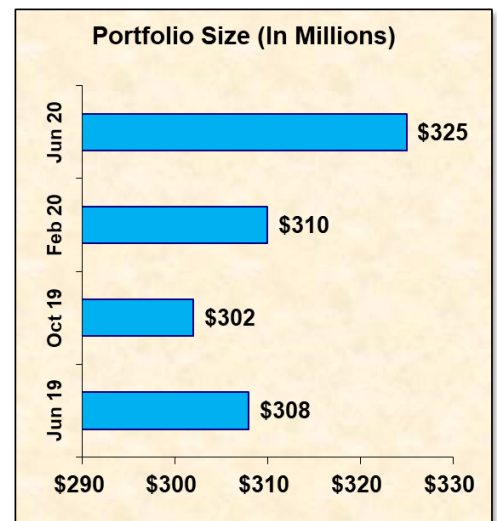
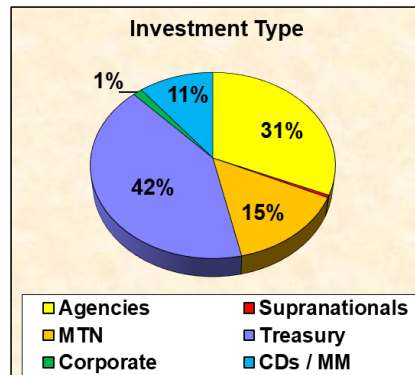
Cash and Investments (as of June 2020)

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 \$8.9 million in bank balances and \$13.9 million in bond reserves in its California Asset Management Program (CAMP) portfolio as of 6/30/20. All of the City's rated investments are rated "A" or higher at 6/30/20. See Note 4 in the City's FY 19-20 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	\$10,441,044		\$60,400,784	\$31,071,338	\$101,913,166	33%
Treasury	26,318,666		52,217,811	56,070,844	134,607,321	41%
Medium Term Notes (MTN)			21,993,812	25,687,943	47,681,755	15%
Certificate of Deposits (CDs)	9,350,714		1,000,000	9,938,196	20,288,910	6%
Commercial Paper (CP)	3,838,767			499,995	4,338,762	1%
Supranationals				1,396,058	1,396,058	0%
Money Market (MM) / Other	296,449	\$1,852,041	1,797,232	10,458,321	14,404,043	4%
Total Market Value	\$50,245,640	\$1,852,041	\$137,409,639	\$135,122,695	\$324,630,015	100%
Yield to Maturity	1.22%	0.51%	1.83%	1.55%	1.61%	
Trailing 12 month yield	1.94%	1.65%	1.98%	2.01%	1.99%	



Cash & Investments



Summary by Maturity	Money Market Funds		Investment Managers		Grand Total	Percent of Total
	LAIF	CAMP	Chandler	PFM		
0-1 month	\$50,245,640	\$1,852,041	\$1,797,232	\$10,958,316	\$64,853,229	20%
1-12 months			35,951,709	8,334,850	44,286,559	14%
1-2 years			24,837,639	65,988,861	90,826,500	28%
2-3 years			35,502,793	49,257,237	84,760,030	26%
3-4 years			22,223,272	583,431	22,806,703	7%
4-5 years			17,096,994		17,096,994	5%
Total Market Value	\$50,245,640	\$1,852,041	\$137,409,639	\$135,122,695	\$324,630,015	100%
Total Amortized Cost	50,000,000	1,852,041	133,126,615	132,401,501	317,380,157	
Amount Market Value Over / (Under) Cost	\$245,640	\$0	\$4,283,024	\$2,721,194	\$7,249,858	
Estimated GASB 31 YTD Market Value Entry	\$168,609	\$0	\$3,361,235	\$1,860,107	\$5,389,951	1.70%
% of Portfolio	15.5%	0.6%	42.3%	41.6%	100.0%	
Average Maturity (years)	0.53	0.15	2.22	1.79	1.77	



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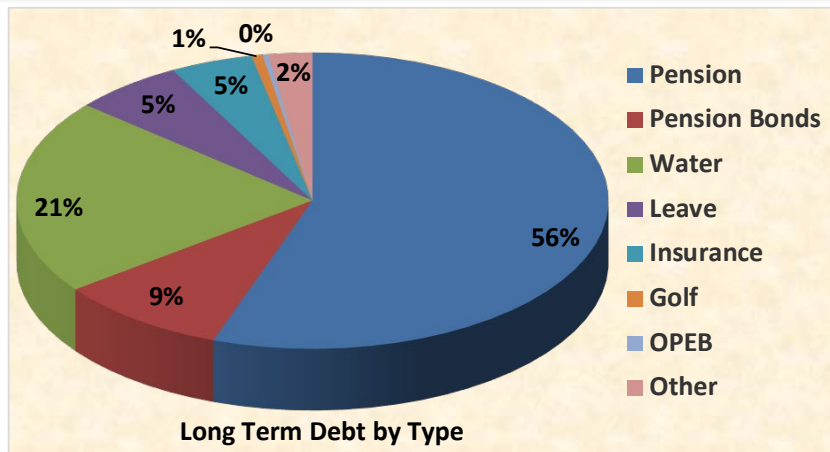
Financial and Budgetary Information

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, is \$1.0 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 5.9%. The health costs will decrease 0.5% annually from 7.0% until the rate reaches 5.0%. The dental rate of 4% will increase annually. Annual payments for FY 19-20 totaled \$244,790. See Note 13 in the City's FY 19-20 CAFR for more information regarding the City's net OPEB Liability.

The City's total net pension liability with CalPERS for FY 19-20 was \$185 million, based upon a measurement date of June 30, 2019. This represents a 72% funding of the total pension liability of \$666 million. In addition, the City has pension obligation bonds totaling \$41.7 million of principal and interest with annual debt service of \$2.9 million. See Note 12 of the City's FY 19-20 CAFR for more information regarding the City's pension obligation.

The City's long-term obligations for governmental activities increased \$2 million during FY 2019-20, to a total of \$232 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 2019-20 by \$5 million, to \$100 million, a result of scheduled annual debt payments. Refer to Note 8 in the footnote section of the City's FY 19-20 CAFR for a more detailed listing of the City's outstanding debt and Notes 18 and 19 in the City's FY 19-20 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	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 7	\$ 7			\$ 7	\$ 7
Pension Obligation Bonds	31	33			31	33
Utility-Water Revenue Bonds			\$ 71	\$ 77	71	77
Recreational Revenue Bonds			2	2	2	2
Long-Term Notes Payable	1	1			1	1
Compensated Absences	18	17	2	2	20	19
Claims and Judgments	15	14			15	14
Net OPEB Liability	1	2			1	2
Net Pension Liability	159	156	25	24	184	180
Total Indebtedness	\$ 232	\$ 230	\$ 100	\$ 105	\$ 332	\$ 335



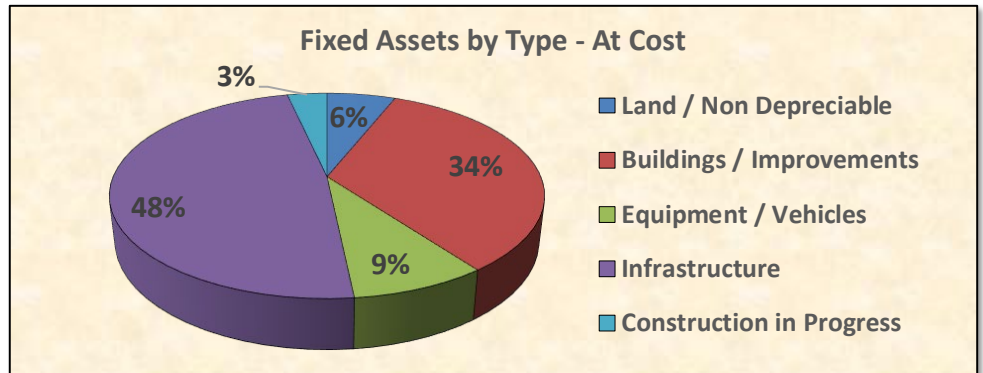
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Financial and Budgetary Information

Capital Assets

For FY 19-20, 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 19-20 include:

- Jepson Parkway Improvements - \$3.2 million
- Water Transmission Line Replacements - \$3.2 million
- Various City Park Improvements (Allan Witt, Linear Trail [Pennsylvania to Dover], Lee Bell, etc.) - \$1.5 million
- Various Street Resurfacing and Pavement Maintenance Projects - \$4.5 million



Capital Assets

Asset Type	Original Cost as Reported 6/30/20	% of Total	Net Additions (Deletions) for Fiscal Year	Annual Depreciation at Cost
Governmental Activities				
Land / Construction in Progress	76,429,945	7%	8,000,368	N/A
Buildings / Improvements	271,282,304	26%	152,907	6,880,418
Vehicles and Equipment	46,717,090	4%	626,691	2,494,851
Infrastructure				
Streets	181,470,639	17%	1,130,548	4,077,792
Storm Drains	47,487,324	5%	1,419,513	802,018
Sewer Pipes/Pump Stations	15,573,448	1%	444,563	283,941
Streetlights/Traffic Signals	26,243,384	2%	919,145	410,678
Bridges/Retention Basins	30,006,316	3%	319,862	506,291
	695,210,450	65%	13,013,597	15,455,989
Business-type Activities				
Water Utility	222,505,615	21%	4,069,534	6,163,512
North Bay Treatment Plant (NBR)	64,942,863	6%	1,604,460	1,606,564
Transit	36,929,607	4%	529,499	1,621,408
Golf Land and Improvements	31,243,469	3%	82,303	328,954
	355,621,554	34%	6,285,796	9,720,438
Total Capital Assets	1,050,832,004		19,299,393	25,176,427
Less Accumulated Depreciation	(523,178,607)			
Net Capital Assets	527,653,397			



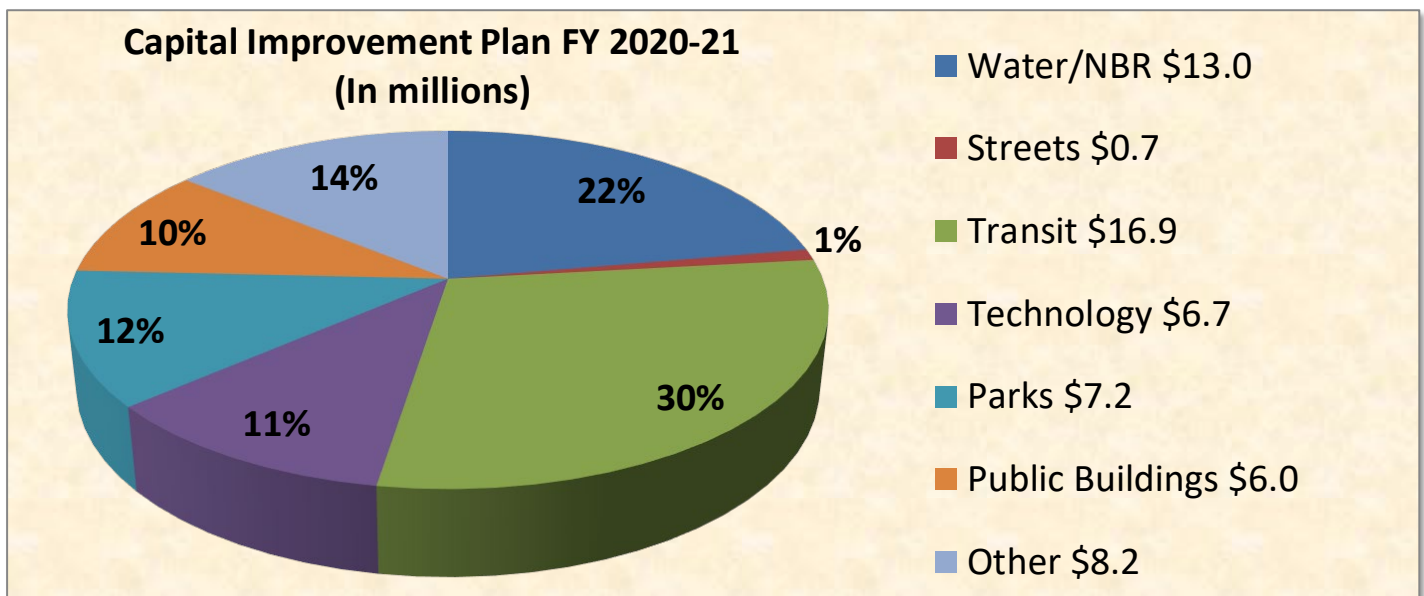
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Financial and Budgetary Information

Capital Improvement Plan

The City's adopted capital improvement program (CIP) for FY 20-21 totals \$58.6 million. 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, the East / West Transmission Pipeline, the replacement of the City's radio communication system, as well as improvements at various community and neighborhood parks, including Allan Witt, Veteran's Memorial Park and Laurel Creek Park. It should be noted that there is approximately \$159 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 year 2020-21 (and their estimated costs) include the following:

- Enterprise Resource Planning System (\$2.5 million - partial) for the implementation of an ERP System to replace an antiquated financial system and promote better citywide system integration.
- Performing annual pavement maintenance (\$4.7 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.
- Allan Witt Park Community Park Projects (\$3.6 million), including improvements to the play areas, skate park, family area and community gathering space, and a dog park. This project is funded with AB 1600 Parks funds and Quimby Act funds.
- Installation of segments of the East West Water Transmission Pipeline (\$3.4 million), funded with water fees.
- West Texas Gateway Project (\$2.8 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.