

# **CITY OF VALLEJO**

# **CALIFORNIA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**PREPARED BY THE**  
**FINANCE DEPARTMENT**



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CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2017

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December 15, 2017

**To the Honorable Mayor, Members of the City Council  
And Citizens of the City of Vallejo, California**

It is our pleasure to present to you the 2017 Comprehensive Annual Financial Report (CAFR) for the City of Vallejo, California. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The Finance Department has prepared this report to present the financial position of the City of Vallejo at June 30, 2017, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, we believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the City's financial position and changes in financial position, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The City's basic financial statements have been audited by Maze & Associates CPAs, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2017, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. 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.

## PROFILE OF GOVERNMENT

The City of Vallejo is a municipal corporation incorporated in March 1868, under the laws of the State of California. A Charter City located within Solano County in Northern California, the City operates under a City Charter originally adopted in 1911 and last amended in November 2013. The Charter provides for a Council-Manager form of government in which the City Manager recommends policy, program and budget priorities to the City Council, which in turn develops legislation and policies to direct the City.

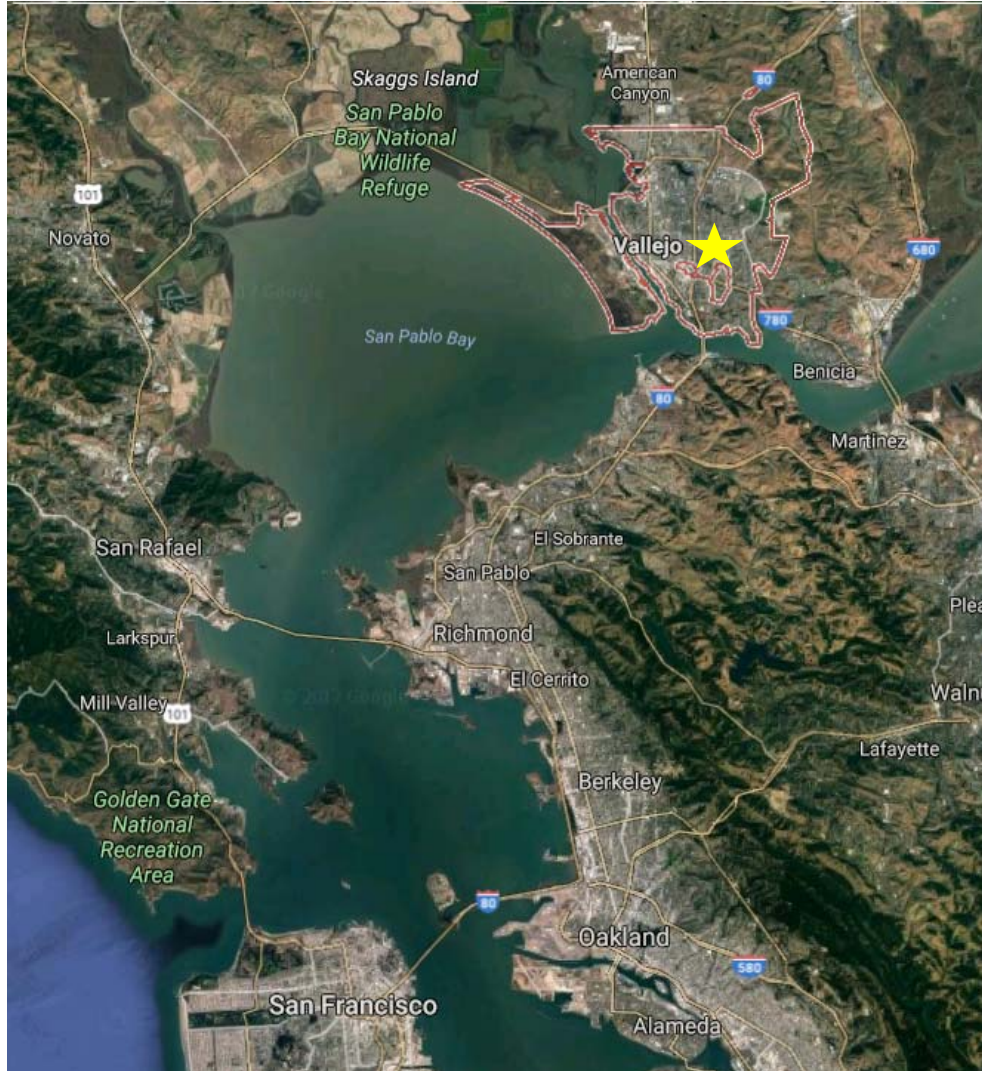
The City of Vallejo's governing body is elected by the citizens in a general, popular election. The Mayor, elected by the community at-large to a four-year term, acts as the formal representative of the City and presides over Council meetings. The City Council, elected on a nonpartisan basis, consists of six members elected by the community at-large to four-year, staggered terms, with three Council members elected every two years.

Historically, Vallejo was the site of Mare Island Naval Shipyard, the first United States Naval base established on the Pacific Ocean. Established in 1853 the shipyard began building ships the following year. More than 500 naval vessels were constructed and thousands were overhauled at Mare Island prior to the base closure in 1996.

The City of Vallejo, with a population of 118,280 (estimated as of June 2017), is the largest city in Solano County, the tenth most populous city in the San Francisco Bay Area, and the 51<sup>st</sup> largest City in population among California's 482 cities.

The Sacramento, Napa and San Joaquin Rivers all flow into the San Francisco Bay at Vallejo. Rolling hills surround the City, protecting it from fog and wind typical of many coastal towns. The climate is mild Mediterranean. It is connected to the Greater Bay Area, the Pacific Rim, and the rest of the world by ship, rail, automobile and air.

Vallejo is located in Northern California, 30 miles north east of San Francisco, 60 miles south west of Sacramento, 70 miles north of Silicon Valley, and 385 miles north of Los Angeles.



\*Map Source: Google Maps

The City provides a wide range of municipal services, including public safety (police and fire protection), a municipal water system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The separate Greater Vallejo Recreation District (GVRD) provides for Parks and Recreation programs and services, Water Emergency Transport Agency (WETA) provides for ferry services and Solano County Transit (SolTrans) provides bus services.

This report includes all organizations and activities for which elected City officials exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

Accordingly, the following entities, although legally separate, are component units and are incorporated in the accompanying financial statements:

- Housing Authority of the City of Vallejo (the Housing Authority)
- Parking Authority of the City of Vallejo (the Parking Authority)
- Public Financing Authority of the City of Vallejo (the Financing Authority)
- Marine World Joint Powers Authority (the Marine World JPA)
- Empress Investment Fund LLC (EIF)
- Vallejo Sanitation and Flood Control District (VSFCD)
- Vallejo Sanitation and Flood Control District Financing Corporation

## ECONOMIC CONDITION AND OUTLOOK

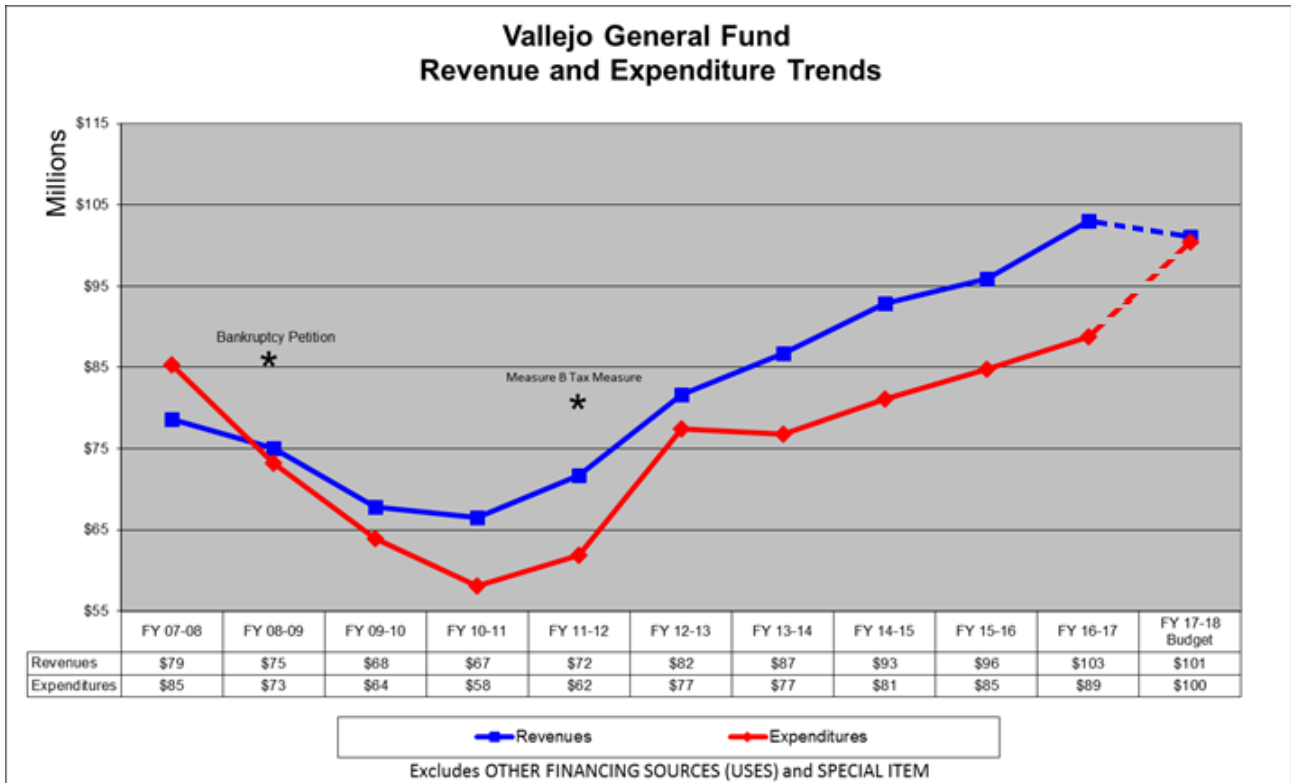
Recent economic news indicates that Bay Area, and Solano County's revenue, is continuing to gain momentum for renewed growth. While the City lags gently behind the County, multiple positive media pieces and reports show that Vallejo is poised to take advantage of regional demographic and trend fluctuations as the Bay Area, as a whole, continues to grow and change. The City of Vallejo continues its positive trajectory economically and is benefitting from a local real estate boom, especially amongst millennials, young professionals and working-class families. This resurgence can be attributed in part to the City's affordable housing options when compared to the (at times) prohibitive costs of living in neighboring municipalities. Interest in available commercial property has also increased, the City has embarked on an exciting new municipal fiber enterprise, and is currently working to reimagine its financially troubled municipal golf course.

Employment rates are improving, property and sales tax revenues are increasing and the economy is growing modestly. Vallejo has continued to remain in the top 5 of the U.S.'s hottest real estate markets for the entirety of 2016, which shows a clear sign of recovery. However, while the City has seen significant improvement in revenue sources, it continues to face many fiscal challenges to fund rising costs for employee benefits and fully meet the needs of maintaining and replacing critical infrastructure.

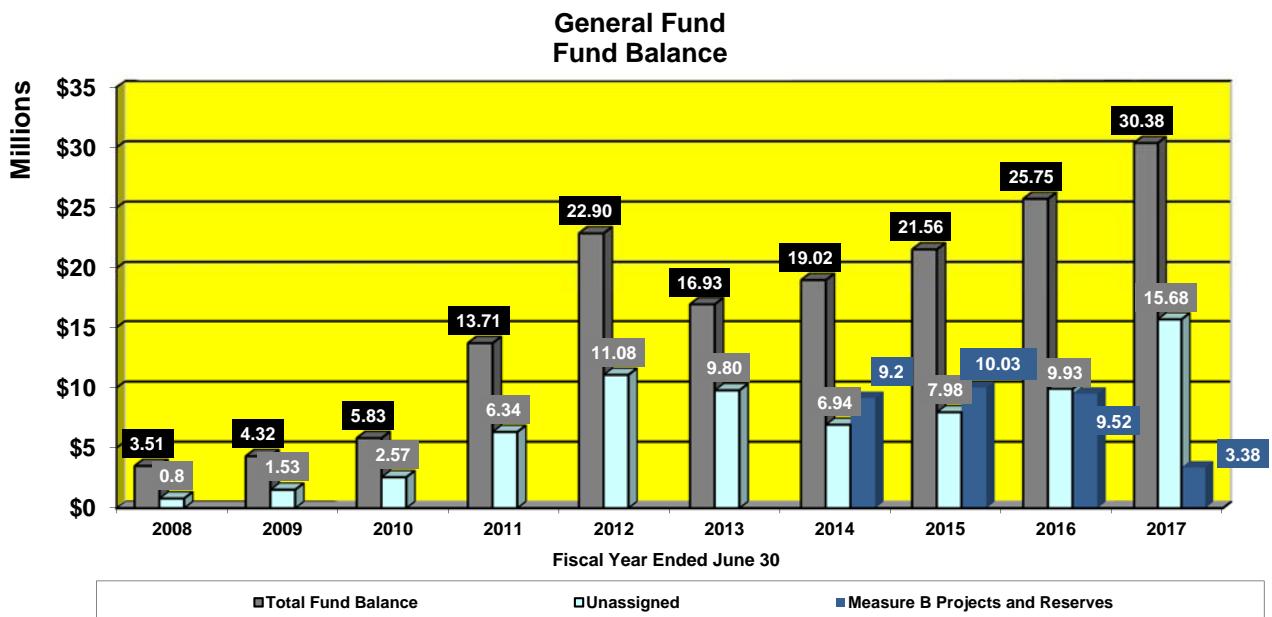
**State Budget** – According to the California 2017-18 State Budget, the “2017 Budget Act continues to bolster the state's Rainy Day Fund and pay down accumulated debts and liabilities to counter the potential fiscal impact of federal policy changes” ... “and the potential end of an economic expansion that has surpassed historical averages.”

In addition, it retains focus on the Governor's key priorities – education, counteracting the effects of poverty, and improving streets, roads and transportation infrastructure. This includes the addition of the \$2.8 billion in Road Repair and Accountability Act of 2017 funding, commonly referred to as SB 1 funding, a portion of which will reach the City of Vallejo.

**Revenues and Local Sales Tax Increase** - In November 2011, Vallejo voters passed Measure B, establishing a one percent transaction and use tax. This general tax, similar to a sales tax, became effective on April 1, 2012, and had a 10-year sunset. On November 8, 2016, the Vallejo voters approved a sales tax measure, known as “Measure V” that permanently extended the City's current Measure B one-cent per dollar transaction and use tax. The Measure B tax is currently generating \$14.6 million annually in new revenues. Strategic allocation of these revenues towards specific projects, targeted staffing, and the rebuilding of reserves continues under the direction of City Council. These revenues have positioned the City to address and restore services previously depleted during the resource challenges of the past several years. The following chart tracks the improvement in the total General Fund revenues available to provide the General Fund's public safety and other services.



**Current Financial Condition** - The graph below illustrates the City's current financial condition and its improved stability since the passage of the 2011 Measure B tax measure, and subsequent passage of Measure V, which removes the sun-setting provision from Measure B. It presents the changes in fund balance for the General Fund for the fiscal year ended June 30, 2017, as compared with the nine prior years. Certain Measure B revenues have been committed to projects and assigned to fund balance reserves. The City is committed to maintaining and growing these fund balance reserves to provide additional strength and assurance for ongoing City operations and future obligations.



**General Fund Long-Term Financial Forecast** – The City utilizes a General Fund five-year financial forecast to help the City to plan for the future by providing an understanding of available funding while evaluating financial risks and identifying future commitments and resource demands. While the city will operate with a structurally balanced budget again in 2017-18, overall, our five year projection indicates that we will still be facing deficits beginning in 2018-19. This is primarily due to CalPERS pension costs escalating \$9.8 million (or 49%) over the next five years due to decreasing discount rates, and health care cost increases of over \$1.6 million (or 33%) over the next five years.

The key to retaining our fiscal stability in the future lies in continuing our focus on economic development activities which generate new revenues to the City, always seeking program efficiencies and savings across the organization, and addressing the looming pension cost increases on the horizon.

**Pension Accounting Standards** – Starting in fiscal year 2014-15, the City implemented the new pension accounting standards, in compliance with GASB Statement No.68 by reporting a Net Pension Liability of \$277 million as of June 30, 2017. It is important to note that, while the City makes all required contribution including payments on the net pension liability, assumptions used by California Public Employees' Retirement System (CALPERS), including expectancy, returns on investments, etc. impact the liability of the City.

**Pension and Other Post Employment Benefit (OPEB) Obligations** – A continued concern for California cities are notable obligations for pensions and Other Post-Employment Benefits (OPEB), for retiree health care. The California Public Employees' Retirement System (CALPERS) continues to address pension risk and funding levels by updating its actuarial demographics assumptions and phasing in contribution increases to address large investment losses dating back to 2009. As a result, employer contribution rates are projected to continue to rise in future years. During 2016-17, the City contributed 59.772% and 34.72% of employee salary to its Safety and Miscellaneous pension plans, respectively. Projections using June 2016 CALPERS data, show rates increasing to 90.0% (Safety) and 51.8% (Miscellaneous) in the 2024-25 fiscal year.

The City has taken steps previously to mitigate both this CALPERS rate increase and its OPEB retiree health obligations.

During 2013-14, the City proactively made a supplemental contribution of \$6.5 million to CALPERS to begin plan stabilization. On August 22, 2017, the City established an Internal Revenue Code (IRC) Section 115 Trust with the Public Agency Retirement Services (PARS) organization and made an initial contribution of \$1.0 million thereafter to further mitigate against future CALPERS increases.

During 2013-14, the City made an initial \$10 million contribution to a dedicated and irrevocable retiree health benefits trust fund, to begin to provide the resources necessary to ensure long-term funding for its OPEB obligation, and follow-up contributions of \$2.4 million in 2014-15, \$1.6 million in 2015-16, and \$1.8 million in 2016-17.

**Fiscal Stability** – During the past fiscal year, the City has made significant progress towards the goal of fiscal stability, including: City Council approving the City's fourth structurally balanced budget in a row (from 2014-2017) receiving, in December 2017, for the fourth consecutive year, an Unmodified Audit Opinion, and maintaining a General Fund reserves in excess of the City Council's established level of 15% of expenditures for the past three fiscal years. The approval of ballot Measure V, which removed the sunset provision from the City's 1% Measure B sales tax, also adds a layer of stability to the City's finances going forward. Prior, any financial forecasting for the City had to consider a significant revenue drop-off in the FY 2020-21 budget as Measure B was set to conclude.

**Water Fund Revenue Shortfall** – Prior analysis showed the potential of a \$4.1 million shortfall in the 2016-17 Water Fund revenues due in large part to conservation efforts and the delay of the City's Water Rate Study. A water rate increase to address this revenue shortfall was adopted by Council on May 9, 2017, the 18% rate increase became effective on July 1, 2017 and will address system maintenance funding concerns and provide ongoing fiscal stability of the Water Fund until a more comprehensive water rate and infrastructure study can be prepared.

## MAJOR INITIATIVES

Each year provides the City a new opportunity to identify, address and resolve issues facing the community and its residents. The City's major challenge is to finance the services needed to maintain the quality of life that has attracted growth to the Vallejo community.

**Development Initiatives** – The City continues to focus on economic development with a commitment to advance job growth, increase retail and commercial opportunities, and maintain an excellent quality of life for all residents. Staff have been strategically positioning Vallejo as a competitive hub for business and residential activity; focusing on retail attraction, retention and expansion opportunities; and promoting Vallejo as a travel destination. Vallejo's hot residential real-estate market, coupled with increased interest in business development brings renewed optimism for future growth. The growing interest in Vallejo by the craft beverage and film production industries is generating interest from other businesses. The adoption of an amended Disposition and Development Agreement for the Waterfront area and the future construction of a new parking structure provide new vision for the Downtown. Home building continues to be active with the continued build-out of the 100+ unit Garthe Ranch and the 80+ unit Bordoni Ranch projects, and new homes under construction on Mare Island.

**Neighborhood Law and Code Enforcement Programs** – The City Attorney's office, in conjunction with Code Enforcement and other departments, have continued the "Neighborhood Law" and pro-active code enforcement program to address and improve the appearance of blighted properties throughout the City.

**Measures B and V** - Since the voters' approval of Measure B in November of 2011, the City has worked to address a number of unmet needs in the community. The spending plan for Measure B continues to focus on the restoration of services which were reduced during the great recession, rebuilding important reserves, and funding programs which will ultimately grow the City's tax base. Measure B funds are used to promote the following City Council approved goals of: Rebuilding Reserves, Preserving and Enhancing Public Safety, Preserving and Enhancing Quality of Life, Enhancing and Reconstructing Infrastructure, Improving Community Aesthetics, focusing on Economic Development, Enhancing Government Efficiency, Leveraging City Assets, and Participatory Budgeting. On November 8, 2016, the Vallejo voters approved a sales tax measure, known as "Measure V" that permanently extend the City's current Measure B one-cent per dollar transaction and use tax.

**Municipal Fiber Enterprise** – The City has embarked on an ambitious project, partnering with the private sector to provide accessibility to the city-owned fiber optic network at competitive prices to major economic and academic engines within the city. This will allow developers an additional, tangible benefit to attract business to the City of Vallejo going forward.

**Downtown Parking Improvements & Enforcement** – The presence of the ferry service to and from San Francisco, and the increased business growth in our own downtown area have led to increased pressure on adequate and safe parking for shoppers and commuters. The City has coupled with a business partner to provide better parking enforcement in commuter lots, and downtown business-facing streets. Furthermore, plans for the second phase of the Vallejo Station Parking Structure are in development.

**Participatory Budgeting** – In 2012, the Vallejo City Council established the first city-wide Participatory Budgeting (PB) process in the United States, where ordinary residents directly decided how to spend a portion of the city budget. Through the PB process, Vallejo residents and stakeholders share ideas, develop project proposals, residents vote on projects, and the approved list of projects that receive the most votes are submitted to City Council for consideration. By Fiscal Year 2017-18, nearly thirty projects have been approved over the course of the PB process, totaling more than \$10.5 million in funding, while engaging over 15,000 residents of Vallejo.

**Interactive CAFR Dashboard** – In an effort to further promote financial transparency, the City of Vallejo continues providing tools to allow easier access to complex financial data in a more graphical, manageable and interactive format for financial statement users. We are proud to continue including this award-winning and internally developed, interactive "Financial Dashboard" in the PDF version of this year's CAFR report. The page following this transmittal letter contains a fully interactive dashboard, integrated with 11 years of CAFR data (requires latest version of [Adobe Flash Player](#)), which enables a user to perform a comprehensive comparison and detailed analysis of annual revenues and expenditures.

## BUDGETARY CONTROL

The City maintains budgetary controls through the City Council's adoption of an annual budget and by maintaining an encumbrance accounting system. The Vallejo Municipal Code requires the City Manager to present the Annual Budget to the City Council for approval 45 days prior to the start of the new fiscal year. Expenditures for City operations and other purposes identified in the annual budget cannot legally exceed the budgeted amounts approved by the City Council.

The City Manager may propose a budgetary revision or transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency after being given one week's notice of intention to do so, by resolution by the City Council.

Budgetary control resides at the fund level; however, the City has adopted a number of budgetary appropriation and transfer procedures to provide strong internal controls while encouraging improved accountability and administrative responsiveness. All budgetary transfers require Finance Director (or designee) review and approval. All transfers of appropriations affecting salaries & benefits require City Manager (or designee) review and approval.

Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and Capital Projects – at Department level with City Manager signature approval. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund, consistent with the City Charter, the Vallejo Municipal Code and budget resolution.

The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations, appropriations for uncompleted capital, and grant projects are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse.

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

## INTERNAL CONTROL

In developing and enhancing the City's accounting system, significant consideration is given to the adequacy of the City's system of internal accounting controls. Internal controls are designed to provide reasonable assurance regarding the safeguarding of assets against the loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

## AWARDS

### **GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

We are once again pleased to report that 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 Vallejo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This is the fourth year in a row that the City received this certificate.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

## ACKNOWLEDGEMENTS

The preparation and publication of this Comprehensive Annual Financial Report was made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department who prepared and compiled this report with the cooperation and assistance of all City departments. We would like to express our appreciation to all members of the Finance Department.

Specifically, I would personally like to express special thanks to Florita Cruz, Deputy Director, Rekha Nayar, Deputy Director; Ray Fortaleza, Senior Accountant, Winnie Daba, Senior Accountant, Calvin Cho, Senior Accountant; Jason Ackley, Administrative Analyst II, Jon R. Oiler, Auditor Controller, and the Finance Department staff as they have worked closely with the auditors in finalizing this report. Additionally, we would like to thank the City's audit firm of Maze & Associates CPAs for the professional support and guidance they have given us. I would also like to thank the Mayor and the members of the City Council for their continued support in leading the City towards the goal of regaining long-term fiscal stability.

Respectfully submitted,

Ron Millard, FCPA, FCGA  
Finance Director







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# CITY OF VALLEJO

## Public Officials

### City Council

	<u>Term Expires</u>
Bob Sampayan, Mayor	January 2021
Robert McConnell, Vice Mayor	January 2021
Pippin Dew-Costa, Councilmember	January 2019
Jesus Malgapo, Councilmember	January 2019
Katy Miessner, Councilmember	January 2019
Hermie Sunga, Councilmember	January 2021
Rozzana Verder-Aliga, Councilmember	January 2021

### City Manager

Daniel E. Keen

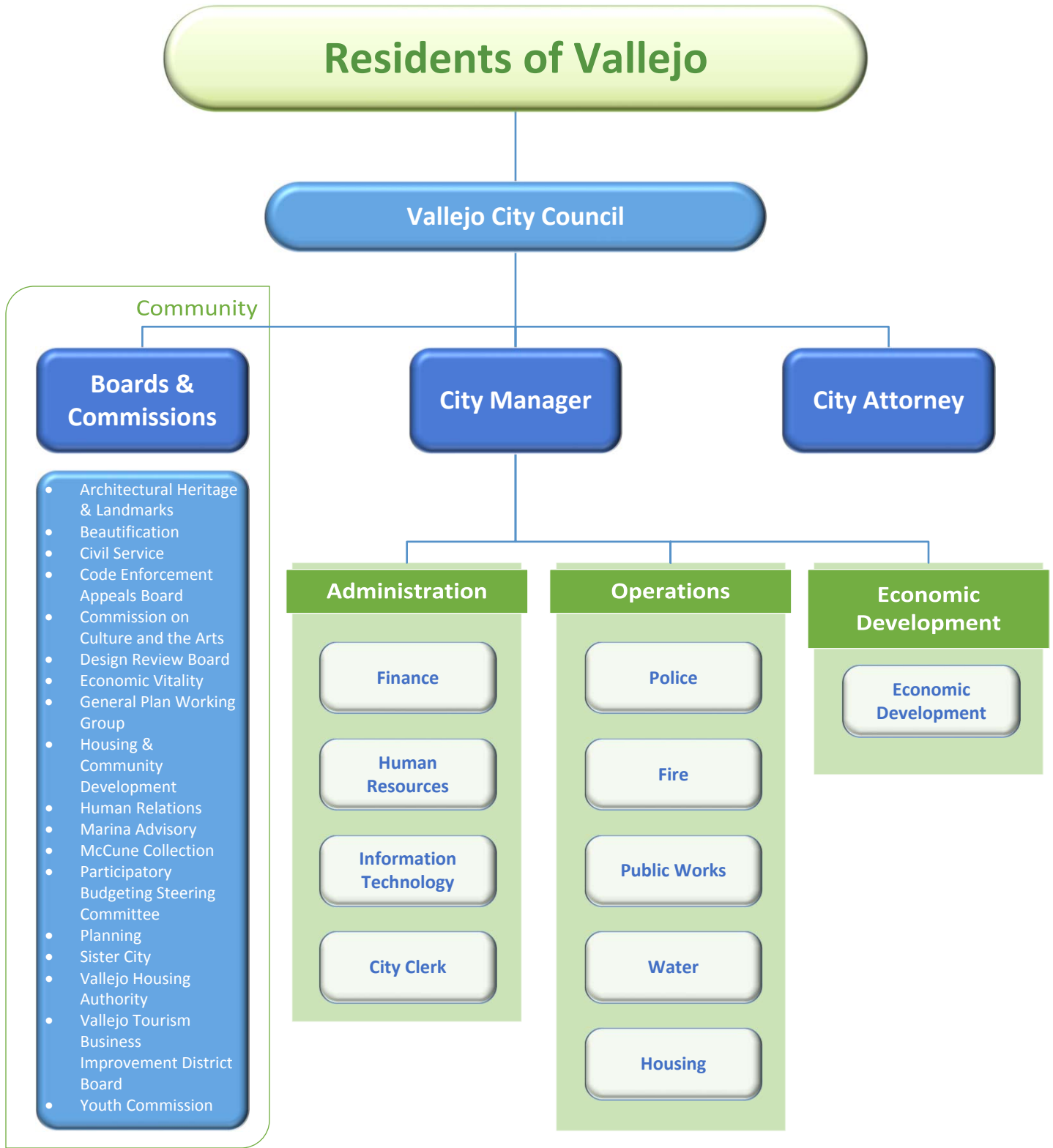
### City Attorney

Claudia Quintana

### Executive Management Team

Teri Killgore, Assistant City Manager  
Ron Millard, Finance Director  
Jasmin Loi, Human Resources Director  
Andrew Bidou, Police Chief  
Jack McArthur, Fire Chief  
Jill Mercurio, Interim Public Works Director  
Michael Malone, Water Director  
Andrea Ouse, Economic Development Director  
Dawn Abrahamson, City Clerk

# Citywide Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Vallejo  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of City Council, and City Auditor  
Vallejo, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vallejo (City), California, as of and for the year ended June 30, 2017, 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, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California, which was validated by the California Supreme Court on December 28, 2011, the Vallejo Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay certain advances to the City. During fiscal year 2016, the Oversight Board approved three of these loan agreements as an Enforceable Obligation to be listed on future Recognized Obligation Payment Schedules of the Successor Agency, which was not questioned by the California Department of Finance (DOF). In November 2016, the DOF denied the three loans on the Successor Agency's Last and Final Recognized Obligation Payment Schedule (ROPS) submission, and again denied them on the 2017-18 annual ROPS submission. Therefore, as discussed in Note 4I, the City contests the denial, but has not yet determined what action it may take, if any, therefore, the City reported these loans to their full value of \$3,241,884, with an offsetting allowance in the same amount as of June 30, 2017.

The City's position on this matter is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. A provision for an allowance for collectability resulting from the outcome of this uncertain matter has been recorded in the accompanying 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 the Management's Discussion and Analysis and other 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. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, 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.

*Mane & Associates*

Pleasant Hill, California  
December 15, 2017



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2017**

This narrative of the City of Vallejo's financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter, the Basic Financial Statements, and the accompanying notes to the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$11 million during the current fiscal year, which was largely driven by the \$9 million increase in Governmental Activities of the City.
- The assets and deferred outflows of both governmental activities and business-type activities of the City exceeded its liabilities and deferred inflows at the close of fiscal year by \$215 million and \$48 million respectively.
- As of June 30, 2017, the City's governmental funds recorded a combined fund balances of \$104 million, an increase of \$7 million from the prior fiscal year.
- The General Fund reported a total fund balance of \$30 million. This represents an increase in fund balance of \$4 million, or 15% from the previous fiscal year. Of the total fund balance, \$16 million, or 53%, was unassigned or available for spending at the City's discretion.
- The City's General Fund reserves remained above the Council's benchmark of 15% of expenditures. The City rebuilt its unassigned fund balance to a strong \$16 million or 18% contingency reserves against the subsequent year's General Fund annual operating budget excluding Measure B programs.
- As of June 30, 2017, the Net Pension Liability has been recorded at \$277 million, an increase of \$36 million over the prior fiscal year. This balance is larger than the City's total of all other bond and long-term liabilities combined, representing 66% of total liabilities up from 60% last year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report is presented in the following sections:

- 1) This introductory commentary, *Management's Discussion and Analysis*
- 2) *Basic Financial Statements*, including:
  - a. Government-wide financial statements
  - b. Fund financial statements
  - c. Notes
- 3) Required Supplementary Information
  - a. OPEB Funding and Contribution Schedules
  - b. Pension Net Pension Liability and Contribution Schedules
- 4) Supplemental Information:
  - a. Non-major governmental funds
  - b. Internal service funds
  - c. Agency funds

## BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as introduction to the City's Basic Financial Statements, comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

### *Government-wide Financial Statements*

The Government-wide Financial Statements provide a long-term view of the City's activities as a whole. The Statement of Net Position provides information about financial position, including capital assets and long-term liabilities on full accrual basis, similar to that used by commercial enterprises. The Statement of Activities provides information about the City's revenues and expenses, also on full accrual basis, with emphasis on measuring the net revenues and expenses of City programs. Information is presented both in total and separately for governmental activities, which are generally supported by taxes and grants, and business-type activities, which are generally supported by user fees. The City's activities include the activities of multiple legal entities, and the Vallejo Sanitation and Flood Control District (VSFCD), a discretely presented component unit, because the City is either financially accountable for these entities or has control of the governing board of these entities.

### *Fund Financial Statements*

The Fund Financial Statements report the City's operations in more detail than the government-wide statements. The focus is on the individual funds that are used to report the status of restricted or, otherwise, segregated resources and to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories:

- **Governmental Funds** – Most of the City’s basic services are included in governmental funds, which focus on how money flows into and out of these funds and the balances remaining at fiscal year-end that are available for spending. These funds’ statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government’s ability to meet its near-term financial requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.
- **Proprietary Funds** – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. These funds’ statements are prepared on the full accrual basis of accounting, similar to that used by private sector companies. The City’s enterprise funds are the same as the business-type activities reported in the Government-Wide Statements, but provide more detail and additional information, such as a statement of cash flows.
- **Fiduciary Funds** – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The City’s fiduciary activities are reported in separate statements including the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Fund Net Position. These activities are excluded from the Government-Wide Financial Statements because the resources of those funds are not available to support the City’s own programs. Fiduciary funds are prepared on the full accrual basis, similar to the proprietary funds. The City has two types of fiduciary funds: the agency funds and the private purpose trust funds.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the Financial Statements follow the basic financial statements.

## OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension and retiree medical benefits to its employees. Required Supplementary Information follow the notes to the financial statements. Supplementary information on non-major governmental funds and internal service funds are also presented immediately following the required supplementary information on pensions.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following is a summary of the City's government-wide net position as of June 30, 2017 and 2016, as measured on the accrual basis of accounting, along with highlights of changes from the prior year and a discussion of some of the most significant balances (in millions):

**Statement of Net Position**  
**as of June 30, 2017 and 2016**  
(In millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$159.7	\$159.5	\$40.5	\$38.4	\$200.2	\$197.9
Capital assets	335.7	332.5	108.9	111.7	444.6	444.2
Total assets	<b>495.4</b>	<b>492.0</b>	<b>149.4</b>	<b>150.1</b>	<b>644.8</b>	<b>642.1</b>
<b>Deferred Outflows of Resources</b>						
Unamortized loss on refunding of debt Related to pensions	40.1	17.4	5.0	2.0	45.1	19.4
Total deferred outflows	40.1	17.4	5.9	3.0	46.0	20.4
<b>Liabilities</b>						
Current and other liabilities	26.5	30.8	10.8	10.3	37.3	41.1
Net pension liability	246.5	214.0	30.8	26.7	277.3	240.7
Other long-term liabilities	42.9	47.5	65.5	69.2	108.4	116.7
Total liabilities	<b>315.9</b>	<b>292.3</b>	<b>107.1</b>	<b>106.2</b>	<b>423.0</b>	<b>398.5</b>
<b>Deferred Inflows of Resources</b>						
Related to pensions	4.5	11.0	0.3	1.5	4.8	12.5
<b>Net position</b>						
Net investment in capital assets	318.6	314.7	40.8	40.2	359.4	354.9
Restricted	70.5	68.4	5.3	5.3	75.8	73.7
Unrestricted	(174.0)	(177.0)	1.8	(0.1)	(172.2)	(177.1)
Total net position	<b>\$215.1</b>	<b>\$206.1</b>	<b>\$47.9</b>	<b>\$45.4</b>	<b>\$263.0</b>	<b>\$251.5</b>

- The current assets and other assets balance of \$200.2 million is slightly improved by \$2.3 million from the previous fiscal year. This increase is primarily attributable to the City of American Canyon's purchase of additional \$2.8 million in water capacity rights from the City.
- The City's capital asset balance of \$444.6 million increased by \$0.4 million from the prior fiscal year. New capital improvements of \$13.8 million and transfers of land parcels from the Successor Agency of \$2.8 million were offset by \$16 million of depreciation and \$0.2 million in retirements.
- The City's net pension liability increased by \$36.6 million, from \$240.7 million at June 30, 2016 to \$277.3 million at June 30, 2017. Future tax and other revenues will continue to fund and reduce this pension liability over time as the City's pension administrator, CalPERS, updates and phases in funding rates to address past actuarial losses. For more information on the implementation of GASB 68, please refer to Note 10 of the Basic Financial Statements.
- The City reflected a \$8.3 million reduction in its bond and other long-term liabilities, from \$116.7 million to \$108.4 million. In addition to scheduled debt principal amortization, the City made progress in prefunding its OPEB obligation by contributing an additional \$1.9 million to an irrevocable trust for the payment of future retiree health benefits.
- At June 30, 2017, the City reported positive balances in all categories of net position except for unrestricted net position. The unrestricted net position was at a \$172 million deficit due to the recording of the City's \$277.3 million net pension liabilities and \$10.4 million in post-employment health care benefits, which are not claims on current year financial assets. The largest portion of the City's net position, \$359.4 million, is its investment in capital assets less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to its residents and other stakeholders. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves could not be used to liquidate these liabilities. Restricted net position, that portion of the City's net position subject to restrictions on how they may be used, increased \$2.1 million from \$73.7 million at June 30, 2016 to \$75.8 million at June 30, 2017. The increase was primarily due to a combined \$1.3 million increase in net revenues in the Landscape Maintenance District Funds.

The table below is a summary of the City's government-wide activities for the years ended June 30, 2017 and 2016, as measured on the accrual basis of accounting.

**Statement of Activities**  
**for the years ended June 30, 2017 and 2016**  
(In millions)

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$24.5	\$24.6	\$38.0	\$37.6	\$62.5	\$62.2
Operating grants and contributions	27.6	26.7	0.1		27.7	26.7
Capital grants and contributions	5.4	8.9	3.4	1.4	8.8	10.3
General revenues						
Property, sales and other taxes	71.5	66.2			71.5	66.2
User utility	13.3	13.0			13.3	13.0
Gain on sale of capital assets	0.1	0.2			0.1	0.2
Insurance recoveries						
Other	6.5	6.6		0.4	6.5	7.0
Total revenues	<u>148.9</u>	<u>146.2</u>	<u>41.5</u>	<u>39.4</u>	<u>190.4</u>	<u>185.6</u>
<b>Expenses</b>						
Governmental activities						
Administration	7.5	7.0			7.5	7.0
Development services	2.9	2.9			2.9	2.9
Community development	27.3	27.7			27.3	27.7
Fire services	27.4	24.6			27.4	24.6
Police services	42.3	39.0			42.3	39.0
Public works	29.0	29.5			29.0	29.5
Interest on long-term debt	0.4	0.5			0.4	0.5
Business-type activities						
Water			35.5	34.9	35.5	34.9
Local transportation						
Marina			2.1	1.6	2.1	1.6
Golf			3.3	3.3	3.3	3.3
Vallejo Station Parking			0.8	0.6	0.8	0.6
Fiber Optic						
Total expenses	<u>136.8</u>	<u>131.2</u>	<u>41.7</u>	<u>40.4</u>	<u>178.5</u>	<u>171.6</u>
Excess before transfers and special items	12.1	15.0	(0.2)	(1.0)	11.9	14.0
Transfers	(2.7)	(1.7)	2.7	1.7		
Special items	(0.4)	5.3			(0.4)	5.3
Change in net position	9.0	18.6	2.5	0.7	11.5	19.3
Net position - beginning, as restated	206.1	187.5	45.4	44.7	251.5	232.2
<b>Net position - ending</b>	<u><b>\$215.1</b></u>	<u><b>\$206.1</b></u>	<u><b>\$47.9</b></u>	<u><b>\$45.4</b></u>	<u><b>\$263.0</b></u>	<u><b>\$251.5</b></u>



The current year's city-wide revenues of \$190.4 million reflected an improving economic base. The Governmental Activities tax revenues contributed to a combined significant increase of \$5.3 million in revenues from the prior year. However, total revenues have declined by \$1.5 million in capital grants and contributions primarily due to the completion of the Mare Island Causeway Bridge capital project in the prior year.

- Of the City's governmental activities revenues, \$91.4 million or 61% came from general unrestricted revenues. The remaining \$57.5 million or 39% primarily came from charges for services and grants.
- City-wide expenses of \$178.5 million increased during the year. The current year's expenses were up \$6.9 million or 4% from the prior year level, largely due to the recording of GASB 68 pension costs. General Government expenses went up \$5.5 million primarily due to labor cost increases and the recording of GASB 68 pension costs.

### Net Program Revenues (Expenses)

The following table presents the net program cost for each governmental activity by subtracting program-specific revenues from program expenses for the year ended June 30, 2017. The balance is the amount funded by general City revenues.

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
<b>Governmental Activities</b>			
General government	(\$7,802,704)		(\$7,802,704)
Community and development services	(30,273,444)	\$27,930,691	(2,342,753)
Fire services	(27,384,860)	3,812,036	(23,572,824)
Police services	(42,345,792)	5,648,687	(36,697,105)
Public works	(29,016,544)	20,080,407	(8,936,137)
	<u>(\$136,823,344)</u>	<u>\$57,471,821</u>	<u>(\$79,351,523)</u>

Program revenues associated with Governmental Activities total \$57.5 million, or 42% of program expenses. Expenses not covered by program revenues are funded from non-program sources like general tax revenues.

Net program expenses of police and fire were the largest municipal programs within both the General Fund and Citywide Governmental Activities. Police and fire services have increased considerably from the prior year due to Measure B revenues, which supported the hiring of additional police officers and retention of previously SAFER grant funded positions.

General government programs provide benefit to both business-type and governmental activities and receive some funding through internal indirect cost allocations to supplement program revenue and general tax revenue.

The following table presents the same net program cost information for business-type activities for the year ended June 30, 2017. In these programs, annual surpluses or deficits are retained in the programs as an increase or decrease in the program's net position.

<b>Business-type Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net Revenue (Expense) of Activities</b>
Water utility	(\$35,523,887)	\$36,654,778	\$1,130,891
Marina	(2,073,568)	1,450,556	(623,012)
Golf	(3,266,149)	2,564,299	(701,850)
Vallejo Station Parking	(779,461)	780,818	1,357
Fiber Optic	(16,371)		(16,371)
	<b><u>(\$41,659,436)</u></b>	<b><u>\$41,450,451</u></b>	<b><u>(\$208,985)</u></b>

In total, the fee and grant sources of cash for these business-type operations were generally intended to cover operating, debt service, and capital reinvestment requirements. This year, the Water Fund realized a \$1.1 million operating surplus, which was up by \$1.6 million over last year primarily due to the City of American Canyon's purchase of additional \$2.8 million in water capacity rights from the City. The Marina and Golf operations continued to incur losses. Although each of these programs collected user fees to cover a portion of annual costs, their fees did not fully cover program cash flow requirements. General Fund transferred \$2 million to supplement the Marina, Golf and Vallejo Parking Station enterprise operations.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to the accrual-basis government-wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track the resources and operating results for specific, restricted programs. The results for governmental funds below differ from the results reported above in the government-wide statements since here the focus is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Vallejo's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$104 million. Approximately \$15.7 million, or 15%, of the combined ending fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has been committed to liquidate contracts and purchase orders from the prior fiscal period, pay debt service, or fund future uses.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

### General Fund

*Services* - The City's General Fund provides police, fire, development, public works, and administrative services to the City's 118,280 residents, other funds, businesses and visitors. The General Fund is distinct from other funds because it is the only source of unrestricted funds that can be allocated, at the discretion of the City Council, for any municipal purpose. For financial reporting purposes, the scope of General Fund balances and activities includes the City's unrestricted Measure B and Contingency Reserve Funds.

During 2016-17, the General Fund expended \$88.8 million to provide these services with 409 authorized full time equivalent positions. Labor costs comprised 81% of General Fund expenditures prior to inter-fund cost allocations.

**California Revenue Environment** - The California Constitution limits local control over tax and fee revenue sources. Article 13 of the California state constitution sets property tax rates and caps on the annual growth of property valuations and the California State Code controls the distribution of property tax among local jurisdictions. Sales and use tax rates are controlled by the state Bradley-Burns act, with the exception that the local voters can vote to increase rates for specific purposes or general programs. In November 2011, Vallejo voters adopted Measure B, a general local 1% transactions tax measure, which generated \$14.6 million in supplemental tax revenues in 2016-17.

Fees, assessments, and any new or increased taxes are subject to the constraints of amendments to Article 13 contained in Proposition 218. Fees can only be assessed and used to recover the actual cost of service and assessments and taxes require property owner and/or voter approval.

**Changing Economy** – The City has recovered from a dramatic decline in local housing values and property tax revenue from early 2006 to 2012. The assessed valuation as of January 2016, which is the base for tax allocations in 2016-17, has increased 7% over prior year levels. The recovering real estate market and new construction continue to fuel the decrease in the number of properties on Proposition 8 status. This rebound in property values translates into an expected 7% increase in secured property tax revenues for the City in 2017-18.

**Current Year Increase in General Fund Revenues** – The net impact to the City’s 2016-17 General Fund revenues, including transfers and special items, was an increase of \$5.4 million or 6% from the prior year. Of particular note were increases in property tax, sales and transaction tax, and medical marijuana tax.

**Measure V** – The permanent extension of the City’s Measure B sales tax that was approved by voters in 2016 contributed \$14.6 million in 2016-17 revenues to strategically restore and enhance City services and reserves. During the year, 9.8 million of Measure B revenues were used to fund positions that primarily supported needed public safety and economic development efforts. About \$3 million of Measure B revenues were also invested in Infrastructure Enhancement, including street maintenance and the Marina dredging project. An additional \$3.5 million has been dedicated to building the City’s General Fund and Risk Management Fund reserves and for the City’s noteworthy “Participatory Budgeting” program.

**Fiscal year 2016-2017 Budget** - Fiscal Year 2016-2017 revenue collections exceeded the original and revised revenue estimates by \$6.6 million and \$2.9 million, respectively. The most significant revenue gains have been in Fire mutual aid reimbursements at \$473k, Measure B transaction and use tax at \$440k, and building fees at \$405k. On the expenditure side, all departments have operated within their approved expenditure budgets for the year except that Finance and Fire departments had slight overruns in their operating budgets. The Finance department’s actual cost allocation reimbursements were lower than anticipated and the Fire department incurred more Strike Team overtime costs that are offset by state reimbursements. Total expenditures were \$7.7 million below the final appropriations, primarily driven by the staff vacancies in the Police and Public Works departments and the deferral/delay in the implementation of Measure B Participatory Budget projects. The \$1.2 million savings in Participatory Budget projects was re-appropriated in the subsequent 2017-18 budget year.

**Reserves** – The City’s five-year financial forecast allows for long-term planning that builds and maintains adequate funding for contingent risks and ensures expenditures will continue to be within available revenues, while benchmarking progress toward needed fund balance reserves. As of June 30, 2017, the General Fund reported a total of \$15.7 million in unassigned fund balance. This amount represents an 18% contingency reserves against the subsequent year’s General Fund annual operating budget excluding Measure B programs, this is 3% higher than the City Council’s 15% contingency reserve target.

## Other Major Governmental Funds

- **Housing Authority** – The Housing Authority received \$20.9 million in federal HUD grant allocations during the year to support its \$21.3 million Section 8 Housing Assistance Voucher Program expenditures. Federal grant revenues increased by \$0.6 million compared to last year, due to an increase in HUD allocations.
- **Vallejo Station** – The Vallejo Station Fund recognized \$3.4 million in revenues from MTC grant allocations during the year, to support its \$3.4 million in project expenditures for the Post Office relocation, to the new facility.

## Enterprise Funds

- **Water** – The Water Fund collected \$33 million in operating revenues during the year to support \$27.8 million in cash-basis operating costs and \$5.2 million in debt service. Remaining operating revenues, along with capital grants and capital contributions (mainly generated from the new \$2.8 million City of American Canyon water purchase), also supported \$3.1 million in capital improvements. At June 30, 2017, current assets of \$29.7 million were available to cover \$9.2 million in current liabilities. Net position of the Water Fund at June 30, 2017 was \$49.8 million with the largest portion, \$43.8 million invested in capital assets less any related outstanding debt that was used to acquire those assets. The remaining \$6 million is available to fund debt service, water operations, and future improvement and maintenance projects. The Water system operates with \$91.1 million of capital assets, which have been financed with \$48.1 million of outstanding long-term debt. The FY 2016-17 annual user fees have been primarily collected based upon a customer rate structure in July 1, 2013. Effective June 9, 2017, the water rates were increased by 18.2% across the board to allow the Water Fund to meet operational and fiscal obligations. However, the Funds' aging infrastructure continues to require reinvestment and a comprehensive look at the water system and funding strategies will be undertaken in 2017-18.
- **Marina** – The Marina collected \$1.3 million in user fees during the year, which was insufficient to support program cash flow. The General Fund and State Land's Fund contributed an additional \$1.2 million to support program operating costs of \$0.2 million, dredging costs of \$0.3 million, and debt service payments of \$0.7 million. On an accrual basis, the fund's deficit net position significantly decreased by \$0.6 million to \$1.1 million at June 30, 2017, because its capital assets are depreciating slower than the principal payments on the debt that financed the assets. At June 30, 2017, the fund remained obligated for \$13.7 million in long-term debt, secured by the General Fund. Ongoing General Fund transfers are anticipated to support the debt service payments associated with debt-financed assets in the Marina Fund and dredging costs. Effective July 1, 2016, the berth rents and live aboard fees were also increased by 3%, with an additional annual 3% CPI increase for the next seven years to steadily address the negative net position of the fund.
- **Golf** – The Golf Fund collected \$2.6 million in user fees for the year, which were also insufficient to support program cash flow requirements. As anticipated in the budget, the General Fund contributed \$0.8 million, which along with user fees, sustained operating costs of \$2.8 million, and debt service payments of \$0.4 million. Overall, this Fund had a deficit net position of \$1.1 million at June 30, 2017, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. At June 30, 2017, the fund remained obligated for \$7.2 million in long-term debt, secured by the General Fund. The management is evaluating options to change the Golf Course management to move this fund toward self-sufficiency.

- **Vallejo Station Parking** – The Vallejo Station Parking fund was established in 2013 to account for the operation, maintenance and management of the Vallejo Station Parking Structure. The \$0.8 million in operating costs funded by annual user fees of \$0.8 million. The General Fund also contributed \$0.2 million to accumulate funds for long term maintenance projects. The Council authorized hiring of a contractor to provide increased enforcement efforts, and increased the parking rates to allow this fund to move toward self-sufficiency.
- **Fiber Optic** – The General Fund provided an \$0.8 million interfund loan to this newly established fund as working capital to leverage City assets and promote economic development. As the City’s partner and contractor, Inyo Networks, Inc. will provide high-speed internet services starting FY 2017-18. Accordingly, the City anticipates receiving user fees equal to 33% of all gross revenues generated through the City’s fiber network to support the fund’s program costs and future loan repayments to the General fund.

**CAPITAL ASSETS**

The capital assets of the City are those assets that are used in the performance of the City’s functions, including infrastructure assets. This investment in capital assets includes land and easements, infrastructure, buildings and improvements, equipment, intangible assets, and construction in progress. Infrastructure assets are assets that are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets are classified by the City in major categories, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. Although the City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair, unfortunately, the amount being spent annually is, according to the City Engineer, millions less than the amount needed to maintain the City’ streets, much less restore them to acceptable pavement condition standards.

The following is a summary of the City’s capital assets at June 30, 2017 and 2016.

**Capital Assets**  
(net of depreciation)

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$138,980,089	\$136,190,275	\$12,298,805	\$12,298,805	\$151,278,894	\$148,489,080
Building and improvement	76,340,870	79,126,972	33,670,617	34,560,843	110,011,487	113,687,815
Machinery and equipment	10,410,153	8,530,108	7,169,119	11,892,745	17,579,272	20,422,853
Infrastructure	102,665,214	102,556,060	50,571,188	49,788,115	153,236,402	152,344,175
Construction in progress	7,278,509	6,115,457	5,157,016	3,130,443	12,435,525	9,245,900
<b>Total</b>	<b>\$335,674,835</b>	<b>\$332,518,872</b>	<b>\$108,866,745</b>	<b>\$111,670,951</b>	<b>\$444,541,580</b>	<b>\$444,189,823</b>

The most significant additions to capital assets during the current year are construction in progress and the transfer of land parcels from the Successor Agency. The City placed in service \$6.1 million of capital assets during the year, including the Downtown Streetscape Phase 3, Chase Street and Seaport Drive. Reductions included \$16 million of depreciation and retirements of \$.2 million. In total, capital assets have increased by \$.3 million during the year to \$444.5 million at June 30, 2017. Additional information about the City's capital assets can be found in Note 5 of this report.

## DEBT ADMINISTRATION

**Objectives** - The City administers debt programs for its General Fund and for the following restricted revenue programs: Water, Successor Agency to the Former Redevelopment Agency, and Improvement Districts. The City has established the following equally important objectives in administering its long-term debt financing programs.

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws

**Obligations** - The following is a summary of the City's long-term debt obligations at June 30, 2017 and 2016.

	Outstanding Debt					
	Long-Term Debt					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Certificates of Participation	\$3,233,951	\$3,420,210			\$3,233,951	\$3,420,210
Capital Lease Obligations	405,856	507,320			405,856	507,320
Revenue Bonds			\$46,737,658	\$49,201,649	46,737,658	49,201,649
Loans & Notes Payable	13,445,922	13,936,400	22,229,772	23,254,939	35,675,694	37,191,339
Total	<b>\$17,085,729</b>	<b>\$17,863,930</b>	<b>\$68,967,430</b>	<b>\$72,456,588</b>	<b>\$86,053,159</b>	<b>\$90,320,518</b>

**General Fund Debt Restructure** - In September 2011, the City and Union Bank of California entered into an Amended and Restated Master Lease Agreement and a Reimbursement Agreement Payment Agreement which changed a series of Certificates of Participation debt into a direct bank loan debt. Of the total outstanding Union Bank loan balance of \$34.3 million at June 2017, \$20.9 million of this debt is carried in the Business Type Activities Programs (Marina and Golf). The debt service for those programs is paid from program user fees. However, the General Fund remains obligated for the debt if those sources are insufficient to pay the debt service. During FY 2016-17, the General Fund contributed \$1.1 million to the Marina and Golf Enterprise funds to support debt requirements for these Enterprise programs.

**Annual Activity** - In total, the City made long-term principal debt payments of \$4.7 million during the year ended June 30, 2017. This principal reduction has been partially offset by \$0.4 million deferred interest accruals on the City's Union Bank debt. Overall, the City's total long-term debt obligations decreased from \$90 million at June 2016 to \$86 million at June 2017. Additional information about the City's long-term debt can be found in Note 6 of this report.

**Net Debt** - The percentage of net bonded debt to taxable property valuation, and the amount of bonded debt per capita, are useful indicators of the City’s net debt position to management, citizens, and investors. A comparison of these indicators follows. Per capita debt outstanding decreased to \$728, at June 30, 2017, from \$770 in the prior fiscal year.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net debt	\$86,053,159	\$90,320,518
Net debt per capita	\$728	\$770
Net debt per capita as a percentage of per capita personal income	2.51%	2.97%
Net debt as a percentage of net assessed value	0.94%	1.05%

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

The property values assessed by the County as of January 1, 2017 have increased by 7% over the prior year, which in turn is expected to increase the City’s property tax revenues in the 2017-18 budget year. The change attributed to the 2% Proposition 13 inflation adjustment accounted for 25% of the increase. In addition to CPI increases, the City continues to regain values lost during the Great Recession due to healthy property sales activity as the public continues to search for affordable housing beyond the metropolitan center. Commercial and residential developments continue to grow with several new housing developments being planned and constructed. The City also forecasts sales tax in the 2017-18 budget to be approximately 2% above the prior year as well. As of June 30, 2017, unemployment in Vallejo stands at 5.1% or improvement from 5.6% a year ago.

However, the City is faced with balancing strong revenue growth in some stable categories (e.g. property tax) against economically sensitive revenues like sales tax, transient occupancy tax, real property transfer tax and development-related revenues. The City approaches this revenue resurgence with cautious optimism since this growth is accompanied by several expenditure pressures to the General Fund. As the largest expense category, addressing personnel expenditure growth remains a priority. Negotiations to secure labor contracts with the City’s three of its four bargaining units are ongoing. In addition, CalPERS has lowered its assumed rate of return from 7.5% to 7.0% which will substantially escalate pension costs over the next three years. The City is also experiencing pressures from increasing demands for development-related services, environmental and regulatory compliance and stable funding sources for its aging infrastructure. Balancing priorities will be a critical piece of the budget going forward to ensure continued fiscal sustainability.

In summary, while the City continues to expect revenue growth to be partially absorbed by escalating pension, benefits, and other service costs, overall the City anticipates to operate a structurally balanced budget for the FY 2017-18.

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This Comprehensive Annual Financial Report (CAFR) is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. For the convenience of the public, a copy of this report is posted on the City’s website ([http://www.ci.vallejo.ca.us/city\\_hall/departments\\_\\_divisions/finance](http://www.ci.vallejo.ca.us/city_hall/departments__divisions/finance)). If you have questions about this report, separate reports of the City’s component units or need any additional financial information, contact the Office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.



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**CITY OF VALLEJO, CALIFORNIA**

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION  
AND STATEMENT OF ACTIVITIES**

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 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 the City's Governmental Activities in a single column, and the financial position of all the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the primary government. This column is followed by a column that displays the discretely presented component unit.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is 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, deferred inflows/outflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by the program, and follows these with the expenses of its Business-type Activities. 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 and business-type program. The City's general revenues are then listed in the Governmental Activities, Business-type Activities or discretely presented component unit column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City and the blended component units: the Housing Authority of the City of Vallejo (Housing Authority), the Marine World Joint Powers Authority (Marine World JPA), the Parking Authority of the City of Vallejo (Parking Authority), the Public Financing Authority of the City of Vallejo (Financing Authority) and the Empress Investment Fund, LLC (EIF). The Housing Authority, Marine World JPA, Parking Authority, Financing Authority and EIF are legally separate component units of the City, because they are controlled by the City and the City is financially accountable for their activities. The financial activities of these entities are integrally related to those of the City, and so data has been blended with those of the City in both of these statements. The balances and the activities of the discretely presented component unit of Vallejo Sanitation and Flood Control District are included in these statements as separate columns.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.



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CITY OF VALLEJO  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activities	Total	Vallejo Sanitation and Flood Control District
<b>ASSETS</b>				
Current Assets:				
Cash and investments (Note 2)	\$105,608,857	\$24,446,773	\$130,055,630	\$43,186,307
Accounts receivable	4,122,050	7,549,054	11,671,104	6,538,402
Interest receivable	390,616		390,616	
Due from other governments	9,938,287	31,382	9,969,669	
Materials, parts, and supplies (Note 1J)	179,275	1,096,488	1,275,763	734,061
Prepays and deposits	4,406,156	129,905	4,536,061	1,435,673
<b>Total Current Assets</b>	<b>124,645,241</b>	<b>33,253,602</b>	<b>157,898,843</b>	<b>51,894,443</b>
Noncurrent Assets:				
Restricted cash and investments held with fiscal agent (Note 2)	3,297,642	5,258,610	8,556,252	
Land held for development (Note 1K)	499,684		499,684	
Notes and loans receivable (Note 4)	30,422,056	2,857,880	33,279,936	284,796
Internal balances (Note 3D)	830,000	(830,000)		
Prepaid lease and project costs				
Capital assets (Note 5):				
Nondepreciable	146,258,598	17,455,821	163,714,419	18,273,503
Depreciable, net of accumulated depreciation	189,416,237	91,410,924	280,827,161	172,273,105
<b>Total Noncurrent Assets</b>	<b>370,724,217</b>	<b>116,153,235</b>	<b>486,877,452</b>	<b>190,831,404</b>
<b>Total Assets</b>	<b>495,369,458</b>	<b>149,406,837</b>	<b>644,776,295</b>	<b>242,725,847</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt (Note 6)		879,314	879,314	1,131,990
Related to pensions (Note 10)	40,144,357	5,058,430	45,202,787	7,530,953
<b>Total Deferred Outflows of Resources</b>	<b>40,144,357</b>	<b>5,937,744</b>	<b>46,082,101</b>	<b>8,662,943</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	8,543,190	1,898,396	10,441,586	1,925,536
Accrued interest payable	139,682	468,178	607,860	484,153
Due to other governments	229,515		229,515	
Unearned revenues	4,409,368	227,669	4,637,037	
Deposits payable	1,884,706	3,542,234	5,426,940	91,313
Employee benefits payable (Note 9 and 11)	7,161,473	988,873	8,150,346	488,443
Claims payable, due within one year (Note 13)	3,228,594		3,228,594	
Long-term debt, due within one year (Note 6)	948,777	3,708,007	4,656,784	4,559,753
<b>Total Current Liabilities</b>	<b>26,545,305</b>	<b>10,833,357</b>	<b>37,378,662</b>	<b>7,549,198</b>
Noncurrent Liabilities:				
Claims payable (Note 13)	12,262,406		12,262,406	
Employee benefits payable (Notes 9 and 11)	14,472,134	238,901	14,711,035	1,604,253
Net pension liability (Note 10)	246,506,470	30,833,246	277,339,716	19,705,443
Long-term debt (Note 6)	16,136,952	65,259,423	81,396,375	43,289,194
<b>Total Noncurrent Liabilities</b>	<b>289,377,962</b>	<b>96,331,570</b>	<b>385,709,532</b>	<b>64,598,890</b>
<b>Total Liabilities</b>	<b>315,923,267</b>	<b>107,164,927</b>	<b>423,088,194</b>	<b>72,148,088</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions (Note 10)	4,500,421	300,270	4,800,691	1,502,815
<b>NET POSITION (Note 12)</b>				
Net investment in capital assets	318,636,371	40,778,629	359,415,000	143,829,651
Restricted for:				
Debt service	242,569	5,258,610	5,501,179	4,793,109
Capital projects	22,625,300		22,625,300	23,648,793
Housing programs	25,275,093		25,275,093	
Mare Island programs	7,743,947		7,743,947	
Landscape maintenance district services	12,874,777		12,874,777	
Other special projects and programs	1,783,554		1,783,554	
<b>Total Restricted Net Position</b>	<b>70,545,240</b>	<b>5,258,610</b>	<b>75,803,850</b>	<b>28,441,902</b>
Unrestricted	(174,091,484)	1,842,145	(172,249,339)	5,466,334
<b>Total Net Position</b>	<b>\$215,090,127</b>	<b>\$47,879,384</b>	<b>\$262,969,511</b>	<b>\$177,737,887</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative and advisory	\$244,300			
Executive	2,795,092			
Finance	2,046,341			
Human resources	988,831			
Law	1,289,690			
Development services	2,925,237	\$2,890,346		
Community development	27,348,207	1,310,411	\$23,729,934	
Fire services	27,384,860	3,812,036		
Police services	42,345,792	3,792,574	1,856,113	
Public works	29,016,544	12,705,613	2,012,250	\$5,362,544
Interest on long term debt	438,450			
<b>Total Governmental Activities</b>	<b>136,823,344</b>	<b>24,510,980</b>	<b>27,598,297</b>	<b>5,362,544</b>
Business-type Activities:				
Water	35,523,887	33,279,993		3,374,785
Marina	2,073,568	1,327,277	123,279	
Golf	3,266,149	2,564,299		
Vallejo Station Parking	779,461	780,818		
Fiber Optic	16,371			
<b>Total Business-type Activities</b>	<b>41,659,436</b>	<b>37,952,387</b>	<b>123,279</b>	<b>3,374,785</b>
<b>Total Primary Government</b>	<b>\$178,482,780</b>	<b>\$62,463,367</b>	<b>\$27,721,576</b>	<b>\$8,737,329</b>
<b>Component Unit:</b>				
Vallejo Sanitation and Flood Control District	\$32,219,339	\$27,945,812		\$543,025
General revenues:				
Taxes:				
Property taxes/In-lieu property tax				
Sales and transaction taxes				
User Utility				
Franchise				
Transit occupancy				
Other				
Investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers (Note 3A)				
Special items:				
Assets transferred from Successor Agency (Note 5A)				
Eliminate loans to Successor Agency (Note 4I)				
Total general revenues, transfers and special items				
Change in Net Position				
Net Position-Beginning, as restated (Note 12E)				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position Primary Government			Net (Expense) Revenue and Changes in Net Position Component Unit
Governmental Activities	Business-type Activities	Total	Vallejo Sanitation and Food Control District
(\$244,300)		(\$244,300)	
(2,795,092)		(2,795,092)	
(2,046,341)		(2,046,341)	
(988,831)		(988,831)	
(1,289,690)		(1,289,690)	
(34,891)		(34,891)	
(2,307,862)		(2,307,862)	
(23,572,824)		(23,572,824)	
(36,697,105)		(36,697,105)	
(8,936,137)		(8,936,137)	
(438,450)		(438,450)	
<u>(79,351,523)</u>		<u>(79,351,523)</u>	
	\$1,130,891	1,130,891	
	(623,012)	(623,012)	
	(701,850)	(701,850)	
	1,357	1,357	
	<u>(16,371)</u>	<u>(16,371)</u>	
	(208,985)	(208,985)	
<u>(79,351,523)</u>	<u>(208,985)</u>	<u>(79,560,508)</u>	
			<u>(\$3,730,502)</u>
27,320,229		27,320,229	1,040,270
29,276,208		29,276,208	
13,339,264		13,339,264	
5,272,257		5,272,257	
2,482,624		2,482,624	
7,133,840		7,133,840	772,062
849,111	64,737	913,848	339,036
89,852		89,852	
5,604,775		5,604,775	
(2,654,217)	2,654,217		
2,789,814		2,789,814	
<u>(3,215,749)</u>		<u>(3,215,749)</u>	
<u>88,288,008</u>	<u>2,718,954</u>	<u>91,006,962</u>	<u>2,151,368</u>
8,936,485	2,509,969	11,446,454	(1,579,134)
<u>206,153,642</u>	<u>45,369,415</u>	<u>251,523,057</u>	<u>179,317,021</u>
<u>\$215,090,127</u>	<u>\$47,879,384</u>	<u>\$262,969,511</u>	<u>\$177,737,887</u>



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<b>FUND FINANCIAL STATEMENTS</b>
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**MAJOR GOVERNMENTAL FUNDS**

The funds described below were determined to be Major Governmental Funds by the City for the year ended June 30, 2017. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND** is used to account for all general revenues of the City not specifically levied or collected for other City funds including Measure B transaction tax and the related expenditures, and pre-1990 Successor Agency loans and the related revenues.

**HOUSING AUTHORITY SPECIAL REVENUE FUND** is used to account for monies received and expended in the HUD Section 8 Housing Assistance Program for low and moderate income families and the assets and liabilities assumed from the Housing Fund of the former Redevelopment Agency upon its dissolution as of February 1, 2012.

**VALLEJO STATION CAPITAL PROJECTS FUND** accounts for grants received to support construction of a new Transit Center and related parking structure in downtown Vallejo.

CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017

	General	Housing Authority	Vallejo Station	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$22,251,332	\$4,585,631		\$54,416,879	\$81,253,842
Restricted cash and investments held with fiscal agent (Note 2)				3,297,642	3,297,642
Accounts receivable	3,202,254	222,386		654,418	4,079,058
Interest receivable	388,881	1,735			390,616
Notes and loans receivable (Note 4)	1,038,294	13,330,512		16,053,250	30,422,056
Advances to other funds (Note 3C)	830,000				830,000
Due from other governments	7,682,393		\$380,222	1,875,672	9,938,287
Materials, parts, and supplies	434				434
Prepays and deposits	21,418		4,371,039	13,699	4,406,156
Land held for redevelopment (Note 1K)	499,684				499,684
<b>Total Assets</b>	<b><u>\$35,914,690</u></b>	<b><u>\$18,140,264</u></b>	<b><u>\$4,751,261</u></b>	<b><u>\$76,311,560</u></b>	<b><u>\$135,117,775</u></b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$3,172,474	\$74,849	\$3,361,341	\$1,738,856	\$8,347,520
Due to other funds (Note 3B)			370,222	1,459,413	1,829,635
Due to other governments	222,162			7,353	229,515
Unearned revenues	1,574,111		1,019,698	1,815,559	4,409,368
Deposits payable	327,027	44,061		1,513,618	1,884,706
<b>Total Liabilities</b>	<b><u>5,295,774</u></b>	<b><u>118,910</u></b>	<b><u>4,751,261</u></b>	<b><u>6,534,799</u></b>	<b><u>16,700,744</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - accounts receivable				23,750	23,750
Unavailable revenue - interest receivable	237,252	2,671,887		1,830,484	4,739,623
Unavailable revenue - notes and loans receivable				9,649,051	9,649,051
<b>Total Deferred Inflows of Resources</b>	<b><u>237,252</u></b>	<b><u>2,671,887</u></b>		<b><u>11,503,285</u></b>	<b><u>14,412,424</u></b>
<b>FUND BALANCES (Note 12)</b>					
<b>Fund Balance</b>					
Nonspendable	2,152,578			78,324	2,230,902
Restricted	320,738	15,349,467		44,856,228	60,526,433
Committed	1,235,078			8,924,377	10,159,455
Assigned	10,993,484			4,414,547	15,408,031
Unassigned	15,679,786				15,679,786
<b>Total Fund Balances</b>	<b><u>30,381,664</u></b>	<b><u>15,349,467</u></b>		<b><u>58,273,476</u></b>	<b><u>104,004,607</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$35,914,690</u></b>	<b><u>\$18,140,264</u></b>	<b><u>\$4,751,261</u></b>	<b><u>\$76,311,560</u></b>	<b><u>\$135,117,775</u></b>

See accompanying notes to financial statements



CITY OF VALLEJO  
 Reconciliation of  
 GOVERNMENTAL FUND BALANCES  
 with  
 GOVERNMENTAL NET POSITION  
 JUNE 30, 2017

Total fund balances reported on the governmental funds balance sheet \$104,004,607

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 329,651,535

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	\$24,355,015	
Accounts receivable	42,992	
Materials, parts, and supplies	178,841	
Due from other funds	1,829,635	
Capital assets	6,023,300	
Accounts payable	(195,670)	
Claims payable	(15,491,000)	
Net pension liability and pension-related deferred outflows/inflows of resources	(2,490,355)	
Employee benefits payable	<u>(10,633,178)</u>	3,619,580

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 14,412,424

LONG-TERM LIABILITIES

The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(17,085,729)	
Net pension liability and pension-related deferred outflows/inflows of resources	(208,372,179)	
Interest payable	(139,682)	
Compensated absences	<u>(11,000,429)</u>	

NET POSITION OF GOVERNMENTAL ACTIVITIES \$215,090,127

See accompanying notes to financial statements

CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	General	Housing Authority	Vallejo Station	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes, including Measure B	\$73,966,738			\$1,455,681	\$75,422,419
Licenses, permits, and fees	3,289,299			745,517	4,034,816
Fines and forfeitures	1,569,829			35,686	1,605,515
Intergovernmental	12,265,596	\$20,858,684	\$3,363,472	7,118,719	43,606,471
Use of money and property	1,330,609	488,684		1,559,600	3,378,893
Charges for services	9,975,659			10,282,340	20,257,999
Other	608,991	53,626		341,824	1,004,441
<b>Total Revenues</b>	<b>103,006,721</b>	<b>21,400,994</b>	<b>3,363,472</b>	<b>21,539,367</b>	<b>149,310,554</b>
<b>EXPENDITURES</b>					
Current:					
Legislative and advisory	298,748				298,748
Executive	2,758,675				2,758,675
Finance	2,047,751				2,047,751
Human resources	1,023,566				1,023,566
Law	1,272,095			803	1,272,898
Development services	2,379,777			576,183	2,955,960
Community development	2,474,768	21,037,924		2,992,760	26,505,452
Fire services	24,625,394			1,889,008	26,514,402
Police services	40,028,069			1,212,549	41,240,618
Public works	5,909,460			8,960,814	14,870,274
Non departmental	5,879,195				5,879,195
Capital outlay		6,668	3,363,472	7,956,780	11,326,920
Debt Service:					
Principal	101,464			862,465	963,929
Interest and fiscal agent fees				307,273	307,273
<b>Total Expenditures</b>	<b>88,798,962</b>	<b>21,044,592</b>	<b>3,363,472</b>	<b>24,758,635</b>	<b>137,965,661</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>14,207,759</b>	<b>356,402</b>		<b>(3,219,268)</b>	<b>11,344,893</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Note 3A)	18,625	52,446		7,225,444	7,296,515
Transfers out (Note 3A)	(8,722,062)	(1,680)		(2,006,779)	(10,730,521)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,703,437)</b>	<b>50,766</b>		<b>5,218,665</b>	<b>(3,434,006)</b>
<b>NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS</b>	<b>5,504,322</b>	<b>407,168</b>		<b>1,999,397</b>	<b>7,910,887</b>
<b>SPECIAL ITEMS</b>					
Elimination of loans to Successor Agency (Note 4I)	(871,177)				(871,177)
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,633,145</b>	<b>407,168</b>		<b>1,999,397</b>	<b>7,039,710</b>
<b>BEGINNING FUND BALANCES, as restated (Note 12E)</b>	<b>25,748,519</b>	<b>14,942,299</b>		<b>56,274,079</b>	<b>96,964,897</b>
<b>ENDING FUND BALANCES</b>	<b>\$30,381,664</b>	<b>\$15,349,467</b>		<b>\$58,273,476</b>	<b>\$104,004,607</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
Reconciliation of the  
NET CHANGE IN GOVERNMENTAL FUND BALANCES  
with the  
CHANGE IN GOVERNMENT NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of 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 \$7,039,710

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.

The capital outlay and other capital expenditures are therefore added back to fund balance 6,752,724

Depreciation expense is deducted from the fund balance  
(Depreciation expense is net of internal service fund depreciation of \$1,264,001 which has already been allocated to serviced funds) (8,863,271)

Assets transferred from Successor Agency are added to fund balance 2,789,814

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 963,929

Interest accrued to principal is deducted from fund balance (143,228)

ACCRUAL OF 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):

Interest payable 12,051

Unavailable revenue (2,348,821)

Compensated absences 364,511

Net pension liability and pension-related deferred outflows/inflows of resources (3,182,105)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds 5,551,171

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$8,936,485

See accompanying notes to financial statements

CITY OF VALLEJO  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$70,106,225	\$72,539,537	\$73,966,738	\$1,427,201
Licenses, permits and fees	2,555,352	2,799,541	3,289,299	489,758
Fines and forfeitures	1,233,000	1,343,530	1,569,829	226,299
Intergovernmental	12,052,490	12,534,073	12,265,596	(268,477)
Use of money and property	1,366,109	1,463,211	1,330,609	(132,602)
Charges for services	8,792,545	9,097,342	9,975,659	878,317
Other	350,500	350,500	608,991	258,491
Total Revenues	96,456,221	100,127,734	103,006,721	2,878,987
EXPENDITURES:				
Current:				
Legislative and advisory	341,960	382,460	298,748	83,712
Executive	3,073,445	3,114,224	2,758,675	355,549
Finance	1,875,442	1,948,393	2,047,751	(99,358)
Human resources	1,293,077	1,388,391	1,023,566	364,825
Law	1,360,981	1,367,335	1,272,095	95,240
Development services	2,579,383	2,710,659	2,379,777	330,882
Community development	2,802,868	2,634,643	2,474,768	159,875
Fire services	24,322,912	24,512,472	24,625,394	(112,922)
Police services	42,993,849	44,048,034	40,028,069	4,019,965
Public works	6,344,531	7,373,193	5,909,460	1,463,733
Non departmental	3,444,978	6,894,207	5,879,195	1,015,012
Debt service				
Principal	101,464	101,464	101,464	
Total Expenditures	90,534,890	96,475,475	88,798,962	7,676,513
EXCESS REVENUES OVER EXPENDITURES	5,921,331	3,652,259	14,207,759	10,555,500
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets				
Transfers in	20,990	64,771	18,625	(46,146)
Transfers (out)	(7,323,611)	(9,605,614)	(8,722,062)	883,552
Total other financing sources (uses)	(7,302,621)	(9,540,843)	(8,703,437)	837,406
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	(1,381,290)	(5,888,584)	5,504,322	11,392,906
SPECIAL ITEM				
Elimination of loans to Successor Agency			(871,177)	(871,177)
NET CHANGE IN FUND BALANCES	(\$1,381,290)	(\$5,888,584)	4,633,145	\$10,521,729
Fund balance, July 1			25,748,519	
Fund balance, June 30			\$30,381,664	

See accompanying notes to financial statements

CITY OF VALLEJO  
HOUSING AUTHORITY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, AND EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$19,791,970	\$23,080,500	\$20,858,684	(\$2,221,816)
Use of money and property	10,300	133,045	488,684	355,639
Other	<u>57,300</u>	<u>57,300</u>	<u>53,626</u>	<u>(3,674)</u>
Total Revenues	<u>19,859,570</u>	<u>23,270,845</u>	<u>21,400,994</u>	<u>(1,869,851)</u>
EXPENDITURES:				
Current:				
Community development	21,009,549	24,250,525	21,037,924	3,212,601
Capital outlay			<u>6,668</u>	<u>(6,668)</u>
Total Expenditures	<u>21,009,549</u>	<u>24,250,525</u>	<u>21,044,592</u>	<u>3,205,933</u>
EXCESS REVENUES OVER EXPENDITURES	<u>(1,149,979)</u>	<u>(979,680)</u>	<u>356,402</u>	<u>1,336,082</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		52,446	52,446	
Transfers (out)			<u>(1,680)</u>	<u>(1,680)</u>
Total other financing sources (uses)		<u>52,446</u>	<u>50,766</u>	<u>(1,680)</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,149,979)</u>	<u>(\$927,234)</u>	407,168	<u>\$1,334,402</u>
Fund balance, July 1			<u>14,942,299</u>	
Fund balance, June 30			<u>\$15,349,467</u>	

See accompanying notes to financial statements



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**CITY OF VALLEJO, CALIFORNIA**

**MAJOR PROPRIETARY FUNDS**

The City reported all enterprise funds as major funds in fiscal 2017.

**WATER FUND** is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

**MARINA FUND** is used to account for the operations, improvement and management of the City marina operations.

**GOLF FUND** is used to account for the capital assets of the City's municipal golf course and the course operator's pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

**VALLEJO STATION PARKING FUND** is used to account for the operations, maintenance and management of the Vallejo Station Parking Structure.

**FIBER OPTIC FUND** is used to account for the operations, maintenance, and distribution of bandwidth and retail internet services through the City's fiber optic network.

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 2)	\$21,142,146	\$1,117,225	\$751,738
Accounts receivable	7,503,049	26,563	
Due from other governments		31,382	
Materials, parts and supplies	971,731	13,328	111,429
Prepays	101,402		28,503
Due from other funds (Note 3B)			
Total current assets	<u>29,718,328</u>	<u>1,188,498</u>	<u>891,670</u>
Noncurrent assets:			
Restricted cash and investments held with fiscal agent (Note 2)	5,258,610		
Notes receivable (Note 4)	2,857,880		
Capital assets (Note 5):			
Nondepreciable	5,227,751	10,736,670	1,491,400
Depreciable, net	<u>85,843,820</u>	<u>1,495,794</u>	<u>4,071,310</u>
Total noncurrent assets	<u>99,188,061</u>	<u>12,232,464</u>	<u>5,562,710</u>
Total assets	<u>128,906,389</u>	<u>13,420,962</u>	<u>6,454,380</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt (Note 6)	879,314		
Related to pensions (Note 10)	4,884,951	113,042	
Total deferred outflows of resources	<u>5,764,265</u>	<u>113,042</u>	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,451,022	47,758	349,725
Accrued interest payable	384,117	54,482	29,579
Unearned revenue	190,276	37,393	
Deposits payable	3,419,849	122,385	
Claims payable, current (Note 13)			
Employee benefits payable, current (Note 9)	969,314	12,307	
Long-term debt, due within one year (Note 6)	<u>2,833,352</u>	<u>579,147</u>	<u>295,508</u>
Total current liabilities	<u>9,247,930</u>	<u>853,472</u>	<u>674,812</u>
Long-term liabilities:			
Long-term debt, due in more than one year (Note 6)	45,280,967	13,119,948	6,858,508
Advance from other funds (Note 3C)			
Claims payable, noncurrent (Note 13)			
Employee benefits payable, noncurrent (Notes 9)	238,901		
Net pension liability (Note 10)	<u>29,808,531</u>	<u>683,576</u>	
Total noncurrent liabilities	<u>75,328,399</u>	<u>13,803,524</u>	<u>6,858,508</u>
Total Liabilities	<u>84,576,329</u>	<u>14,656,996</u>	<u>7,533,320</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions (Note 10)	<u>290,439</u>	<u>7,112</u>	
<b>NET POSITION (DEFICIT) (Note 12)</b>			
Net investment in capital assets	43,836,566	(1,466,631)	(1,591,306)
Restricted for debt service	5,258,610		
Unrestricted	<u>708,710</u>	<u>336,527</u>	<u>512,366</u>
Total Net Position (Deficit)	<u>\$49,803,886</u>	<u>(\$1,130,104)</u>	<u>(\$1,078,940)</u>

See accompanying notes to financial statements



<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental</u>
<u>Vallejo Station</u>	<u>Fiber Optic</u>	<u>Totals</u>	<u>Activities-</u>
<u>Parking</u>			<u>Internal Service</u>
			<u>Funds</u>
\$605,664	\$830,000	\$24,446,773	\$24,355,015
19,442		7,549,054	42,992
		31,382	
		1,096,488	178,841
		129,905	
			<u>1,829,635</u>
<u>625,106</u>	<u>830,000</u>	<u>33,253,602</u>	<u>26,406,483</u>
		5,258,610	
		2,857,880	
		17,455,821	
		<u>91,410,924</u>	<u>6,023,300</u>
		116,983,235	6,023,300
<u>625,106</u>	<u>830,000</u>	<u>150,236,837</u>	<u>32,429,783</u>
		879,314	
<u>60,437</u>		<u>5,058,430</u>	<u>353,491</u>
<u>60,437</u>		<u>5,937,744</u>	<u>353,491</u>
33,520	16,371	1,898,396	195,670
		468,178	
		227,669	
		3,542,234	
			3,228,594
7,252		988,873	246,678
		<u>3,708,007</u>	
<u>40,772</u>	<u>16,371</u>	<u>10,833,357</u>	<u>3,670,942</u>
	830,000	65,259,423	
		830,000	12,262,406
		238,901	10,386,500
<u>341,139</u>		<u>30,833,246</u>	<u>2,819,477</u>
<u>341,139</u>	<u>830,000</u>	<u>97,161,570</u>	<u>25,468,383</u>
<u>381,911</u>	<u>846,371</u>	<u>107,994,927</u>	<u>29,139,325</u>
<u>2,719</u>		<u>300,270</u>	<u>24,369</u>
		40,778,629	6,023,300
		5,258,610	
<u>300,913</u>	<u>(16,371)</u>	<u>1,842,145</u>	<u>(2,403,720)</u>
<u>\$300,913</u>	<u>(\$16,371)</u>	<u>\$47,879,384</u>	<u>\$3,619,580</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
<b>OPERATING REVENUES</b>			
Charges for services	\$33,251,174	\$1,296,447	\$2,421,169
Other	28,819	30,830	143,130
Total operating revenues	<u>33,279,993</u>	<u>1,327,277</u>	<u>2,564,299</u>
<b>OPERATING EXPENSES</b>			
Operations expenses	19,116,374	1,734,318	1,270,999
General and administrative	8,601,682	12,905	1,392,811
Insurance and claims			
Depreciation	<u>5,394,124</u>	<u>60,816</u>	<u>461,822</u>
Total operating expenses	<u>33,112,180</u>	<u>1,808,039</u>	<u>3,125,632</u>
Operating income (loss)	<u>167,813</u>	<u>(480,762)</u>	<u>(561,333)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	61,549	1,620	574
Intergovernmental revenue		123,279	
Gain on sale of capital assets			
Interest expense and fiscal charges	<u>(2,411,707)</u>	<u>(265,529)</u>	<u>(140,517)</u>
Total nonoperating revenues (expenses)	<u>(2,350,158)</u>	<u>(140,630)</u>	<u>(139,943)</u>
Income (loss) before contributions and transfers	(2,182,345)	(621,392)	(701,276)
Capital grants and contributions	3,374,785		
Transfers in (Note 3A)	<u>482,028</u>	<u>1,191,548</u>	<u>789,641</u>
Change in net position	1,674,468	570,156	88,365
BEGINNING NET POSITION (DEFICIT)	<u>48,129,418</u>	<u>(1,700,260)</u>	<u>(1,167,305)</u>
ENDING NET POSITION (DEFICIT)	<u>\$49,803,886</u>	<u>(\$1,130,104)</u>	<u>(\$1,078,940)</u>

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
Vallejo Station Parking	Fiber Optic	Totals	
\$780,818		\$37,749,608	\$16,698,066
		202,779	40,181
780,818		37,952,387	16,738,247
362,496	\$16,371	22,500,558	6,998,985
416,965		10,424,363	3,919,656
		5,916,762	1,264,001
779,461	16,371	38,841,683	12,182,642
1,357	(16,371)	(889,296)	4,555,605
994		64,737	125,925
		123,279	89,852
		(2,817,753)	
994		(2,629,737)	215,777
2,351	(16,371)	(3,519,033)	4,771,382
		3,374,785	
191,000		2,654,217	779,789
193,351	(16,371)	2,509,969	5,551,171
107,562		45,369,415	(1,931,591)
\$300,913	(\$16,371)	\$47,879,384	\$3,619,580

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Golf</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$30,162,602	\$1,320,781	\$2,568,999
Payments to suppliers	(19,195,017)	(1,778,759)	(2,840,238)
Payments to or on behalf of employees	(8,658,571)	(9,619)	
Claims paid			
Cash Flows from Operating Activities	<u>2,309,014</u>	<u>(467,597)</u>	<u>(271,239)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund receipts (payments)	482,028	1,191,548	789,641
Intergovernmental receipts (payments)		117,744	
Cash Flows from Noncapital Financing Activities	<u>482,028</u>	<u>1,309,292</u>	<u>789,641</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets			
Acquisition of capital assets	(3,300,427)		
Principal payments on capital debt	(2,706,159)	(576,619)	(238,301)
Interest paid	(2,477,330)	(123,381)	(117,565)
Capital grants and contributions	3,374,785		
Cash Flows from Capital and Related Financing Activities	<u>(5,109,131)</u>	<u>(700,000)</u>	<u>(355,866)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	61,549	1,620	574
Cash Flows from Investing Activities	<u>61,549</u>	<u>1,620</u>	<u>574</u>
Net Cash Flows	(2,256,540)	143,315	163,110
Cash and investments at beginning of period	<u>28,657,296</u>	<u>973,910</u>	<u>588,628</u>
Cash and investments at end of period	<u>\$26,400,756</u>	<u>\$1,117,225</u>	<u>\$751,738</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows</b>			
from Operating Activities:			
Operating income (loss)	\$167,813	(\$480,762)	(\$561,333)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	5,394,124	60,816	461,822
Loss on retirement of capital assets	187,871		
Change in assets and liabilities:			
Receivables, net	(973,414)	(8,757)	4,700
Inventory and prepaids	(55,520)	(621)	(19,651)
Other assets	(2,831,845)		
Accounts payable and other accrued expenses	(73,096)	(53,905)	(156,777)
Employee benefits payable	(56,889)	3,286	
Net pension liability and deferred outflows/inflows of resources related to pensions	(137,898)	10,085	
Deposits payable	501,447	7,431	
Unearned revenue	186,421	(5,170)	
Claims payable			
Cash Flows from Operating Activities	<u>\$2,309,014</u>	<u>(\$467,597)</u>	<u>(\$271,239)</u>
<b>Non cash transactions:</b>			
Accreted interest		<u>(\$149,356)</u>	<u>(\$26,556)</u>
Amortization of bond premium	<u>\$143,991</u>		
Retirement of capital assets, net	<u>(\$187,871)</u>		

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds

<u>Vallejo Station Parking</u>	<u>Fiber Optic</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$779,867		\$34,832,249	\$16,741,233
(375,199)		(24,189,213)	(2,130,162)
(414,580)		(9,082,770)	(9,504,344)
			(4,742,656)
<u>(9,912)</u>		<u>1,560,266</u>	<u>364,071</u>
191,000	830,000	3,484,217	779,789
		117,744	3,306,840
<u>191,000</u>	<u>830,000</u>	<u>3,601,961</u>	<u>4,086,629</u>
			89,852
		(3,300,427)	(3,740,697)
		(3,521,079)	
		(2,718,276)	
		3,374,785	
		<u>(6,164,997)</u>	<u>(3,650,845)</u>
994		64,737	125,925
<u>994</u>		<u>64,737</u>	<u>125,925</u>
182,082	830,000	(938,033)	925,780
423,582		30,643,416	23,429,235
<u>\$605,664</u>	<u>\$830,000</u>	<u>\$29,705,383</u>	<u>\$24,355,015</u>
\$1,357	(\$16,371)	(\$889,296)	\$4,555,605
		5,916,762	1,264,001
		187,871	
(951)		(978,422)	13,385
		(75,792)	
		(2,831,845)	(7,201)
2,047	16,371	(265,360)	(2,922,168)
2,385		(51,218)	(1,772,157)
(14,750)		(142,563)	55,606
		508,878	
		181,251	
			(823,000)
<u>(\$9,912)</u>		<u>\$1,560,266</u>	<u>\$364,071</u>
		<u>(\$175,912)</u>	
		<u>\$143,991</u>	
		<u>(\$187,871)</u>	



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**CITY OF VALLEJO, CALIFORNIA**

**FIDUCIARY FUNDS**

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

The City uses Agency Funds to account for its Improvement District and Assessment District funds. These funds account for the annual collection of assessments and disbursements to district bond holders for debt without City commitment.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used to make payments that are on the Enforceable Obligations Schedule and to dispose of assets and property of the former Redevelopment Agency for the benefit of the taxing agencies.

CITY OF VALLEJO  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2017

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<b>ASSETS</b>		
Cash and investments (Note 2)	\$3,811,461	\$1,110,563
Restricted cash and investments held with fiscal agent (Note 2)	3,699,040	1,105,382
Notes and loans receivables (Note 15A)		40,000
Capital assets (Note 15B):		
Nondepreciable		650,962
Depreciable, net of accumulated depreciation		69,080
	<u>\$7,510,501</u>	<u>2,975,987</u>
<b>Total Assets</b>	<u>\$7,510,501</u>	<u>2,975,987</u>
<b>LIABILITIES</b>		
Account payable and accrued liabilities		51
Accrued interest payable		109,802
Long-term debt, due within one year (Note 15C)		820,000
Long-term debt, due in more than one year (Note 15C)		11,003,306
Due to property owners	\$41,487	
Due to bondholders	7,469,014	
	<u>\$7,510,501</u>	<u>11,933,159</u>
<b>Total Liabilities</b>	<u>\$7,510,501</u>	<u>11,933,159</u>
<b>NET POSITION</b>		
Held in trust for other purposes		<u>(\$8,957,172)</u>

See accompanying notes to financial statements



CITY OF VALLEJO  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <hr style="border: 0.5px solid black;"/>
<b>ADDITIONS</b>	
Taxes	\$1,425,825
Use of money and property	2,746
	<hr style="border: 0.5px solid black;"/>
Total Additions	1,428,571
	<hr style="border: 0.5px solid black;"/>
<b>DEDUCTIONS</b>	
Community development	401,065
Depreciation	5,827
Debt service:	
Interest and fiscal agent fees	445,947
	<hr style="border: 0.5px solid black;"/>
Total Deductions	852,839
	<hr style="border: 0.5px solid black;"/>
Change in Net Position before Special Items	575,732
Special items:	
Assets transferred to the City (Note 15B)	(2,789,814)
Elimination of loans from the City (Note 15C)	3,215,749
	<hr style="border: 0.5px solid black;"/>
<b>CHANGE IN NET POSITION</b>	1,001,667
Net position (deficit), beginning	(9,958,839)
	<hr style="border: 0.5px solid black;"/>
Net position (deficit), ending	(\$8,957,172)
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See accompanying notes to financial statements



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**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Financial Reporting Entity***

The City was incorporated in 1868 as a charter City, with a Council-Manager form of Government, and provides all municipal services, excluding garbage disposal and electricity.

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.

The City's component units are described below:

- Housing Authority of the City of Vallejo (Blended Component Unit)
- Marine World Joint Powers Authority (Blended Component Unit)
- Parking Authority of the City of Vallejo (Blended Component Unit)
- Public Financing Authority of the City of Vallejo (Blended Component Unit)
- Empress Investment Fund, LLC (EIF) (Blended Component Unit)
- Vallejo Sanitation and Flood Control District (Discrete Component Unit)
- Vallejo Sanitation and Flood Control District Financing Corporation (Discrete Component Unit)

Additional financial information for each of these entities can be obtained from the Finance Department City of Vallejo, 555 Santa Clara Street, Vallejo, CA 94590.

**PRIMARY GOVERNMENT**

The financial statements of the primary government of the City of Vallejo include the activities of the City as well as the Housing Authority of the City of Vallejo, the Marine World Joint Powers Authority, the Parking Authority of the City of Vallejo, the Public Financing Authority of the City of Vallejo and the Empress Investment Fund LLC, all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their 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 Housing Authority of the City of Vallejo** -- was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and mortgage revenue bond programs. On February 1, 2012, the Housing Authority also elected to assume the responsibilities of the Housing Successor for the low/moderate income housing programs of the former Redevelopment Agency. The Housing Authority is governed by a Board of Commissioners composed of the City Council members and two tenants of the Housing Authority. The operations of the Housing Authority are reported in the Housing Authority Special Revenue Fund. Management of the City has operational responsibility for the Authority. Separate financial statements for the Housing Authority may be obtained by contacting the office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**The Marine World Joint Powers Authority** — was formed in October 1996, pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California for the purpose of assuming ownership of the Marine World Africa USA theme park from the Marine World Foundation. The City Council is the governing body of the Marine World JPA. The City has full accountability for the Authority's fiscal affairs. The Authority had no activity and had no assets or liabilities during the year ended June 30, 2017. The Authority does not issue separate financial statements.

**The Parking Authority of the City of Vallejo** — was formed in May 1975, pursuant to the provisions of California statutes. Operations of the Parking Authority began in May 1977, with the execution of a joint powers agreement with the City. The purpose of this agreement was to provide the acquisition, construction, financing and operation of parking facilities in the downtown area of the City. The City Council is the governing board of the Parking Authority. The City has full accountability for the Authority's fiscal affairs. The Authority's parcels of land had a carrying value of \$72,800 as of June 30, 2017. The Authority is inactive and had no activity during the year ended June 30, 2017. The Authority does not issue separate financial statements.

**The Public Financing Authority of the City of Vallejo** — was formed in July 1990. The primary purpose of the Financing Authority is to provide financing for City projects. The City Council is the governing board of the Financing Authority. The City has full accountability for the Authority's fiscal affairs. The activities of the Authority are blended with the Certificates of Participation Debt Service Fund, Marina Enterprise Fund and Golf Enterprise Fund. The Authority does not issue separate financial statements.

**The Empress Investment Fund, LLC (EIF)** — is a limited liability corporation formed in 2007 to leverage New Market Tax Credits as a source of additional private investment in the historic Empress Theater (Theater). After seven years, in October 2014, the tax credit program matured and the private investor exercised its put option which transferred ownership of the EIF to the Successor Agency. In 2017, ownership of the EIF was transferred by the Successor Agency to the City.

The Empress Theater property is owned, leased, and operated through a series of limited liability corporations. Through the EIF, the City holds 100% ownership of the Empress Theater Master Tenant, LLC (ETMT), which in turn holds a 49% ownership position in Empress Theater Associates, LLC, (ETA). ETA holds title to the Empress Theater property.

**DISCRETELY PRESENTED COMPONENT UNITS**

**Vallejo Sanitation and Flood Control District (VSFCD)** — was created by an act of the California legislature and began operations in April 1952. The purpose of the Act was to give autonomous authority to VSFCD to provide for the collection, treatment and disposal of wastewater and to control and dispose of storm waters. From 1993 to 1999 VSFCD was part of the City's operations. Commencing July 1, 1999 the VSFCD became a separate district from the City. The Board now consists of the seven elected City Council members and one member appointed by the Solano County Board of Supervisors. Although the City Council exercises control over the Board of VSFCD, there is no operational responsibility or financial benefit or burden relationship with the primary government.

Separate financial statements for VSFCD may be obtained by contacting 450 Ryder Street, Vallejo, CA 94590.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**Vallejo Sanitation and Flood Control District Financing Corporation (VSFCDFC)** — is a non-profit public benefit corporation organized in July 1993, under the laws of the State of California for the purpose of assisting the VSFCDFC in funding certain projects and other matters relating to the purpose of VSFCDFC. Members of the Board for VSFCDFC serve as Directors of the VSFCDFC. The activities of the VSFCDFC are blended with the VSFCDFC and separate financial statements are not prepared for the VSFCDFC.

**B. Basis of Presentation**

These *Basic Financial Statements* are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The City's financial position and results of operations are presented from two perspectives in the following two sets of financial statements:

**Government-wide Statements:** The government-wide financial statements, including the *Statement of Net Position* and the *Statement of Activities*, report the financial activities of the primary government (the City) and its blended and discretely presented component units, using an 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.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City, which are custodial in nature, are not included in these statements and are presented separately. Eliminations have been made to minimize the double counting of internal activities. All internal balances in the *Statement of Net Position* have been eliminated except those representing balances between the governmental and business-type activities.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the City. Direct expenses are those that are specifically associated with a program or function. Certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) operating grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) capital fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

The City may pay for its 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.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**Fund Financial Statements:** In addition to the government-wide statements described above, the City also presents *Fund Financial Statements*. The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. The City accounts for its operations in governmental, proprietary and fiduciary funds, which include the following categories:

**Governmental Funds:**

General Fund – To account for resources traditionally associated with general government operations of the City, including Measure B Transaction tax and the related expenditures, and pre-1990 Successor Agency loans and the related revenues, that are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to be expended for specified purposes.

Debt Service Funds – To account for the servicing of long-term debt not being financed by business-type funds.

Capital Projects Funds– To account for the acquisition and construction of capital improvements.

Permanent Funds - To account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs — that is, for the benefit of the government or its citizenry.

**Proprietary Funds:**

Enterprise Funds – To account for operations that are financed substantially through user fees and are operated in a manner similar to private business enterprises.

Internal Service Funds – To account for the financing of goods and services provided by one City department to other departments on a cost reimbursement basis.

**Fiduciary Funds:**

Agency Funds – To account for assets held by the City as an agent for third parties such as bonded assessment districts.

Trust Funds – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Vallejo 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. As discussed in Note 15, all California redevelopment agencies were dissolved as of January 31, 2012 and replaced with Successor Agencies responsible for winding down the affairs of the redevelopment agencies including disposing of their assets. This fund continues payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies.

The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**C. Basis of Accounting**

The government-wide, proprietary, 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:** Governmental funds are used to report the majority of the City's programs. These funds are reported in the *Fund Financial Statements* on the modified accrual basis of accounting, with a focus on current financial resources. This basis differs from the accrual basis of accounting used to report the government-wide financial statements and proprietary and fiduciary fund financial statements.

Revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Revenues susceptible to accrual include taxes, intergovernmental revenues, charges for services and interest revenue. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include 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.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences and claims payable, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**Proprietary Funds:** The proprietary funds of the City are reported on the accrual basis of accounting in the *Fund Financial Statements*. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

**D. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of items that qualify for reporting in this category. An unamortized loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows of resources related to pensions as discussed in Note 10.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

In addition to liabilities, the statement of net position or balance sheet reports 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 type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from accounts receivable, inter-agency reimbursements and notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has one type of item, which arises only under the full-accrual basis of accounting that is reported in this category, which are deferred inflows of resources related to pensions as discussed in Note 10.

**E. Major Funds**

The *Fund Financial Statements* focus on the individual *major* funds of the City, each of which is displayed in a separate column, and the aggregate of remaining funds, which are labeled as *non-major* funds. *Major* funds are defined as funds with assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, expenditures, or expenses equal to ten percent of their fund-type total, and five percent of the grand total, or other funds of reporting significance.

The City reports the following major governmental funds in the accompanying *Fund 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.

**Housing Authority Special Revenue Fund** - is used to account for monies received and expended on housing assistance to low and moderate income families and the assets and liabilities assumed from the Housing Fund of the Former Redevelopment Agency upon the dissolution as of February 1, 2012. Funds are provided by receipts from the Federal Section 8 Housing and Urban Development (HUD) programs.

**Vallejo Station Capital Projects Fund** - accounts for grants received to support construction of a new Transit Center and related parking structure in downtown Vallejo.

The City reports all its enterprise funds as major funds in the accompanying *Fund Financial Statements*:

**Water Fund** – is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

**Marina Fund** – is used to account for the operations, improvement and management of the City marina operations.

**Golf Fund** – is used to account for the capital assets of the City's municipal golf course and the course operator's pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

**Vallejo Station Parking Fund** –is used to account for the operations, maintenance and management of the Vallejo Station Parking Structure.

**Fiber Optic Fund** – is used to account for the operations, maintenance, and distribution of bandwidth and retail internet services throughout the City's fiber optic network.



**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

The City also reports the following fund types:

**Internal Service Funds:** These funds account for equipment maintenance and replacement; employee benefits plans; and for workers' compensation, unemployment self-insurance, general liability self-insurance, and property insurance coverage; all of which are provided to other departments on a cost-reimbursement basis. Revenues are recognized based on cycle billings rendered to customers.

**Fiduciary Funds:** Trust funds account for assets held by the City as an agent for various functions. Agency funds are used to account for assets held by the City as an agent for the bondholders of the improvement and assessment land-based debt districts within the City. 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 these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**F. Budgeting Procedures**

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

The City Charter requires the City Manager to submit to the City Council a proposed operating budget by May 17<sup>th</sup> for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the financing sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Level of Budgetary Control - Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and c) Capital Projects – Department level. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund.

Budget Amendments - City Council authorization is required to transfer appropriations between General Fund departments, or between funds. City Council authorization is also required to establish or amend capital project budgets. The Budget may be amended at such times as the City Council may deem necessary, in accordance with the requirements and procedures contained in the City Charter and Municipal Code.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

Expenditures in Excess of Budget

The General Fund had departmental expenditures in excess of budget as follows:

<b>General Fund:</b>	
Finance	\$99,358
Fire Services	112,922

Sufficient resources were available within the fund to finance these excesses.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**G. *Encumbrance Accounting***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as a component of restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

**H. *Property Tax Revenues***

Solano County assesses properties and bills, collects, and distributes property taxes to the City. 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 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on January 1. It becomes delinquent after 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.

**I. *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 VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

***J. Materials, Parts, and Supplies***

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies which are held for future use. General Fund supplies are recorded as an expenditure at the time individual supply items are consumed.

VSFCD supplies inventories are valued at cost and follow a first-in-first-out (FIFO) flow. This flow approximates market because ending inventory consists of the most recent items purchased. Inventories are recorded as expenses when consumed rather than when purchased.

***K. Land Held for Redevelopment***

Land held for redevelopment is stated at the lower of historical cost or net realizable value, if estimable. Net realizable value equals the agreed-upon sales price when a disposition agreement has been reached with a developer.

***L. Prepaids***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***M. 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.

***N. New Fund and Inactive Fund***

In fiscal year 2017, the City established the Fiber Optic Enterprise Fund, for the purpose of reporting monies received and used to operate, maintain, and distribute bandwidth and retail internet services through the City's fiber optic network.

The Fire Station #7 Capital Projects Fund did not have any activity in fiscal year 2017 and was closed as of July 1, 2016. However, the Fund is expected to have activity in the future.

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**NOTE 2 – CASH AND INVESTMENTS**

*A. Administration*

Investments are administered separately by the City and by its blended component unit, the Housing Authority of the City of Vallejo, and by the discrete component unit, the VSFCD. The respective cash and investment positions as of June 30, 2017 for each of these legal entities is as follows:

	Primary Government		Fiduciary	Subtotal	Discrete	Total
	City	Housing	Funds		Component Unit	
Cash on hand	\$13,460	\$450		\$13,910	\$3,403,700	\$3,417,610
Deposits	3,884,978	3,832,709		7,717,687		7,717,687
Investments	130,127,813	752,472	\$9,726,446	140,606,731	39,782,607	180,389,338
	<u>\$134,026,251</u>	<u>\$4,585,631</u>	<u>\$9,726,446</u>	<u>\$148,338,328</u>	<u>\$43,186,307</u>	<u>\$191,524,635</u>

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

**B. Classification**

Cash and investments are classified in the financial statements as shown below:

Reported on the Statement of Net Position

**Primary Government:**

Cash and investments:

These balances are available for operations of the City's various programs and funds subject to their respective grant, fee, assessment, contract, or other restrictions.

City		
General Fund, including Measure B	\$22,251,332	
Other funds	103,218,667	
Total, City		\$125,469,999
Housing Authority		4,585,631
		130,055,630

Restricted cash and investments (held by fiscal agents):

These balances are held by the City or third party fiscal agents pursuant to debt covenants or other agreements.

City		8,556,252
Subtotal Primary Government cash and investments		138,611,882

**Discrete Component Unit (VSFCD):**

Cash and investments 35,819,106

Restricted cash and investments (held by fiscal agents):

These balances are held by third party fiscal agents pursuant to debt covenants or other agreements.

Subtotal Component Unit cash and investments	7,367,201	43,186,307
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Reported on the Statement of Fiduciary Net Position

Agency Funds		
Cash and investments	3,811,461	
Restricted investments (held by fiscal agents)	3,699,040	
Total, Agency Funds		7,510,501
Successor Agency to the Redevelopment Agency		
Private-Purpose Trust Fund		
Cash and investments	1,110,563	
Restricted investments (held by fiscal agents)	1,105,382	
Total, Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund		2,215,945
Subtotal Fiduciary Funds cash and investments		9,726,446
Total cash and investments		\$191,524,635

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

**C. Policies**

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools idle cash from all sources and all funds, except Cash with Fiscal Agents, Housing Authority, and the VSFCF, so that it can be invested to achieve a reasonable rate of return, consistent with safety and liquidity.

Cash receipts and disbursements, including payroll, are processed by City staff which administers activities for the following separate legal entities: the City, the Successor Agency to the Redevelopment Agency, and the Housing Authority.

These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its blended component units pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2017, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds.

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 invests 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. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

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.

Cash and cash equivalents, including restricted cash, are considered to be liquid assets for purpose of measuring cash flows.

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

The City's Investment Policies and the California Government Code permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The tables below also identify certain provisions of the California Government Code, or Investment Policies if more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or investment policies.

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

City and Housing Authority

The City's investment policy and the California Government Code allow the City and the Housing Authority to invest in the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills, Bonds and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Agencies and Government Sponsored Enterprises	5 Years	No Limit	50%	No Limit
Repurchase Agreements	30 days	No Limit	20%	No Limit
Bankers Acceptances	180 days	No Limit	5%	\$1,000,000
Commercial Paper	270 days	Highest Rating	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 3 years or less	5 Years	A	30%	5%
Maturing in 3 to 5 years	5 Years	AA	30%	5%
Certificates of Deposit	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$65 million per account	No Limit
State of California or Local Agency Bonds	5 Years	A	10%	No Limit
Mutual Funds and Money Market Mutual Funds	On Demand	Highest Rating	10%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities or Collateralized Mortgage Obligations	5 Years	AAA	20%	No Limit
Local Government Investment Pools	On Demand	No Limit	No Limit	No Limit
Municipal Bonds of Other States	5 Years	AA	10%	5%

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

VSFCD

VSFCD's investment policy and the California Government Code allow the VSFCD to invest in the following investments:

Authorized Investment Type	Limits
United States Treasury Securities	None
Obligations of United States Government Agencies	None
Repurchase Agreements and Reverse Repurchase Agreements	Various
Negotiable Certificates of Deposits	30%
Bankers' Acceptances of U.S. Commercial Banks	40%
Commercial Paper of "Prime" Quality	15%
Corporate Medium Term Notes, rated AA or better	5% / 30%
10-Year Maturity Eligible Investments	10%
Shares in Beneficial Interest Money Market Funds, two AAA ratings	20%
State of California Local Agency Investment Fund	\$30 million

***E. Investments Authorized by Debt Agreements***

The City and VSFCD 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 reserves to be used if these entities fail to meet their obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with resolutions, bond indentures or State statutes. The table below identifies, by entity, the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements.



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

City Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	No Limit	No Limit	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Two highest ratings	No Limit	10%
Money Market Funds	No Limit	Prime-1/AA-m	No Limit	No Limit
Government Money Market Funds	360 days	Highest rating	No Limit	No Limit
Insured FDIC deposits	No Limit	No Limit	No Limit	No Limit
Interest-Bearing & Time Deposits – Banks or Savings and Loans or Mutual Savings Banks	No Limit	A-1	No Limit	No Limit
Bankers Acceptances	180 days	Two highest ratings	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Repurchase Agreements	180 days	A	No Limit	No Limit
Tax-Exempt Obligations	No Limit	Two highest ratings	No Limit	No Limit
Rated Investment Agreements and Contracts	No Limit	Three highest ratings	No Limit	No Limit
State (or Municipality) Bonds/Notes	No Limit	Two highest ratings	No Limit	No Limit
Local Agency Investment Fund	No Limit	No Limit	No Limit	No Limit
Local Government Investment Pools	No Limit	No Limit	No Limit	No Limit
Taxable Bonds	No Limit	A-1	No Limit	No Limit

**F. Interest Rate Risk**

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

Information about the sensitivity of the fair values of these investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of these investments by maturity date or earliest call date at June 30, 2017.

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

City and Housing Authority

Investment Type	Less than 1 year	1 - 3 years	3 - 5 years	Total
<b><i>Held by the City and its Blended Component Units:</i></b>				
U.S. Government Agencies	\$5,766,573	\$14,829,856	\$8,785,041	\$29,381,470
Asset Backed Securities	90,653	4,235,776	3,585,651	7,912,080
Commercial Paper	864,888			864,888
Corporate Medium Term Notes	6,597,110	9,601,195	1,598,581	17,796,886
U.S. Treasury Notes	2,339,411	18,985,674	7,630,095	28,955,180
California Local Agency Investment Fund:				
City	40,237,598			40,237,598
Housing Authority	752,472			752,472
Money Market Mutual Funds	258,286			258,286
Municipal Bonds		1,570,656		1,570,656
<b><i>Held by Fiscal Agents:</i></b>				
Money Market Mutual Funds	12,877,215			12,877,215
Total Investments	<u>\$69,784,206</u>	<u>\$49,223,157</u>	<u>\$21,599,368</u>	<u>\$140,606,731</u>

Money market funds are available for withdrawal on demand and at June 30, 2017, have an average maturity ranging from 37 to 69 days.

VSFCD

Investment Type	Less than 1 year	1 - 5 years	Total
U.S. Government Agencies	\$5,490,190	\$15,833,129	\$21,323,319
Corporate Notes and Bonds	776,003	1,747,893	2,523,896
Corporate Certificates of Deposit	240,014	1,732,080	1,972,094
California Local Agency Investment Fund	3,470,668		3,470,668
Money Market Funds	3,125,429		3,125,429
<b>Held by Trustee:</b>			
U.S. Treasury Notes	472,409		472,409
U.S. Government Agencies		2,601,967	2,601,967
Certificates of Deposit - Negotiable		1,025,366	1,025,366
Money Market Mutual Funds (U.S. Securities)	3,267,459		3,267,459
Total Investments	<u>\$16,842,172</u>	<u>\$22,940,435</u>	<u>\$39,782,607</u>

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

Local Agency Investment Fund

The City, the Housing Authority, and the VSFCDC are participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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, however, each account is limited to fifteen transactions per month. 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, 2017, these investments have an average maturity of 194 days.

**G. 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.

Presented below is the actual rating as of June 30, 2017 for each entity by investment type as provided by Moody's investment rating system.

City and Housing Authority

Investment Type	Aaa	AA1 to AA3	A1 to A3	Total
<b><i>Held by the City and its Blended Component Units:</i></b>				
U.S. Government Agencies				
Non-callable	\$29,381,470			\$29,381,470
Asset Backed Securities	7,912,080			7,912,080
Commercial Paper			\$864,888	864,888
Corporate Medium Term Notes	1,776,830	\$5,455,388	10,564,668	17,796,886
Money Market Mutual Funds	258,286			258,286
Municipal Bonds		1,570,656		1,570,656
<b><i>Held by Fiscal Agents:</i></b>				
Money Market Mutual Funds	12,877,215			12,877,215
Total rated investments	\$52,205,881	\$7,026,044	\$11,429,556	70,661,481
<b><i>Exempt:</i></b>				
U.S. Treasury Notes				28,955,180
<b><i>Not rated:</i></b>				
California Local Agency Investment Fund:				
City				40,237,598
Housing Authority				752,472
Total Investments				\$140,606,731

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

VSFCD

*Credit risk:* The California Government Code limits credit quality ratings to high investment grade. The District investment policy with respect to credit ratings follows the government code except for corporate medium-term notes that require ratings of AA or better. All of the District's investments in obligations of United States Government Agencies were rated Aaa by Moody's. Ratings for the District's corporate bonds ranged from Aa3 to Aa1 by Moody's and to NR for investments in Lehman Brothers in default. Investments in certificates of deposit (CD's) are FDIC insured. The LAIF investment pool is not rated, and the money market pools consisting of Dreyfus, Goldman Financial Square and Reich & Tang are rated AAA by both S&P and Moody's.

**H. 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 and Housing Authority

The following is a summary of the fair value hierarchy of the fair value of investments of the City and Housing Authority as of June 30, 2017:

	Level 1	Level 2	Total
<b>Investments by Fair Value Level:</b>			
U.S. Government Agencies		\$29,381,470	\$29,381,470
Asset Backed Securities		7,912,080	7,912,080
Commercial Paper		864,888	864,888
Corporate Medium Term Notes		17,796,886	17,796,886
U.S. Treasury Notes	\$28,955,180		28,955,180
Municipal Bonds		1,570,656	1,570,656
<b>Subtotal</b>	<b>\$28,955,180</b>	<b>\$57,525,980</b>	<b>86,481,160</b>
<b>Investments Measured at Amortized Cost:</b>			
Money Market Mutual Funds			258,286
Held with Trustee:			
Money Market Mutual Funds			12,877,215
<b>Investments Not Subject to Fair Value Hierarchy:</b>			
California Local Agency Investment Fund:			
City			40,237,598
Housing Authority			752,472
<b>Total Investments</b>			<b>\$140,606,731</b>

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

U.S. Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using IDC Institutional Bond Pricing. Asset Backed Securities, classified in Level 2 of the fair value hierarchy, are valued using IDC CMO pricing service. Commercial Paper, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques. Corporate Medium Term Notes, classified in Level 2 of the fair value hierarchy, are valued using IDC Institutional Bond Pricing. Municipal Bonds, classified in level 2 of the fair value hierarchy, are valued using JJ Kenny Municipal. These prices are obtained from various pricing sources by our custodian bank. Fair value is defined as the quoted market value on the last trading day of the period.

VSFCD

The following is a summary of the fair value hierarchy of the fair value of investments of the VSFCD as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
U.S. Government Agencies		\$21,323,319		\$21,323,319
Corporate Notes and Bonds		2,523,896		2,523,896
Corporate Certificates of Deposit		1,972,094		1,972,094
California Local Agency Investment Fund			\$3,470,668	3,470,668
Money Market Funds		3,125,429		3,125,429
Held by Trustee:				
U.S. Treasury Notes	\$472,409			472,409
U.S. Government Agencies		2,601,967		2,601,967
Certificates of Deposit - Negotiable		1,025,366		1,025,366
Money Market Mutual Funds (U.S. Securities)		3,267,459		3,267,459
<b>Total Investments</b>	<u>\$472,409</u>	<u>\$35,839,530</u>	<u>\$3,470,668</u>	<u>\$39,782,607</u>

U.S. Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using quoted prices in active markets. U.S. government agencies, corporate notes and bonds, certificates of deposit, and money market mutual funds, 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, exempt from the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

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

**I. Concentration Risk**

The City and the VSFCDC investment policies regarding the amount that can be invested in any one issuer are stipulated by the California Government Code. However, these entities are required to disclose investments that represent a concentration of 5% or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools.

At June 30, 2017, these entities' investments that represent a concentration of investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds or external investment parts, are set forth below.

City Concentration Risk

<u>Unit</u>	<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Entity-wide	Federal National Mortgage Association	U.S. Government Agencies	\$10,847,538
Entity-wide	Federal Home Loan Bank	U.S. Government Agencies	12,026,052

VSFCDC Concentration Risk

Of the VSFCDC's controllable portfolio at June 30, 2017, 16% was with Federal National Mortgage Association, 16% was with Federal Home Loan Mortgage Corporation, 20% was with Federal Home Loan Bank, and 11% was with Federal Farm Credit Banks. No other investments exceeded 5%.

**J. Custodial Credit Risk**

The custodial credit risk for cash deposits is the risk that, in the event of the failure of the financial institution holding the deposits, the depositor will not be able to recover the value of its deposits.

At June 30, 2017, the VSFCDC deposit and investment balances were exposed to custodial risk as follow:

Deposits - uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name	\$3,349,760
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**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
<b>General Fund, including Measure B</b>	Housing Authority Special Revenue Fund	\$52,446 (A)
	Water Enterprise Fund	482,028 (A)
	Marina Enterprise Fund	1,029,769 (B) (C) (D)
	Golf Enterprise Fund	789,641 (B) (C)
	Vallejo Station Parking Enterprise Fund	191,000 (B)
	Mare Island CFD 2002 Special Revenue Fund	11,444 (A)
	Landscape Maintenance Districts Special Revenue Fund	18,435 (A)
	Certificates of Participation Debt Service Fund	1,104,478 (C)
	Capital Outlay Capital Projects Fund	4,113,032 (B) (D) (E)
	Long-Term Maintenance Capital Projects Fund	100,000 (D)
	Empress Theater Capital Project Fund	50,000 (B)
	Fleet Maintenance/Replacement Internal Service Fund	29,789 (A)
	Insurance Internal Service Fund	750,000 (F)
	<b>Special Revenue Funds:</b>	
Housing Authority	Arts and Convention Center Fund	1,680 (G)
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	384,375 (D)
Asset Seizure	General Fund	14,500 (B)
Outside Services	General Fund	2,075 (H)
State Lands	Marina Enterprise Fund	161,779 (B)
Administrative Trust	General Fund	2,050 (H)
Emergency Disaster	Capital Outlay Capital Projects Fund	1,442,000 (D)
	<b>Total</b>	<u>\$10,730,521</u>

- (A) To fund the International Brotherhood of Electrical Workers (IBEW) Labor Union contract salary increase change.
- (B) To fund City operations.
- (C) To fund debt service payments.
- (D) To fund capital program projects.
- (E) To transfer technology surcharge fees to Capital Projects Fund.
- (F) To transfer amounts to reduce or eliminate fund deficits.
- (G) To fund affordable housing.
- (H) To transfer investment income from unrestricted funds to General Fund.

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**NOTE 3 – INTERFUND TRANSACTIONS (Continued)**

**B. Current Interfund Balances**

As of June 30, 2017, the City’s Insurance Internal Service Fund had provided short-term lending to the following funds with deficit cash positions. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of grant or other reimbursements.

	Due from Other Funds	Due to Other Funds
Special Revenue Funds:		
Community Development Block Grant		\$476,852
State Gas Tax		220,246
Office of Traffic Safety		21,976
Justice Assistance Grant		1,932
State Lands		11,382
Hazmat Revolving		10,000
Capital Projects Funds:		
Capital Grants and Contributions		717,025
Vallejo Station		370,222
Internal Service Fund:		
Insurance	\$1,829,635	
Total	\$1,829,635	\$1,829,635

**C. Long-Term Interfund Advances**

At June 30, 2017 the funds below made advances that are not expected to be repaid within the next year:

(Asset)	(Liability)	
Fund Making Advance	Funds Receiving Advance	Amount
General Fund	Fiber Optic Enterprise Fund	\$830,000
	Marina Enterprise Fund	4,337,451
	Golf Enterprise Fund	2,887,386
	Vallejo Station Parking Enterprise Fund	703,984
	Allowance for collectability	(7,928,821)
	Net Advances	\$830,000

*Fiber Optic Master Plan*

In Fiscal Year 2017, the General Fund advanced \$830,000 to the Fiber Optic Enterprise Fund in coordination with the City’s adopted Fiber Optic Master Plan. The Fiber Optic Enterprise Fund requires initial funds to provide a capital and operating reserve, allowing the project to move forward until revenues commence. The long-term advance is expected to be repaid once City Council determines the Fiber Optic Enterprise Fund has reached sustainability. Payments of \$150,000 are due annually on June 30, 2021 through June 30, 2024 and one final payment of \$230,000 on June 30, 2025.



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**NOTE 3 – INTERFUND TRANSACTIONS (Continued)**

*Subsidies Allowance*

Cumulative to June 30, 2017, the General Fund has advanced \$4,337,451 to the Marina Enterprise Fund, \$2,887,386 to the Golf Enterprise Fund and \$703,984 to the Vallejo Station Parking Enterprise Fund. These General Fund advances are set up with a 100% allowance for collectability and there are currently no repayment plans since these funds are operating at a deficit. However, the City is anticipating future repayments with the increase in marina and parking rates. The City is also evaluating options for the Golf Course, which includes changing the Golf Course management companies, private investment, and/or sale of the property.

**D. Internal Balances**

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

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**NOTE 4 – NOTES & LOANS RECEIVABLE**

**A. Summary of Notes and Loans Receivable**

The following notes and loans receivable were outstanding as of June 30, 2017:

Types of Loans	Fund Type	Amounts
<b>Primary Government and Blended Component Units:</b>		
<u>Housing Programs</u>		
Housing Authority Programs	Major Governmental	
Affordable housing (20% Set Aside):		
Avian Glen		\$3,093,750
Eden Housing/Sereno Village		2,500,000
Simpson/Bayview		1,700,000
Marina Towers		750,000
Simpson/Solano Vista I		500,000
Single family residential		449,260
Temple Arts Lofts		750,000
Accrued interest		2,671,887
Residential Rehabilitation		246,592
Vallejo Housing Collaborative		669,023
		13,330,512
HOME Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Heart and Hands of Compassion		401,384
Vallejo Housing Collaborative		100,000
Solano-Napa Habitat for Humanity		93,735
Single family residential		2,928,862
		5,419,715
Community Development Block Grant	Non-major Governmental	
Reynaissance Family Center		920,362
Youth & Family Services		240,000
Temple Art Lofts		400,000
Single family residential		827,967
		2,388,329
Neighborhood Stabilization Program	Non-major Governmental	
Temple Art Lofts		1,437,844
Single family residential		355,898
		1,793,742

(Continued)

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

Types of Loans	Fund Type	Amounts
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	1,014,473
Neighborhood Parks Fund	Non-major Governmental	181,805
		<u>1,196,278</u>
<u>Other Programs</u>		
General Fund-Temple Art Lofts	Major Governmental	23,821
Water Fund - American Canyon	Major Enterprise	2,832,157
Water Fund - Trailer City	Major Enterprise	25,723
Transportation Impact Mitigation Fund - Temple Art Lofts	Non-major Governmental	89,088
Empress Theater Fund - Empress Theatre Associates, LLC	Non-major Governmental	47,265
		<u>3,018,054</u>
<u>Advances to Former Redevelopment Agency (Successor Agency)</u>		
<u>Empress Theater</u>		
Hiddenbrooke Overpass Fund	Non-major Governmental	612,241
Arts and Convention Center Fund	Non-major Governmental	4,897,538
<u>Georgia Street Extension</u>		
Bridge Construction Fund	Non-major Governmental	623,527
		<u>6,133,306</u>
Total Primary Government notes and loans receivable		<u>33,279,936</u>
<b>VSFCD:</b>		
<u>Development Program</u>		
Sereno Village Apartments		253,369
Employee computer loans		31,427
Total Component Unit notes and loans receivable		<u>284,796</u>
Total notes and loans receivable		<u>\$33,564,732</u>

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

**B. *Affordable Housing and Residential Rehabilitation***

Various residential purchase and rehabilitation loan programs were offered to qualifying low- to moderate-income individuals by the former Redevelopment Agency through the Affordable Housing Special Revenue Fund. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 8.0% and the principal maturity dates range from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded as payments are received. In addition, the former Redevelopment Agency had entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates.

Under the provisions of AB 1484, the City's Housing Authority elected to become the Housing Successor and retain the housing assets of the former Redevelopment Agency. On February 1, 2012 certain former Redevelopment Agency housing assets were transferred to the Housing Authority which is reported in the Housing Authority Special Revenue Fund as the Housing Authority has control of those assets, which are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The residential rehabilitation loan is a single loan to Temple Art Lofts with an agreement that the principal shall be due and payable in full upon the 55th anniversary of the date of the note which is December 15, 2011. As long as no Event of Default occurs prior to the maturity date, borrower shall not be obliged to pay periodic payments of principal and or interest on the principal amount. The outstanding balance at June 30, 2017 remains at \$246,592.

In July 2014, the Housing Authority entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$900,000. The proceeds of the loan will be used to acquire, rehabilitate and operate from ten to twelve properties that are improved with housing to provide permanent housing for extremely low income individuals and households transitioning from homelessness. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note. As of June 30, 2017, the developer had drawn down \$669,023 of the loan proceeds.

**C. *HOME Program, CDBG Program, and NSP Program***

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the City through the, HOME, CDBG and NSP Programs. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 5.0% and the principal maturity dates range from 5 years to 30 years. The outstanding balances at June 30, 2017 were \$5,419,715, \$2,388,329, and \$1,793,742 in the HOME Program, CDBG Program and NSP Program, respectively.

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

In July 2014, the City also entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$100,000 for the same project discussed in B. above. The loan was funded with HOME funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note.

In July 2015, the City entered into a loan agreement with Heart and Hands of Compassion, Inc. in the amount of \$409,765. Heart and Hands of Compassion, Inc. has drawn down \$321,176 of the loan for the acquisition and rehabilitation of a foreclosed single family home located at 621 Hilton Avenue in Vallejo. This loan was funded with HOME Investment Partnerships Program funds. The loan bears simple interest of 0%, and principal payments are deferred. The loan is secured by a deed of trust on the property, and the entire loan is due and payable no later than November 16, 2020, or upon resale of the property to a qualified first time home buyer, whichever is sooner. The remaining balance of the loan of \$318,257 was repaid during fiscal year 2017.

In July 2016, the City entered into a loan agreement with Solano-Napa Habitat for Humanity in the amount of \$93,735. Solano-Napa Habitat for Humanity has drawn down \$93,735 of the loan for the acquisition of real property for development of owner-occupied affordable housing of a single family home located at 760 Tregaskis Avenue in Vallejo. This loan was funded with HOME Investment Partnerships Program Funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 0%, and principal payments are deferred. The loan is secured by a deed of trust on the property, and the entire loan is due and payable no later than July 1, 2021; however, the lender may, at its option, extend the note for an additional five year term(s) subject to continuing compliance with HOME Program requirements.

In February 2017, the City entered into a loan agreement with Heart and Hands of Compassion, Inc. in the amount of \$436,830. As of June 30, 2017, Heart and Hands of Compassion, Inc. has drawn down \$401,384 of the loan for the acquisition and rehabilitation of a foreclosed single family home located at 109 David Court in Vallejo. This loan was funded with HOME Investment Partnerships Program funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 0%, and principal payments are deferred. The loan is secured by a deed of trust on the property, and the entire loan is due and payable no later than February 27, 2022, or upon resale of the property to a qualified first time home buyer, whichever is sooner.

**D. *Sereno Village Apartments***

In May 2003, the City entered into a \$1,400,000 loan agreement with Sereno Village Associates for the development of a 125 unit very low income rental housing project. The note bears 3% simple interest and will be due in full to the City in 15 years. The loan is secured by a deed of trust. To the extent there is excess cash flow from the project, the developer is required to repay all accrued interest and principal annually. At June 30, 2017 the outstanding balance of this loan, including accrued interest, was \$1,196,279 comprised of \$1,014,473 funded by the General Fund and \$181,805 funded by the Neighborhood Parks Capital Project Fund.

During fiscal 2002, the Vallejo Sanitation and Flood Control District loaned \$351,635 to Sereno Village Association. The loan is secured by deed of trust, bearing simple interest at 3% and it is due in 15 years. The outstanding balance at June 30, 2017 was \$253,487.

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

***E. Temple Art Loft Impact Fee Loan***

In December 2011, the City entered into a \$112,909 loan agreement with Temple Art Lofts Associates to pay certain impact fees, permit fees, and administrative fees for the 707-715 Marin Street Project. The loan bears zero interest and will be due and payable in full upon the 55<sup>th</sup> anniversary of the date of the loan which is December 15, 2011. The loan is recorded in the General Fund and the Transportation Impact Mitigation Fund.

***F. Trailer City Water Loan***

In April 2004, the City entered into a \$68,080 loan agreement with Trailer City Sales Company for the construction of improvements allowing Trailer City Sales Company to be connected to the City's water system. The loan also provides assistance for payments of water connection and facilities fees. The note bears zero interest and will be due in full to the City in 20 years. The loan is secured by a deed of trust. At June 30, 2017 the outstanding balance of this loan was \$25,723. This loan is recorded in the City's Water Enterprise Fund.

***G. American Canyon Loan***

In fiscal year 2017, the City of American Canyon exercised an option to purchase additional water capacity rights from the City of Vallejo. The option price was \$2,832,157 for an additional maximum daily capacity of 0.9 million gallons per day of water. The City of American Canyon has agreed to pay for this additional water capacity over four fiscal years. The arrangement provides for semi-annual payments of \$405,098 with interest of 6% per year. The loan is recorded in the City's Water Enterprise Fund.

***H. Golf Cart Storage***

During fiscal year 2007, the City loaned \$350,000 to Vallejo Golf Club, Inc. for the construction of a golf cart storage building. During fiscal year 2011, the City established an allowance for collectability equal to the total amount owed of \$180,843. At June 30, 2017, the outstanding balance of this loan and the offsetting allowance were \$180,843.

***I. Long-Term Loans – Former Redevelopment Agency***

From 2003 to 2006, the City had advanced \$4,296,000 to the Vallejo Central Debt Service Fund which the Agency, in turn, loaned to Empress Investment Fund, LLC, for the purpose of theater improvements, and in fiscal year 2003, the City advanced \$500,000 to the Marina Vista Debt Service Fund for the Georgia Street extension project. Repayment of these loans was contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes.

On February 12, 2015 the Oversight Board to the Successor Agency of the former Vallejo Redevelopment Agency approved these pre-dissolution loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations. The DOF approved these loans as enforceable obligations in March 2015.

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

During the early years of the Agency (pre-1990), the City advanced start-up funds to the Agency. As of January 31, 2012, the date of dissolution of the former Redevelopment Agency, the balance of these advances, including accrued interest at that date totaled \$9,042,032. On February 12, 2015, the Oversight Board also approved these pre-1990 loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations, but the DOF overturned the approval. However, a change in Health and Safety Code Section 34191.4 during fiscal year 2016 provided for the reestablishment of these prior loans as enforceable obligations so long as they were approved by the Oversight Board. On January 28, 2016, the Oversight Board passed resolution OB 16-002 to reaffirm its approval of the Pre-1990 loans. Therefore, the City reversed the prior allowance for doubtful accounts and recorded the loans as of July 1, 2015 in the amount of \$3,319,614, including accrued interest.

On November 30, 2016, the DOF denied the Pre-1990 loans on the Agency’s Last and Final Recognized Obligation Payment Schedule (ROPS) submission. The Agency included the Pre-1990 loans from Oversight Board Resolution 16-002 as a new, separate line on the upcoming Fiscal Year 2017-2018 annual ROPS to demonstrate the Agency’s intent to repay this obligation. The DOF denied the Pre-1990 loans as enforceable obligations again on the Fiscal Year 2017-2018 annual ROPS. The City contests the denial, but has not yet determined what action it may take, if any, therefore, the City reports these loans to their full value of \$3,241,884, with an offsetting allowance as of June 30, 2017.

The loan balances as of June 30, 2017 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$456,595	\$155,646	\$612,241
Bridge Construction Capital Projects Fund	426,913	196,614	623,527
Arts and Convention Center Capital Projects Fund	3,462,358	1,435,180	4,897,538
General Fund:			
Waterfront	162,805	855,727	1,018,532
Marina Vista		647,510	647,510
Central	708,372	867,470	1,575,842
Less Allowance for Doubtful Accounts	<u>(871,177)</u>	<u>(2,370,707)</u>	<u>(3,241,884)</u>
	<u>\$4,345,866</u>	<u>\$1,787,440</u>	<u>\$6,133,306</u>

The loans bear simple interest of 3%. Repayment of these loans is governed by Health and Safety Code Section 34176(e)(6) and the maximum annual repayment is limited based on calculations in that Code Section. Initial repayment installments were approved by the State Department of Finance for fiscal years 2017 and 2016.

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

***J. Investment in Empress Theater Project through the Empress Investment Fund, LLC***

In September 2016, the Successor Agency and the Oversight Board approved the transfer of the Successor Agency's interests in the Empress Theater to the City with the long term objective of preserving this historic property for the community. The Oversight Board action was approved by the State DOF in January 2017. Through this action, the City acquired a loan receivable from Empress Theater Associates that was previously held by the Successor Agency.

The City holds its Empress Theater loan receivable through its 100% ownership interest in the Empress Investment Fund, LLC (EIF), a limited liability corporation formed in 2007 to leverage New Market Tax Credits as a source of additional private investment in the historic Empress Theater (Theater). After seven years, in October 2014, the tax credit program matured and the private investor exercised its put option which transferred ownership of the EIF to the Successor Agency. In 2017, ownership of the EIF was transferred by the Successor Agency to the City.

The Empress Theater property is owned, leased, and operated through a series of limited liability corporations. Through the EIF, the City holds 100% ownership of the Empress Theater Master Tenant, LLC (ETMT), which in turn holds a 49% ownership position in Empress Theater Associates, LLC, (ETA). ETA holds title to the Empress Theater property.

As of June 2017, the EIF holds loan receivable assets, including accumulated interest, of \$6,387,970, due from ETA, and carries a loan payable obligation, with accumulated interest payable, of \$47,265, due to Triad Communities LP, the site development partner. Cash flow from Theater development and operations have been pledged to ultimately settle these loans receivable and payable. The loan receivable carries an interest rate of 0.5%, with quarterly payments scheduled through 2047. The loan payable carries an interest rate of 1.15%, with quarterly payments also scheduled through 2047. However, current Theater cash flow does not support amortization of these obligations, and as such, the net assets of the EIF are reported net of an allowance for doubtful accounts of \$6,340,705, leaving a net loan receivable balance of \$47,265 in the accompanying financial statements. After deducting loans payable and accumulated interest payable, the net reported value of the City's interests in the Empress Theater is zero.

***K. VSFCD Employee Computer Loans***

VSFCD has a Computer Literacy program that allows employees to borrow, in an amount approved by the District Manager, to purchase personal computers. The principal balance amount, with the rate of interest equal to the rate of interest being earned by VSFCF that shall not exceed 9%, is to be paid off within 36 months from the date of the loan.



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**NOTE 5 – CAPITAL ASSETS**

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 acquisition value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the half year convention 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, but only half of the full year depreciation is charged in the first year, while the other half is charged in the last year of depreciation or in the year the asset is sold or retired.

The City has assigned the useful lives and capitalization thresholds listed below to capital assets.

	<u>Useful Lives</u>	<u>Capitalization Threshold</u>
Land	N/A	Capitalize All
Easements	N/A	\$500,000
Land Improvements	25 to 60 years	\$50,000
Buildings and improvements	5 to 50 years	\$50,000
Machinery and equipment	5 to 25 years	\$5,000
Internally Developed Software	2 to 5 years	\$500,000
Purchased Software	2 to 5 years	\$50,000
Infrastructure:		
Traffic signals	5 to 25 years	\$50,000
Street lights	15 to 50 years	\$50,000
Bridges and culverts	15 to 60 years	\$50,000
Sidewalks, curbs and gutters	15 to 40 years	\$50,000
Streets and roads	15 to 40 years	\$50,000

Improvements to existing infrastructure assets in excess of \$50,000 are capitalized if: the estimated useful life of the existing asset has been extended by at least 25%; the capacity of the existing asset has been substantially improved; or the quality of the output of the existing asset has been substantially improved.

The VSFCDC capitalizes applicable assets greater than \$5,000 and the VSFCDC has assigned the useful lives listed below to capital assets:

Wastewater treatment plant and facilities	5 to 40 years
Wastewater and storm water pump stations	5 to 25 years
Wastewater collection and storm water transmissions systems	5 to 50 years
Buildings and improvements	5 to 40 years
Machinery and equipment	5 to 25 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.

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**NOTE 5 – CAPITAL ASSETS (Continued)**

**A. Government Capital Asset Activity**

	Balance at June 30, 2016	Additions	Retirements	Transfers	Transfers from Successor Agency	Balance at June 30, 2017
<b>Governmental activities</b>						
Capital assets not being depreciated:						
Land	\$136,190,275				\$2,789,814	\$138,980,089
Construction in progress	6,115,457	\$6,430,941		(\$5,267,889)		7,278,509
Total capital assets not being depreciated	142,305,732	6,430,941		(5,267,889)	2,789,814	146,258,598
Capital assets being depreciated:						
Buildings and improvements	114,685,084			21,956		114,707,040
Machinery and equipment	33,056,454	4,062,480	(\$600,437)			36,518,497
Infrastructure	258,449,716			5,245,933		263,695,649
Total capital assets being depreciated	406,191,254	4,062,480	(600,437)	5,267,889		414,921,186
Less accumulated depreciation for:						
Buildings and improvements	(35,558,112)	(2,808,058)				(38,366,170)
Machinery and equipment	(24,526,346)	(2,182,435)	600,437			(26,108,344)
Infrastructure	(155,893,656)	(5,136,779)				(161,030,435)
Total accumulated depreciation	(215,978,114)	(10,127,272)	600,437			(225,504,949)
Net capital assets being depreciated	190,213,140	(6,064,792)		5,267,889		189,416,237
Governmental activity capital assets, net	\$332,518,872	\$366,149			\$2,789,814	\$335,674,835

As discussed in Note 15B, pursuant to the Long Range Property Management Plan, the Successor Agency transferred land totaling \$2,789,814 to the City during fiscal year 2017, which has been reported as a Special Item.

**B. Business-Type Capital Asset Activity**

	Balance at June 30, 2016	Additions	Retirements	Transfers/ Adjustments	Balance at June 30, 2017
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$12,298,805				\$12,298,805
Construction in progress	3,130,443	\$3,075,558	(\$187,871)	(\$861,114)	5,157,016
Total capital assets not being depreciated	15,429,248	3,075,558	(187,871)	(861,114)	17,455,821
Capital assets, being depreciated:					
Buildings and improvements	93,633,279			220,982	93,854,261
Machinery and equipment	20,221,152	224,869		(3,435,858)	17,010,163
Infrastructure	149,876,128			4,075,990	153,952,118
Total capital assets being depreciated	263,730,559	224,869		861,114	264,816,542
Less accumulated depreciation for:					
Buildings and improvements	(59,072,436)	(1,851,456)		740,248	(60,183,644)
Machinery and equipment	(8,328,407)	(772,389)		(740,248)	(9,841,044)
Infrastructure	(100,088,013)	(3,292,917)			(103,380,930)
Total accumulated depreciation	(167,488,856)	(5,916,762)			(173,405,618)
Net capital assets being depreciated	96,241,703	(5,691,893)		861,114	91,410,924
Business-type activity capital assets, net	\$111,670,951	(\$2,616,335)	(\$187,871)		\$108,866,745

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**NOTE 5 – CAPITAL ASSETS (Continued)**

**C. Vallejo Sanitation and Flood Control District Capital Asset Activity**

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land and Land improvements	\$2,810,716				\$2,810,716
Construction in progress	15,364,074	\$3,000,950		(\$2,902,237)	15,462,787
Total capital assets not being depreciated	18,174,790	3,000,950		(2,902,237)	18,273,503
Capital assets, being depreciated:					
Buildings and improvements	3,530,384			121,445	3,651,829
Machinery and equipment	13,789,452	128,943	(\$510,527)	767,783	14,175,651
Infrastructure	330,728,431	20,155		2,013,009	332,761,595
Total capital assets being depreciated	348,048,267	149,098	(510,527)	2,902,237	350,589,075
Less accumulated depreciation for:					
Buildings and improvements	(3,441,410)	(148,600)		1,346,833	(2,243,177)
Machinery and equipment	(8,471,053)	(715,072)	510,527	(1,302,081)	(9,977,679)
Infrastructure	(158,372,912)	(7,677,450)		(44,752)	(166,095,114)
Total accumulated depreciation	(170,285,375)	(8,541,122)	510,527		(178,315,970)
Net capital assets being depreciated	177,762,892	(8,392,024)		2,902,237	172,273,105
Capital assets, net	\$195,937,682	(\$5,391,074)			\$190,546,608

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**NOTE 5 – CAPITAL ASSETS (Continued)**

**D. Depreciation Allocation**

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

***Governmental Activities***

Finance	\$10,702
Community development	300,182
Fire services	92,093
Police services	79,395
Public works	8,380,899
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,264,001
	<b>\$10,127,272</b>

***Business-Type Activities***

Water	\$5,394,124
Marina	60,816
Golf	461,822
	<b>\$5,916,762</b>

***VSFCD:***

Vallejo Sanitation and Flood Control District	<b>\$8,541,122</b>
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**NOTE 6 - 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.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source gross of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types, 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 premium or discount. Bond issuance costs are expensed in the year incurred. Any differences between proprietary refunded debt and the debt issued to refund it is recorded as Deferred Outflows/Inflows of Resources and amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**A. Current Year Transactions and Balances**

The City's long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
<b>Governmental Activity Debt:</b>						
<b>Certificates of Participation:</b>						
1999 COPs						
(Restructured, see Note 6C)	\$4,815,000	\$3,201,517		\$155,000	\$3,046,517	\$165,000
<b>Other Obligation:</b>						
1999 COPs Shortfall Indebtedness						
(Restructured, see Note 6C)	75,860	218,693	\$10,535	41,794	187,434	
Total Certificates of Participation	<u>4,890,860</u>	<u>3,420,210</u>	<u>10,535</u>	<u>196,794</u>	<u>3,233,951</u>	<u>165,000</u>
<b>UBOC Reimbursement Obligations:</b>						
UBOC Tranche A - General Fund	7,813,780	5,770,668		665,671	5,104,997	682,313
UBOC Tranche B - General Fund	9,155,270	8,165,732	132,693		8,298,425	
Total Loans & Notes Payable	<u>16,969,050</u>	<u>13,936,400</u>	<u>132,693</u>	<u>665,671</u>	<u>13,403,422</u>	<u>682,313</u>
<b>Capital Lease Obligation:</b>						
2001 Site & Facility Lease						
(Restructured, see Note 6G)	710,248	507,320		101,464	405,856	101,464
<b>Other Obligation:</b>						
Loans payable to Triad Communities LP	42,500		42,500 (1)		42,500	
<b>Total Governmental Activity Debt</b>	<u>\$22,612,658</u>	<u>\$17,863,930</u>	<u>\$185,728</u>	<u>\$963,929</u>	<u>\$17,085,729</u>	<u>\$948,777</u>

(1) During fiscal year 2017, the Successor Agency transferred the interest in the Empress Theater to the City, which includes the loan payable to Triad Communities LP, as discussed in Note 4K.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
<b>Business-type Activity Debt:</b>						
<b>Revenue Bonds:</b>						
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	\$45,790,000	\$29,430,000		\$2,320,000	\$27,110,000	\$2,440,000
Plus: Unamortized bond premium		936,392		93,641	842,751	
2013 Water Revenue Refunding Bonds, 5.25%, due 5/1/31	18,080,000	18,080,000			18,080,000	
Plus: Unamortized bond premium		755,257		50,350	704,907	
<b>Total Revenue Bonds</b>	<b>63,870,000</b>	<b>49,201,649</b>		<b>2,463,991</b>	<b>46,737,658</b>	<b>2,440,000</b>
<b>UBOC Reimbursement Obligations</b>						
UBOC tranche A- Golf Course	4,269,641	2,654,631		288,301	2,366,330	295,508
UBOC tranche A- Marina	7,916,579	4,935,187		576,619	4,358,568	578,300
UBOC tranche B - Golf Course	5,359,564	4,711,130	\$76,556		4,787,686	
UBOC tranche B- Marina	10,368,842	9,191,171	149,356		9,340,527	847
<b>Other Loans &amp; Notes Payable:</b>						
State Safe Drinking Water 0%, due 1/1/25	68,080	30,635		5,103	25,532	3,405
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	1,732,185		381,056	1,351,129	389,947
<b>Total Loans &amp; Notes Payable</b>	<b>34,657,706</b>	<b>23,254,939</b>	<b>225,912</b>	<b>1,251,079</b>	<b>22,229,772</b>	<b>1,268,007</b>
<b>Total Business-type Activity Debt</b>	<b>\$98,527,706</b>	<b>\$72,456,588</b>	<b>\$225,912</b>	<b>\$3,715,070</b>	<b>\$68,967,430</b>	<b>\$3,708,007</b>
<b>VSFCD:</b>						
<b>Revenue Bonds:</b>						
Vallejo Sanitation and Flood Control District 2014 Revenue Bonds 4.0-5.0%, due 5/1/36	\$34,294,966	\$32,060,065	\$1,058,953		\$31,001,112	\$890,000
2011 Revenue Bonds 2-5%, due 5/1/25	3,345,000	2,379,091	222,727		2,156,364	230,000
<b>Total Revenue Bonds</b>	<b>37,639,966</b>	<b>34,439,156</b>	<b>1,281,680</b>		<b>33,157,476</b>	<b>1,120,000</b>
<b>Certificates of Participation:</b>						
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control 5.0 - 5.04%, due 7/1/19	38,905,000	9,618,968	2,209,656		7,409,312	2,395,000
<b>Total Certificates of Participation</b>	<b>38,905,000</b>	<b>9,618,968</b>	<b>2,209,656</b>		<b>7,409,312</b>	<b>2,395,000</b>
<b>Other Loans &amp; Notes Payable:</b>						
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	5,759,352	763,088		4,996,264	782,165
State Clean Water (2008) 2.4%, due 2025	4,406,072	2,542,329	256,434		2,285,895	262,588
<b>Total Loans &amp; Notes Payable</b>	<b>18,204,273</b>	<b>8,301,681</b>	<b>1,019,522</b>		<b>7,282,159</b>	<b>1,044,753</b>
<b>Total VSFCD Debt</b>	<b>\$94,749,239</b>	<b>\$52,359,805</b>	<b>\$4,510,858</b>		<b>\$47,848,947</b>	<b>\$4,559,753</b>

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**B. Debt Service Requirements**

Annual debt service requirements to maturity are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities		VSFCD	
	Principal (A)	Interest	Principal (B)	Interest	Principal	Interest
2018	\$948,777	\$278,912	\$3,708,007	\$2,513,807	\$4,559,753	\$1,957,068
2019	981,741	252,917	3,804,764	2,360,853	4,750,609	1,760,661
2020	953,882	271,761	4,174,231	2,211,418	4,957,106	1,546,316
2021	980,327	245,602	3,814,820	2,033,451	2,404,258	1,460,663
2022	905,036	219,190	3,978,111	1,866,661	2,492,083	1,371,115
2023-2027	4,360,851	887,582	21,288,434	7,317,812	8,893,350	5,502,952
2028-2032	4,396,344	604,032	19,145,435	2,948,163	7,975,000	3,581,304
2033-2037	4,399,910	190,459	4,683,067	590,268	8,095,000	1,142,902
2038-2042	7,694	688	4,423,096	197,197		
2043-2047	8,011	233				
Total	17,942,573	<u>\$2,951,376</u>	69,019,965	<u>\$22,039,630</u>	44,127,159	<u>\$18,322,981</u>
Plus: Unamortized bond premium (discount)			1,547,658		3,721,788	
Net long-term debt	<u>\$17,942,573</u>		<u>\$70,567,623</u>		<u>\$47,848,947</u>	

(A) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$856,844

(B) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$1,600,193

**C. Certificates of Participation (COPs)**

**1999 COPs** – In July 1999, the City issued \$4,815,000 of Certificates of Participation (1999 Capital Improvements Project) to finance City capital improvements. Principal payments are payable annually on July 15. Interest payments are due semiannually on January 15 and July 15.

Due to the failure of the City to pay the scheduled amounts due under the original agreement, on January 25, 2011, the City, National Public Finance Guarantee Corporation (National) and the Controller for the State of California (the “Controller”) entered into a Settlement Agreement (the Settlement Agreement).

Commencing July 1, 2013, the City was to pay the Trustee the full scheduled amount when due and commencing on January 15, 2014, to pay National, on January 15 and July 15 of each year, an amount equal to 100% of all MVLF to which the City would be entitled under the California Revenue and Taxation Code during the previous six months, minus the amount paid to the Trustee for the same period, provided that the MVLF exceed the total amounts due for that period. The City’s obligation to pay amounts is not dependent on its receipt of MVLF in any amount.

The MVLF catch-up payment is to be applied to the shortfall indebtedness until paid in full. To the extent that the shortfall indebtedness is not paid in full by the last scheduled payment under the Lease Agreement, the City is to pay the remaining balance of the shortfall indebtedness to National no later than January 15, 2030. During the year ended June 30, 2017, the City paid \$41,794 to reduce the shortfall principal balance and accrued interest of \$10,535 was added to the principal balance.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**1993 Sanitation and Flood Control District (VSFCD)** – In July 1993, the VSFCD Financing Corporation issued \$38,905,000 of certificates of participation, the net proceeds of which were used to finance the construction of sewage collection and treatment and flood control facilities and to defease VSFCD’s 1988 COP’s. Certificates maturing on or before July 2008 were not callable prior to maturity. Certificates maturing on or after July 2009 are callable at VSFCD’s option on any interest date. Annual principal payments are due July 1.

**D. UBOC Reimbursement Obligations**

On August 2, 2011, Union Bank and the City reached a restructuring agreement regarding series 2000, 2001, 2002, and 2003 Certificates of Participation (COPs) which amended and replaced the COPs as follows:

There are two tranches: the “A” obligation and the “B” obligation. The starting principal balance of the “A” obligation is \$18,049,887 and the “B” obligation has a starting principal of \$21,369,933. No interest accrued on either the “A” or the “B” obligation from the effective date of November 1, 2011, through December 31, 2014, and interest commenced accrual on both obligations on January 1, 2015. The “A” obligation has a fixed annual interest rate of 2.5% and the “B” obligation has a fixed annual interest rate of 1.625%. Interest is payable annually on the first business day of each calendar year, in a single annual payment, in advance. Interest payments on the obligations commence in the calendar years 2015 and 2018 for obligations “A” and “B”, respectively, and continuing, in each case, until the principal balance of that obligation has been paid in full.

Principal is payable annually on the first business day of each calendar year, in a single annual payment, commencing with the 2012 calendar year for the “A” obligation and 2025 for the “B” obligation. The outstanding principal balance, all accrued but unpaid interest, and all other amounts due under the New Union Bank Reimbursement Agreement Payment Agreement with respect to the “A” obligation is due and payable on January 1, 2026; and the “B” obligation is due and payable on January 1, 2042.

**E. Revenue Bonds**

**2006 Water Revenue Refunding Bonds** – In July 2006 the City issued \$45,790,000 in Water Revenue Refunding Bonds to current refund \$45,755,000 of outstanding 1996 Series A Refunding Revenue Bonds and advance refund \$525,000 of outstanding 1999 Series A Parity refunding Revenue Bonds. The defeased 1996 bonds were called on May 1, 2009. Interest is payable on May 1 and November 1. Annual principal payments are due on May 1. The debt is secured and serviced by water system operations.

The pledge of future net revenues ends upon repayment of the \$34,330,500 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

**2013 Water Revenue Refunding Bonds** – In October 2013 the City issued \$18,080,000 in Water Revenue Refunding Bonds to refund the outstanding 2001 Water Revenue Bonds. The refunding increased total debt service by \$7,485,213, resulting in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$4,109,109, due to the conversion of the interest rate on the bonds from a variable rate to a fixed rate. The defeased 2001 Water Revenue Bonds were called on November 26, 2013.



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**NOTE 6 - LONG-TERM DEBT (Continued)**

The Series 2013 Bonds and the interest thereon are payable solely from a first lien on and pledge of the Net Revenues (the amount of the gross revenues less operating expenses) derived by the City from the operation of the City's water system, on parity with the 2006 Water Revenue Bonds and the State Safe Drinking Water loans. Interest is payable on May 1 and November 1. Annual principal payments are due on May 1. The debt is secured and serviced by water system operations.

The pledge of future net revenues ends upon repayment of the \$29,567,263 in remaining debt service on the bonds and loans which is scheduled to occur in 2031. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

For fiscal year 2017, operating revenues, investment income, and capital grants and contributions amount to \$36,716,327 and operating costs including operating expenses, but not interest, amounted to \$27,718,056. Net Revenues available for debt service amounts to \$8,998,271 which represents coverage of 1.74 over the \$5,164,849 in combined debt service for the 2006 and 2013 Water Revenue Bonds and State Safe Drinking Water loans debt service.

**2011 Revenue Bonds** - the VSFC and the WaterReuse Finance Authority issued 2011 Revenue Bonds in a current refunding (1) to prepay the outstanding principal of 2001 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The transaction paid scheduled principal due on the 2001 Certificates in the amount of \$145,000 and redeemed the remaining principal amounting to \$3,315,000 pursuant to notice and exercise of optional prepayment of the Certificates for a total of \$3,460,000. The transaction resulted in a deferred amount on refunding of \$53,447, a decrease in total cash flows of \$262,952. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2011 Revenue Bonds. The deferred outflow of resources and the premium are to be amortized on a straight-line basis over the life of the Bonds as components of interest expense. The 2011 Bonds are fully registered with principal due annually on May 1, and interest payable semi-annually on May 1 and November 1. The Bonds maturing on or after May 1, 2025 are subject to optional redemption on any date on or after May 1, 2024, together with accrued interest to the redemption date, without a premium.

**2014 Revenue Bonds** - the VSFC and the WaterReuse Finance Authority issued 2014 Revenue Bonds in the principal amount of \$29,825,000 at premium of \$4,469,967 in an advance refunding (1) to prepay the outstanding principal of 2006 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The Bonds are fully registered with principal due annually on May 1, and interest payable semi-annually on May 1 and November 1. The Bonds maturing on or after May 1, 2022 are subject to optional redemption on any date on or after May 1, 2021, together with accrued interest to the redemption date, without a premium.

The transaction resulted in a deferred amount on refunding of \$1,282,720, a decrease in total cash flows of \$2,024,106, and an economic gain of \$323,440. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2014 Revenue Bonds. The deferred amount on refunding and the premium are amortized on a straight-line basis over the life of the Bonds as components of interest expense.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**F. Other Notes and Loans Payable**

**Vallejo Sanitation and Flood Control State Clean Water (2004)** - In August 2004 the VSFCD entered into a loan agreement with the Division of Financial Assistance of the State Water Resources Control Board under the Clean Water State Revolving Fund loan program in the amount of \$13,798,201. Payments in the amount of \$907,072 with interest at 2.5% commencing May 1, 2005 and are due annually thereafter until maturity in 2023.

**Vallejo Sanitation and Flood Control State Clean Water (2008)** – During the fiscal year ended June 30, 2008, the District completed a second loan agreement with the State Water Resources Control Board’s Division of Financial Assistance. The loan is dated January 24, 2008, and is in the principal amount of \$4,406,072. Payments in the amount of \$317,450 with interest at 2.4% commence January 24, 2009, and are due annually thereafter until maturity in 2025.

**State Safe Drinking Water, Water Fund** – The loan, with original amount of \$68,080, from the State of California, Department of Water Resources was used to finance construction of a project which enables the City to meet safe drinking water standards. The interest rate is 0%. Semiannual principal and interest payments are due on July 1 and January 2, through 2025.

**State Safe Drinking Water, Water Fund** – The loan, with original amount of \$6,675,000, from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2, through 2021. The defeased 1999 Bonds were called on May 1, 2009.

**G. Capital Lease Obligations**

**2001 Site & Facility Lease** – The City entered into a long-term contract for the lease of the John F. Kennedy Library, part of the Vallejo Public Library System, and certain parcels of real property within the City which cost \$1,385,248.

As part of its Plan for the Adjustment of Debts confirmed in August 2011, on December 28, 2011, a Notice of Subordination replaced the original payment schedule of the lease. Under the new schedule, commencing on December 1, 2014, payments of \$50,732 are payable semi-annually on December 1 and June 1.

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**NOTE 7 – DEBT WITHOUT CITY COMMITMENT**

*Assessment and Improvement Districts*

Special Assessment and Improvement Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability for the payment of this debt. Therefore, this debt is not reported as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2017 is as follows:

<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	\$12,325,000
Northeast Improvement District 2003-1	<u>5,355,000</u>
Total	<u><u>\$17,680,000</u></u>

**NOTE 8 – CONDUIT DEBT**

The following bonds do not constitute or create a debt or pledge of the general credit or taxing power of the City, and, accordingly, are not reported as long-term debt of the City.

*Mortgage Revenue Bonds*

**Fountain Plaza** – Variable Rate Demand Multifamily Mortgage Revenue Refunding Bonds, Series 1992A (Fountain Plaza Hills Apartments) in the amount of \$5,585,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in May 2022. The bonds are dated May 1992, and were issued to refund an \$8,775,000 prior issuance of multifamily housing revenue bonds. As of June 30, 2017, \$5,585,000 of these bonds remained outstanding.

**Solano Vista II** – Multifamily Housing Revenue Bonds, Series 2001A (Solano Vista II Senior Apartments) in the amount of \$10,600,000. The bonds bear interest at the rate of 5.45%. Interest payments are due semiannually through November 1, 2034. The bonds are dated August 1, 2001, and were issued to provide funding for a mortgage loan for the acquisition and construction of a multifamily housing project. On June 30, 2017, \$8,330,000 of these bonds remained outstanding.

**Marina Vista I and II, Marina Heights** – Multifamily Housing Revenue Bonds, Series 1998A and 1998B (GNMA Mortgage Backed Securities Program) in the amount of \$11,520,000. The bonds bear interest at rates ranging from 3.6% to 8.25%. The bonds are dated October 1, 1998, and were issued to provide financing for the acquisition and rehabilitation of three multifamily housing projects known as Marina Vista I, Marina Vista II, and Marina Heights. As of June 30, 2017, \$9,630,000 of these bonds remained outstanding.

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**NOTE 9 – EMPLOYEE BENEFITS PAYABLE**

Employee Benefits Payable reported in the Statement of Net Position includes compensated absences, discussed below, and Post Employment Retiree Medical Benefits discussed in Note 11.

Compensated absences consist of vested vacation leave, sick leave and compensatory time off. For governmental activities, the portion reported as a liability in the Payroll Benefits Internal Service Fund primarily represents balances due within 60 days of year end. The remaining governmental activities portion is reported on the Statement of Net Position. The long-term portion of governmental activities employee benefits payable is liquidated primarily by the General Fund. For proprietary activities, which are reported on the accrual basis at the fund level, all earned but unpaid benefits are recorded as an expense and liability of the fund in which it is earned.

Compensated absences have been recorded at the contractual salary rates due to employees at June 30, 2017.

Compensated absences activity for the City and VSFCFD for the year ended June 30, 2017 is as follows:

	Governmental Activities	Business-Type Activities	Total	VSCFD
Compensated Absences Activity:				
Beginning Balance	\$11,615,755	\$1,278,992	\$12,894,747	\$1,409,702
Additions	7,070,964	1,090,065	8,161,029	51,745
Deletions	(7,432,876)	(1,141,283)	(8,574,159)	(65,896)
Ending Balance	<u>\$11,253,843</u>	<u>\$1,227,774</u>	<u>\$12,481,617</u>	<u>\$1,395,551</u>
Compensated Absences				
Classification Presentation:				
Current Portion:				
Internal Service Funds	\$246,678		\$246,678	
Entity-wide	6,914,795	\$988,873	7,903,668	
Vallejo Sanitation Flood and Control District				\$488,443
Current Portion	<u>7,161,473</u>	<u>988,873</u>	<u>8,150,346</u>	<u>488,443</u>
Noncurrent Portion:				
Internal Service Funds	6,736		6,736	
Entity-wide	4,085,634	238,901	4,324,535	
Vallejo Sanitation Flood and Control District				907,108
Noncurrent Portion	<u>4,092,370</u>	<u>238,901</u>	<u>4,331,271</u>	<u>907,108</u>
Total	<u>\$11,253,843</u>	<u>\$1,227,774</u>	<u>\$12,481,617</u>	<u>\$1,395,551</u>
Noncurrent Employee Benefits Payable:				
Compensated Absences	\$4,092,370	\$238,901	\$4,331,271	\$907,108
Other Employee Benefits (1.5% RHSA contribution set aside by City)	329,339		329,339	
Net OPEB Obligation (Note 11)	10,050,425		10,050,425	697,145
Noncurrent Portion	<u>\$14,472,134</u>	<u>\$238,901</u>	<u>\$14,711,035</u>	<u>\$1,604,253</u>

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**NOTE 10 – PENSION PLANS**

**A. General Information about the City’s Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**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. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous</b>		
	<b>Classic Tier I</b>	<b>Classic Tier II</b>	<b>PEPRA</b>
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.70%	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	34.720%	34.720%	34.720%
	<b>Safety - Fire</b>		
	<b>Classic Tier I</b>	<b>Classic Tier II</b>	<b>PEPRA</b>
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer contribution rates	59.772%	59.772%	59.772%

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**NOTE 10 – PENSION PLANS (Continued)**

	<b>Safety - Police</b>	
	Classic Tier I	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	3.00%	2.0% - 2.7%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates	59.772%	59.772%

**Employees Covered** – At the June 30, 2015 actuarial valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA Plan
	Inactive employees or beneficiaries currently receiving benefits	539	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	143	-	2
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	61	-	19
Active employees	198	-	92
Total	941	-	113

	Safety		
	Classic Tier I	Classic Tier II	PEPRA Plan
	Inactive employees or beneficiaries currently receiving benefits	372	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	44	1	-
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	9	-	6
Active employees	185	2	40
Total	610	3	46

**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 both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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**NOTE 10 – PENSION PLANS (Continued)**

**B. Net Pension Liability**

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. The net pension liability and related deferred outflows/inflows of resources are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities net pension liability is liquidated primarily by the General Fund.

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (2)	3.4% - 20% (2)
Investment Rate of Return	7.50% (3)	7.50% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

(1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II and PEPRA)

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

(3) Net of pension plan investment expenses, includes inflation

(4) 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 CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 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.

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**NOTE 10 – PENSION PLANS (Continued)**

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.65% for each 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be 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 under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS 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.



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**NOTE 10 – PENSION PLANS (Continued)**

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	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for each Plan follow:

*Miscellaneous Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$251,759,078	\$164,013,949	\$87,745,129
<b>Changes in the year:</b>			
Service cost	3,796,340		3,796,340
Interest on the total pension liability	18,913,669		18,913,669
Differences between actual and expected experience	1,132,193		1,132,193
Plan to Plan Resource Movement		(576)	576
Contribution - employer		6,954,134	(6,954,134)
Contribution - employee		1,918,145	(1,918,145)
Net investment income		810,323	(810,323)
Administrative expenses		(99,958)	99,958
Benefit payments, including refunds of employee contributions	(15,103,869)	(15,103,869)	
<b>Net changes</b>	<u>8,738,333</u>	<u>(5,521,801)</u>	<u>14,260,134</u>
<b>Balance at June 30, 2016</b>	<u>\$260,497,411</u>	<u>\$158,492,148</u>	<u>\$102,005,263</u>

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**NOTE 10 – PENSION PLANS (Continued)**

*Safety Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$438,265,181	\$285,282,866	\$152,982,315
<b>Changes in the year:</b>			
Service cost	6,037,920		6,037,920
Interest on the total pension liability	32,721,025		32,721,025
Differences between actual and expected experience	(675,259)		(675,259)
Plan to Plan Resource Movement			
Contribution - employer		12,050,416	(12,050,416)
Contribution - employee		2,525,346	(2,525,346)
Net investment income		1,329,651	(1,329,651)
Administrative expenses		(173,865)	173,865
Benefit payments, including refunds of employee contributions	(25,766,118)	(25,766,118)	
<b>Net changes</b>	<u>12,317,568</u>	<u>(10,034,570)</u>	<u>22,352,138</u>
<b>Balance at June 30, 2016</b>	<u>\$450,582,749</u>	<u>\$275,248,296</u>	<u>\$175,334,453</u>
<b>Total Balance at June 30, 2016</b> <b>(Miscellaneous and Safety Plans)</b>	<u>\$711,080,160</u>	<u>\$433,740,444</u>	<u>\$277,339,716</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net 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	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$133,004,780	\$233,227,523	\$366,232,303
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$102,005,263	\$175,334,453	\$277,339,716
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$76,085,817	\$127,685,984	\$203,771,801

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

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**NOTE 10 – PENSION PLANS (Continued)**

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the City recognized pension expense of \$20,318,463. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Miscellaneous Plan:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$7,641,298	
Differences between actual and expected experience	679,316	(\$230,346)
Changes in assumptions		(815,527)
Net differences between projected and actual earnings on plan investments	8,752,828	
Total	<u>\$17,073,442</u>	<u>(\$1,045,873)</u>

**Safety Plan:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$12,582,017	
Differences between actual and expected experience	198,572	(\$487,687)
Changes in assumptions		(3,267,131)
Net differences between projected and actual earnings on plan investments	15,348,756	
Total	<u>\$28,129,345</u>	<u>(\$3,754,818)</u>
<b>Total Miscellaneous and Safety Plans</b>	<u>\$45,202,787</u>	<u>(\$4,800,691)</u>

\$20,223,315 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization		
	Miscellaneous	Safety	Total
2018	\$625,666	(\$90,947)	\$534,719
2019	1,445,101	931,906	2,377,007
2020	4,034,421	6,961,750	10,996,171
2021	2,281,083	3,989,801	6,270,884
Total	<u>\$8,386,271</u>	<u>\$11,792,510</u>	<u>\$20,178,781</u>

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**NOTE 10 – PENSION PLANS (Continued)**

**E. Payable to the Pension Plan**

At June 30, 2017, the City reported a payable of \$369,652 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**F. Vallejo Sanitation and Flood Control District Pension Plan**

1. General Information about the District’s Pension Plan

**Plan Descriptions** – Eligible employees of the District are provided with pensions through the District’s Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The District’s Miscellaneous Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by 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 District sponsors two rate plans within the miscellaneous risk pool. Benefit provisions under the Plan are established by State statute and District 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 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 the Plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous</b>	
	<u>Classic Tier I</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 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% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	10.958%	6.25%

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*Required 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 is 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the District’s contributions to the Plan were \$899,758.

2. 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, 2017, the District reported its proportionate share of the net pension liability of the Plan of \$19,705,443.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.37453%
Proportion - June 30, 2016	0.56725%
Change - Increase (Decrease)	0.19272%

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**NOTE 10 – PENSION PLANS (Continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$790,971. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*Miscellaneous Plan - VSFCD*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$899,758	
Differences between expected and actual experience	55,645	(\$12,750)
Changes in assumptions		(526,451)
Adjustment due to differences in proportions	3,835,545	
Net difference in actual contributions and proportion of contributions		(963,614)
Net differences between projected and actual earnings on plan investments	2,740,005	
Total	\$7,530,953	(\$1,502,815)

\$899,758 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2018	\$1,847,386
2019	1,508,459
2020	1,062,840
2021	709,695
Total	\$5,128,380

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**NOTE 10 – PENSION PLANS (Continued)**

**Actuarial Assumptions** – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.65% (2)
	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Post Retirement Benefit Increase	thereafter
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) 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 CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 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 7.65% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.65% rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as expected pension fund cash flows. Based on the expected benefit payments of the Public Employees Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using simulated rates of return, together with the CalPERS asset allocation mix, the median net return over the 19 years was calculated. The final geometric rate of return was set after removing 15 basis points over expected administrative expenses.

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**NOTE 10 – PENSION PLANS (Continued)**

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	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100.0%		

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

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

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’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 (dollars in thousands):

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$29,807,643
Current Discount Rate	7.65%
Net Pension Liability	\$19,705,443
1% Increase	8.65%
Net Pension Liability	\$11,356,476

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

**3. Temporary and Seasonal Employees**

Federal law requires that employees not covered by an employer retirement system be covered by Social Security or an alternative plan. The District hires temporary employees whose positions are exempt from PERS membership, and utilizes Social Security for these positions.



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**NOTE 11 – POST-EMPLOYMENT BENEFITS**

**A. Post Retirement Health Benefits - City**

1. Plan Description

The City’s Post Employment Benefit Plan is an Agent Multiple-Employer Plan. Employees and their dependents are eligible for the CalPERS post-retirement health benefits if they retire directly from the City retaining the Public Employees Medical and Hospital Care Act (PEMHCA) health benefits. The City pays the retiree and eligible dependent premiums up to benefit level established in the collective bargaining agreement for each employee organization.

The following is a summary of benefits by employee group as of June 30, 2017:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2017</u>
Vallejo Police Officers Association (VPOA) (imposed)	Retired prior to 7/1/2000 - up to 75% of Kaiser Bay Area non-Medicare Premium  Retired on or after 7/1/2000 and hired before 1/1/2014 - up to \$300 per month, but not less than PEMHCA minimum  Hired on or after 1/1/14 - PEMHCA minimum plus 1.5% of employee's base monthly salary Retiree Health Savings Account (RHSA) contribution
International Association of Fire Fighters (IAFF)	Retired prior to 7/1/2000 - up to 75% of Kaiser Bay Area non-Medicare Premium  Retired on or after 7/1/2000 - up to \$300 per month, but not less than PEMHCA minimum
Council and Unrepresented	Up to \$300 per month, but not less than PEMHCA minimum
Confidential, Administrative, Management, and Professional Employees Association (CAMP)	Hired before 7/1/2013 - up to \$300 per month, but not less than PEMHCA minimum (with the option of electing, no later than 7/1/2016, the RHSA benefit available to CAMP employees hired on or after 7/1/2013)  Hired on or after 7/1/2013 - PEMHCA minimum plus 1.5% of employee's base monthly salary RHSA contribution
International Brotherhood of Electrical Workers (IBEW)	Hired before 7/1/2014 - up to \$300 per month, but not less than PEMHCA minimum (with the option of electing, no later than 10/31/2016, the RHSA benefit available to IBEW employees hired on or after 7/1/2014)  Hired on or after 7/1/2014 - PEMHCA minimum plus 1.5% of employee's base monthly salary RHSA contribution

The PEMHCA minimum in 2017 is \$128 per month.

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

2. Funding Policy

Through June 30, 2013 the City's policy had been to fund these benefits on a pay-as-you go basis. But it was determined that it is in the best interest of the City and its retirees to set aside funds for OPEB in an irrevocable trust dedicated to paying the expenses of OPEB and to ensure that such funds are invested in a prudent manner. On December 10, 2013, City Council authorized and approved resolution 13-188 N.C. allowing the City to join the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. As of June 30, 2017, the City made total cumulative contributions of \$15,871,994 into the trust. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

3. Actuarial Methods and Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2016 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.50% investment rate of return, (b) 3.0% projected annual salary increase, and (c) 6.50% to 5.0% declining health inflation. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial accrued liability (AAL) representing the present value of future benefits, is being amortized as a level percentage of projected payroll using a 30 year amortization period.

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

4. Annual OPEB Cost and Net OPEB Obligation

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2017, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Retiree Health Benefits Internal Service Fund - Governmental Activities
Annual required contribution (ARC)	\$2,905,000
Amortization on the Net OPEB Obligation	(781,274)
Interest on the Net OPEB Obligation	778,172
Adjustment to annual required contribution	(3,102)
Annual OPEB Cost	2,901,898
Contributions made:	
Pay as you go (premiums paid)	(2,087,347)
Implicit subsidy payments	(878,000)
Paid to Trust	(1,858,000)
Contributions in excess of the ARC	(1,921,449)
Net OPEB Obligation at June 30, 2016	11,971,874
Net OPEB Obligation at June 30, 2017	\$10,050,425

The City's annual OPEB cost and actual contributions for the last three fiscal years are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	% of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$3,478,534	\$4,486,013	129%	\$12,107,552
6/30/2016	3,586,429	3,722,107	104%	11,971,874
6/30/2017	2,901,898	3,945,347	136%	10,050,425

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

5. Funded Status and Funding Progress

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial studies is presented below (in 000's):

Actuarial Valuation Date	Actuarial Valuation of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2016	\$15,632	\$44,063	(\$28,431)	35.48%	\$42,779	(66.5%)

Additional information can be found in the Required Supplementary Information section of the financial statements.

**B. Post Retirement Health Benefits - VSFCD**

1. Plan Description

The District's defined benefit postemployment healthcare plan, Public Agency Post-Retirement Health Care Plan (the Plan), provides medical benefits to eligible retired employees and their beneficiaries. The Public Agency Retirement System (PARS) administers the Plan's Trust, an agent multiple-employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that hold assets used to fund OPEB obligations. Plan benefits were established in accordance with Board policy and Memorandums of Understanding for respective employee groups, and may be amended by the Board of Trustees. PARS provides an annual financial report for the aggregate Plan that may be obtained from PARS, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

2. Funding Policy

The Plan is fully funded by employer contributions plus a requirement for employee matching in the amount of 2% of gross salary for all employees. As the Plan's administrator, the District establishes and may amend employee and employer contribution requirements. The District is required to contribute the *annual required contribution* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45 (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, projects to cover the normal cost each year and amortize unfunded actuarial liabilities, if any, over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less frequent than every three years.

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

3. Annual OPEB Cost

The District’s annual OPEB expense (the ARC) and the amount paid for the fiscal year 2016-2017 amounted \$1,091,601 and \$1,336,222, respectively. The District’s annual OPEB cost, the percent paid, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended June 30	Actuarial Valuation Date	PARS Public Agency Post-Retirement Health Care Plan						
		Annual Required Contribution (ARC)	OPEB Interest @ 7.5%	Adjustment to ARC	Annual OPEB Cost	Percent of Contributions Paid	Inc (Dec) in Net OPEB Obligation	Net OPEB Obligation End of Year
2015	01/01/13	\$1,267,152	\$73,926	(\$66,241)	\$1,274,837	99%	\$104,024	\$1,089,705
2016	01/01/16	1,061,140	79,004	(75,466)	1,064,678	114%	(147,938)	941,767
2017	01/01/16	1,092,974	65,924	(67,297)	1,091,601	122%	(244,622)	697,145

4. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and eligible Plan members, and include the actuarial present value of all Plan benefits allocated between the periods before and after the valuation date. The present value of Plan benefits earned prior to the valuation date is called the *actuarial liability*. The present value of Plan benefits to be earned after the valuation date is called the *present value of future normal costs*. Actuarial assumptions include a 7.25% investment return including inflation, a medical trend rate of 4.5% to 6.75%. Actuarial methods may also include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and actuarial assets, consistent with the long-term perspective of the calculations.

The cost method for valuation of liabilities used for valuation of the District’s Plan dated January 1, 2016 is the *entry age normal* method. Under the entry age normal actuarial cost method, an individual entry age normal cost ratio is determined for each participant by taking the value of the participant’s projected future benefits and dividing it by the value of his expected future salary. This ratio for each participant is then multiplied by the present value of the participant’s future salary. The sum of the values of all active participants is the Plan’s present value of future normal costs. The excess of the present value of Plan benefits over the present value of future normal costs is the actuarial liability. The difference between the actuarial liability and the value of the Plan assets is the unfunded actuarial liability.

The unfunded actuarial liability is amortized over a period of 30 years from the valuation date on a closed basis. The amortization method used is a level percent of payroll. Payments are assumed to be made throughout the year. Subsequent gains and losses and benefit improvements will be amortized over the same remaining period. The remaining period for the amortization of the unfunded actuarial accrued liability is 20 years at June 30, 2017.

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

5. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and annual required contributions are subject to change when actual results are compared with past expectations together with new estimates about the future. Plan assets are stated at current market prices. The table below present funded status information of the Plan for the most recent actuarial valuation as follows:

Fiscal Year Ended June 30	Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2017	01/01/17	\$16,804,564	\$7,728,148	\$9,076,416	46.0%	\$8,022,329	113.1%

6. Net OPEB Liability

The District's OPEB Plan discussed above is required to implement the provisions of Governmental Accounting Standards Board Statement No. 74 in fiscal year 2017, which requires the following additional disclosures:

*Plan Administration* – The District is the Plan administrator. PARS administers the investment trust for the District's OPEB Plan.

*Plan Membership* – As of June 30, 2017, membership in the Plan consisted of the following:

Retirees and beneficiaries receiving benefits	106
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	81
	187

*Investment Policy* - PARS offers different investment portfolios as part of the investment vehicle. The following is the District adopted asset allocation policy as of June 30, 2017.

Asset Class	Target Allocation
Equities	58%
Fixed Income	38%
Real Estate	2%
Cash	2%
Total	100%

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

Investments of the OPEB Trust Fund at June 30, 2017 consisted of \$7,728,148 invested in money market and mutual funds.

*Investment Rate of Return* - For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net OPEB Liability* - The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB Liability	\$16,804,565
Plan Fiduciary Net Position	<u>(7,728,148)</u>
District's Net OPEB Liability	<u><u>\$9,076,417</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.99%

*Actuarial Assumptions* - The total OPEB liability was determined by an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2017 using standard update procedures. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	January 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method
Investment Rate of Return	7.25%, net of OPEB plan investment expense, and including inflation
Healthcare Cost Trend Rates	6.75% initially, grading down to 4.50% ultimate
Mortality Table	Rates are based on the CalPERS mortality tables for Public Agencies (Miscellaneous employees)

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

*Discount Rate* - The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that District 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 future benefit payments of current plan members. 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.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following presents sensitivity of the District's net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2017, calculated using the discount rate of 7.25%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net OPEB Liability (Asset)	\$10,846,114	\$9,076,417	\$7,591,470

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

	1% Decrease	Healthcare Cost Trend Rates Various - see assumptions above	1% Increase
Net OPEB Liability (Asset)	\$7,123,716	\$9,076,417	\$11,426,413



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**NOTE 12 – NET POSITION AND FUND BALANCES**

**A. *Net Position – Statement of Net Position***

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, proprietary fund level, and fiduciary fund 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 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.

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

**B. *Fund Balance – Governmental Funds Balance Sheet***

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 resolution of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

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**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

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 and may be changed at the discretion of the City Council. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*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.

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**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

Detailed classifications of the City’s Fund Balances, as of June 30, 2017, are below:

Fund Balance Classifications	General Fund	Housing Authority Fund	Non Major Governmental Funds	Total
<b>Nonspendable:</b>				
Items not in spendable form:				
Prepaid Expenses	\$21,418		\$13,699	\$35,117
Notes Receivable	801,042			801,042
Advance to other funds	830,000			830,000
Land Held for Redevelopment	499,684			499,684
Materials, Parts and Supplies	434			434
Subtotal	<u>2,152,578</u>		<u>13,699</u>	<u>2,166,277</u>
Amounts required to be maintained intact:				
Permanent funds			64,625	64,625
<b>Total Nonspendable Fund Balances</b>	<u>2,152,578</u>		<u>78,324</u>	<u>2,230,902</u>
<b>Restricted for:</b>				
Bond indentures			242,569	242,569
Streets and Highways			21,544,440	21,544,440
Community Development and Housing		\$15,349,467	6,088,713	21,438,180
Public Safety Programs	320,738		1,058,533	1,379,271
Public Facilities Projects			8,076,304	8,076,304
Hiddenbrooke Overpass			7,845,669	7,845,669
<b>Total Restricted Fund Balances</b>	<u>320,738</u>	<u>15,349,467</u>	<u>44,856,228</u>	<u>60,526,433</u>
<b>Committed to:</b>				
Measure B Capital Projects			1,188,678	1,188,678
Measure B Participatory Budgeting Projects	1,224,143		352,669	1,576,812
Public Facilities Projects (funded by General Fund)			5,997,685	5,997,685
Public Facilities Projects (funded by other funds)			1,385,345	1,385,345
General Plan Update, Permit Programs	10,935			10,935
<b>Total Committed Fund Balances</b>	<u>1,235,078</u>		<u>8,924,377</u>	<u>10,159,455</u>
<b>Assigned to:</b>				
General Fund Programs (subsequent year's budget)	274,250			274,250
Measure B Programs (subsequent year's budget)	1,755,951			1,755,951
Measure B Encumbrances	399,938			399,938
Pension contribution reserves (unfunded)	1,963,521			1,963,521
General Fund Encumbrances	1,216,794			1,216,794
Union Contracts	1,412,606			1,412,606
Compensated Absences	112,000			112,000
Arts and Convention Center			3,536,551	3,536,551
2014 Napa Earthquake costs			336,745	336,745
Public Facilities Maintenance	3,858,424		450,642	4,309,066
Solid Waste Disposal			90,609	90,609
<b>Total Assigned Fund Balances</b>	<u>10,993,484</u>		<u>4,414,547</u>	<u>15,408,031</u>
<b>Unassigned:</b>				
General Fund	15,679,786			15,679,786
<b>Total Unassigned Fund Balances</b>	<u>15,679,786</u>			<u>15,679,786</u>
<b>Total Fund Balances</b>	<u>\$30,381,664</u>	<u>\$15,349,467</u>	<u>\$58,273,476</u>	<u>\$104,004,607</u>

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**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

**C. Minimum Fund Balances**

The City’s Budget and Fiscal Policy requires the City to strive to maintain 15% of annual appropriations in the General Fund’s Unassigned Fund Balance. As of June 30, 2017, the Unassigned Fund Balance reached \$15.7 million, which is 18.2% of 2017-18 annual appropriations of \$86.1 million, excluding Measure B.

**D. Deficits**

The funds below had fund balance or net position deficits at June 30, 2017:

<b>Proprietary Funds:</b>	
Marina	\$1,130,104
Golf	1,078,940
Fiber Optic	16,371
<b>Internal Service Fund:</b>	
Retiree Health Benefits	9,978,836

The Marina Enterprise Fund had a net position deficit of \$1,130,104, but the fund had positive working capital since the General Fund backfilled the current operating deficit. The Golf Enterprise Fund had a net position deficit of \$1,078,940. The adopted 10% rate increase for annual passes that began in FY2016-17 is expected to help reduce the deficit. As more revenues are collected and as the debt service obligations are fully paid, both funds are expected to improve their net position. In addition, the management is evaluating options for the Golf Course, which includes changing the Course management companies, private investment, and/or sale of the property.

The Fiber Optic Enterprise Fund had a net position deficit of \$16,371. Starting in fiscal year 2018, the City expects to collect lease revenue to improve the net position.

The Retiree Health Benefits Internal Service Fund had a net position deficit of \$9,978,836 due to recognition of the net OPEB obligation. The City’s annual budget process includes funding the liability over time through annual contributions with a 30 year amortization period to cure the deficit.

**E. Restatement of Fund Balance and Net Position**

During fiscal year 2017, the City determined that loan disbursements to the Vallejo Housing Collaborative made by the Housing Authority Special Revenue Fund in the amount of \$128,985 in fiscal year 2016 had not been added to the loan receivable balance. Therefore, beginning fund balance of the fund and beginning net position in the Statement of Activities have been increased and restated in that amount.

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**NOTE 13 – SELF-INSURANCE PROGRAM**

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

**A. Risk Coverage**

**City** – The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims in excess of \$500,000 up to \$40,000,000 per occurrence with various sublimits for certain types of claims. The City has a self-insured retention or deductible of \$500,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2017, the City contributed \$323,433 for general liability coverage during the current year.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City has self-insured retention of up to \$500,000 per claim up to \$5,000,000 covered by LAWCX. Losses in excess of \$5,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2017, the City contributed \$370,717 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. 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.

The City has also purchased a Difference in Conditions commercial policy that includes earthquake coverage and provides coverage up to \$25,000,000 per occurrence with a deductible of \$25,000 for claims other than flood and earthquake. Flood claims are subject to a deductible of \$100,000 and earthquake claims have a deductible of 5% of the insured value at the time of loss with a minimum deductible of \$25,000.

The City has Auto Physical Damage coverage through Alliant Insurance Services that provides coverage up to \$10,000,000, with various per-vehicle sublimits. During the fiscal year ended June 30, 2017, the City paid \$56,761 to Alliant for its Auto Physical Damage insurance premium.

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**NOTE 13 – SELF-INSURANCE PROGRAM (Continued)**

**Vallejo Sanitation and Flood Control District**—VSFCD is a member of the California Sanitation Risk Management Authority which provides coverage up to \$500,000 for general liability claims, subject to a deductible of \$2,500. Excess public entity general liability insurance is obtained for coverage up to \$15,000,000 associated with either sanitary sewer or storm drain operations. Auto liability is subject to a deductible of \$1,000 with coverage up to \$2,541,363.

California Sanitation Risk Management Authority also provides coverage up to \$750,000 for workers' compensation. Excess workers compensation insurance provides coverage up to \$1,000,000. Pollution remediation insurance provides coverage up to \$1,000,000 and \$5,000,000 in the aggregate, with a deductible of \$25,000. Property insurance provides coverage up to \$169,756,156 with a deductible of \$10,000.

**B. Liability for Uninsured Claims**

The following is a summary changes in the City's recorded claims liabilities during the years ended June 30:

	2017	2016
Beginning balance	\$16,314,000	\$15,599,000
Current year claims and increase (decrease) in prior estimates	2,972,454	3,569,168
Claims paid	(3,795,454)	(2,854,168)
Ending balance	\$15,491,000	\$16,314,000
Current portion	\$3,228,594	\$3,511,269

The claims payable are reported at their present value using expected future investment yield assumption of 3%. The undiscounted claims totaled \$18,347,000 at June 30, 2017.

The City and VSFCD have not significantly reduced insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**A. *Litigation***

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have significant adverse effect of the City's financial position.

**B. *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.

**C. *Long Term Construction Contracts***

The City and Vallejo Sanitation and Flood Control District have various ongoing capital projects that involve long-term construction contracts with progress payments billed and paid on a percentage-of-completion basis. Material outstanding construction commitments related to these contracts at June 30, 2017 of City and VSFCD amounted to approximately \$1.86 million and \$318 thousand, respectively.

**D. *Bankruptcy***

The City's entry into bankruptcy in May 2008 triggered the imposition of an automatic stay, which froze all active litigation against the City. With the confirmation of the City's plan of adjustment on August 5, 2011, and the City's official emergence from bankruptcy on November 1, 2011, the automatic stay expired. A prospective discharge injunction, however, bars the City's litigation creditors from recovering anything on their discharged claims beyond the treatment of their claims in the City's Confirmed Plan.

**E. *Bay Area Air Quality Management District Air Quality Violation***

The City of Vallejo Water Division received a Notice of Violation in September 2013 from the Bay Area Air Quality Management District citing the lack of authority to construct, and lack of permit to operate seven natural gas engines. The District subsequently tested the emissions from the engines and found them to be out of compliance with District air quality regulations. In lieu of legal action to enforce the regulations, the District entered into settlement negotiations with the City. The parties have reached agreement that the City will replace the seven natural gas engines with compliant equipment. The public works project planned to achieve compliance is estimated to cost \$5-6 million, which would be paid by the Water Enterprise Fund. The City paid approximately \$10,000 to the District to apply for permits as part of the compliance process. Pursuant to settlement terms tentatively agreed on, the City will pay no penalty to the District unless the City fails to comply by January 2018. As of the end of fiscal year 2016-17, the City is working on the Detailed Design Phase for the project, and construction is expected to be completed by July 9, 2018. The gas engines will be available until the project is completed.

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)**

**F. Earthquake**

On August 24, 2014, a magnitude 6.0 earthquake struck Solano County that affected the City of Vallejo. The earthquake caused damages to the City's road system, water control facilities, buildings and equipment, public utility system and other structures.

In January 2015, project worksheets containing scopes of the earthquake damage were submitted to the Federal Emergency Management Agency (FEMA) for reimbursement of eligible repair costs, after which, the Public Works Department proceeded with project efforts to repair the earthquake damage. A total of fourteen projects costing \$0.7 million were approved, but the Police Building Renovation project was denied for funding. As of June 30, 2017, all of the approved projects were completed and are expected to be closed by FEMA by January 31, 2018.

During the August 2014 earthquake, numerous ceiling tiles and light fixture on the second floor of the Police Department building became displaced, and a significant number of interior locations sustained drywall cracks. In October 2014 the original ceiling tiles were tested by the City's on-call hazardous material testing firm, and were reported to contain asbestos containing material (ACM). A project proposal was submitted to FEMA in January 2015 for reimbursement of eligible repair costs but was disapproved. The cost to remediate and mitigate the Police building is estimated at \$5.5 million as of June 30, 2017, if that approach is chosen.

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

The City Council assumed the duties of the Successor Agency to the Former Vallejo Community Redevelopment Agency (Successor Agency) upon State redevelopment dissolution on February 1, 2012. Amendments to the State Health and Safety Code, enacted through ABx1 26 on June 28, 2011, AB1484 on June 27, 2012, and SB107 on September 11, 2015 suspended most redevelopment activities and charged successor agencies to retire redevelopment obligations and dispose of assets.

The activities of the Successor Agency are subject to review and approval of an Oversight Board, which is comprised of seven members, including one member representing the City Council, one representing the former Redevelopment Agency (RDA) employees, and five members representing other taxing agencies within the County. Oversight Board actions are further subject to review and approval by the State Department of Finance (DOF).

The activities of the Successor Agency are reported in the Successor Agency to the Former Redevelopment Agency Private-Purpose Trust Fund, because activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency.

Cash and investments of the Successor Agency as of June 30, 2017 are discussed in Note 2. Information about other assets and liabilities of the Successor Agency as of June 30, 2017 is presented on the following pages.



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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**A. Notes and Loans Receivable**

Meyer Cookware Industries, Inc.

Pursuant to a Disposition and Development Agreement between the RDA and Meyer Cookware Industries, Inc., the former RDA paid certain development fees on behalf of Meyer totaling \$1,500,000. Meyer agreed to repay \$500,000 of these fees to the RDA over a 24-year period commencing in 1998. This loan to Meyer is secured by a corporate guarantee and is non-interest bearing. As of June 30, 2017 the outstanding balance of the loan was \$40,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments. The final payment is due in the fiscal year ending June 30, 2018.

The obligation of Meyer to repay the remaining \$1,000,000 is contingent upon either on the sale of the property or the refinancing of the existing debt. As a result, the \$1,000,000 is not included as a receivable in the accompanying basic financial statements. Meyer has agreed to pay the RDA either 9% of the net sale proceeds upon any sale of the property as satisfaction in full of the development contribution, or net refinancing proceeds if such a refinancing should occur. Ten years following the issuance of the Certificate of Occupancy (1995), the participation in proceeds from the sale of property or refinancing has been reduced from 9% to 5%.

Investment in Empress Theater Project through the Empress Investment Fund, LLC

In September 2016, the Successor Agency and the Oversight Board approved the transfer of the Successor Agency's interests in the Empress Theater to the City with the long term objective of preserving this historic property for the community. The Oversight Board action was approved by the State DOF in January 2017. Through this action, the City acquired a loan receivable from Empress Theater Associates that was previously held by the Successor Agency. The Successor Agency no longer holds an interest in the Empress Theater.

**B. Capital Assets**

The Successor Agency assumed the capital assets of the RDA as of February 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.

Pursuant to the Long Range Property Management Plan, the Successor Agency transferred capital assets totaling \$2,789,814 to the City in fiscal year 2017.

Capital assets at June 30, 2017 were comprised of land of \$650,962 and Building and Improvements, net of accumulated depreciation, of \$69,080. Current year additions to accumulated depreciation were \$5,827.

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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**C. Long-Term Obligations**

The Successor Agency assumed the long-term obligations of the former RDA as of February 2012.

**1. Current Year Transactions and Balances**

	Original Issue Amount	Balance June 30, 2016	Retirements/ Adjustments	Balance June 30, 2017	Current Portion
<b>Tax Allocation Bonds:</b>					
Waterfront Redevelopment Project					
7.9%, due 5/1/19	\$2,485,000	\$810,000	\$245,000	\$565,000	\$270,000
Marina Vista Project					
6.0-7.5%, due 9/1/20	3,335,000	1,110,000	190,000	920,000	205,000
Vallejo Central Project					
6.0-7.5%, due 9/1/20	1,900,000	915,000	145,000	770,000	165,000
Vallejo Housing Set Aside					
7.0%, due 10/1/31	5,410,000	3,605,000	170,000	3,435,000	180,000
	<u>13,130,000</u>	<u>6,440,000</u>	<u>750,000</u>	<u>5,690,000</u>	<u>820,000</u>
<b>Other Obligations</b>					
Advances from the City of Vallejo	4,436,351	9,210,279	3,076,973	6,133,306	
Loans payable to Triad Communities LP	42,500	42,500	42,500 (1)		
	<u>4,478,851</u>	<u>9,252,779</u>	<u>3,119,473</u>	<u>6,133,306</u>	
Total Other Obligations	<u>4,478,851</u>	<u>9,252,779</u>	<u>3,119,473</u>	<u>6,133,306</u>	
Total Successor Agency Debt	<u>\$17,608,851</u>	<u>\$15,692,779</u>	<u>\$3,869,473</u>	<u>\$11,823,306</u>	<u>\$820,000</u>

(1) In fiscal year 2017, the Successor Agency transferred its interest in the Empress Theater to the City, which includes the loan payable to Triad Communities LP, as discussed in Note 15A.

**2. Tax Allocation Bonds**

**Waterfront Redevelopment Project** – In January 1989, Tax Allocation Refunding Bonds in the amount of \$2,485,000 were issued to repay certain advances made to the RDA from the City. The bonds mature in May 2019. Semi-annual interest payments are due on May 1 and November 1 and annual principal payments are due May 1. Bonds became eligible to be redeemed, in whole or in part, at the option of the Agency on May 1, 1996, or on any Interest Payment Date thereafter. The bonds are subject to mandatory sinking fund redemption and are secured by amounts held by the bond trustee and by incremental property tax revenues.

**Marina Vista and Vallejo Central Projects** – In August 1990, the Vallejo Public Financing Authority (PFA) issued Tax Allocation Bonds in the amount of \$5,235,000 to provide funds to the RDA for use in the Marina Vista Project (\$3,335,000) and in the Vallejo Central Project (\$1,900,000). Net proceeds allocated to the Marina Vista Project were used to defease all future debt service payments on certain lease revenue bonds used to finance the construction of City Hall. Net proceeds allocated to the Vallejo Central Project were used to fund infrastructure improvements in the project area.

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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

The bonds are secured by loan agreements between the former RDA and the PFA. The semi-annual loan payments by the RDA are expected to meet all debt service requirements of the bonds. Semi-annual interest payments are due on March 1 and September 1 and annual principal payments are due September 1. The loan payments are made solely from the tax increment revenues within the redevelopment project areas, and the bonds are reflected as a liability of the Successor Agency.

**Vallejo Housing Set Aside** – In August 2001, the RDA issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the RDA and to repay a loan from the PFA. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due October 1. The bonds are subject to mandatory sinking fund redemption and payment is made solely from, and secured by, housing set-aside tax increment revenues generated within the redevelopment project areas.

**Pledge of Tax Revenues** – As discussed above, the RDA has pledged all future tax increment revenues, less amounts required to be set aside in the RDA’s Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$7,950,443 remaining debt service on the Bonds above, which is scheduled to occur in 2032. With the dissolution of the RDA 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. In fiscal year 2017, the Successor Agency received sufficient RPTTF distributions to meet all bond obligations for the year.

3. Advances from the City

On February 12, 2015 the Oversight Board approved certain pre-dissolution loans between the City and RDA as enforceable obligations. The State DOF also approved a portion of these loans as enforceable obligations on March 26, 2015. With accrued interest at the State’s eligible interest rate of 0.27%, City loans approved for repayment by both the Oversight Board and the State DOF had a carrying value of \$4,483,965 at June 30, 2015.

On January 28, 2016, the Oversight Board passed resolution OB 16-002 to reaffirm its approval of the remaining pre-dissolution loans between the City and the RDA as enforceable obligations using new State criteria enacted through SB107. Because the State DOF did not act to approve or deny Oversight Board resolution 16-002 within the statutory review period, the resolution was deemed approved and the remaining pre-dissolution loans were re-established as of June 30, 2016. However, on November 30, 2016, the State DOF denied the Pre-1990 loans on the Agency’s Last and Final Recognized Obligation Payment Schedule (ROPS) submission. The Agency included the Pre-1990 loans from Oversight Board resolution 16-002 as a new, separate line item on the Fiscal Year 2017-18 annual ROPS to demonstrate the Agency’s intent to repay the obligation. On May 17, 2017, the State DOF denied them again. Therefore, the City recorded an allowance to offset the advances. Also, following State enactment of SB107, all pre-dissolution City/RDA loans bear a simple interest rate of 3%.

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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

Repayment of these loans and the maximum annual repayment is governed by the Health and Safety Code Section 34176(e)(6). During Fiscal Year 2016-17, the Successor Agency made installment payments on outstanding City loans of \$1,294. Additionally, the County determined that it had over allocated RPTTF to the Successor Agency for the repayment of the loans to the City and required that the Successor Agency return \$9,694 to the County. The following is a summary of loan activity during the year ended June 30, 2017:

Balance, June 30, 2016	\$9,210,279
Recoupment of prior year loan payment	9,694
2016-17 interest at 3%	156,511
Current year loan payment	(1,294)
Adjustment for loans denied for repayment:	
Balance, June 30, 2016	(3,215,749)
2016-17 interest at 3%	(26,135)
	(3,241,884)
Balance, June 30, 2017	\$6,133,306

The loan balances as of June 30, 2017 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$456,595	\$155,646	\$612,241
Bridge Construction Capital Projects Fund	426,913	196,614	623,527
Arts and Convention Center Capital Projects Fund	3,462,358	1,435,180	4,897,538
General Fund:			
Waterfront	162,805	855,727	1,018,532
Marina Vista		647,510	647,510
Central	708,372	867,470	1,575,842
Less Allowance for Doubtful Accounts	(871,177)	(2,370,707)	(3,241,884)
	\$4,345,866	\$1,787,440	\$6,133,306

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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES  
 (Continued)**

4. Debt Service Requirements

Debt service requirements to maturity are shown below for all long-term debt, except the advances from the City, because the ultimate repayment terms cannot be determined at this time, as discussed above:

Ending June 30	Principal	Interest
2018	\$820,000	\$418,001
2019	895,000	350,993
2020	650,000	278,249
2021	695,000	225,219
2022	240,000	187,548
2023-2027	1,050,000	553,683
2028-2032	1,340,000	246,750
Total	\$5,690,000	\$2,260,443

**D. Commitments and Contingencies**

1. Oversight Board and State Approval of Enforceable Obligations

The Successor Agency prepares an annual Recognized Obligation Payment Schedule (ROPS) that contains proposed expenditures for the upcoming fiscal year. All payment obligations are subject to annual review and re-approval by the Oversight Board and the State DOF. The City expects future adjustments by the Oversight Board and State DOF, if any, to be immaterial.

**NOTE 16 – SUBSEQUENT EVENTS**

**A. HUD Section 108 Loan**

On July 11, 2017, the City Council approved a loan agreement with the U.S. Department of Housing and Urban Development (HUD) for the demolition of vacant buildings on North Mare Island in an amount not to exceed \$4.7 million. The planned source of repayment will be Measure V funds and proceeds from the sale of the North Mare Island property. The terms of the agreement between HUD and the City are in the process of being finalized.

**B. Atlas Fire**

On October 9, 2017, the Atlas fire started in Napa and Solano counties that affected the City of Vallejo’s lakes water system. The Lakes Water System encompasses land in both Napa and Solano counties. The fire caused damage to dams, buildings, roadways, trees, equipment, and other appurtenances associated with the water system. Based on preliminary inspections and studies conducted by the City’s Water Department, the estimated cost to repair these damages is approximately \$1.45 million as of November 2017.

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**NOTE 16 – SUBSEQUENT EVENTS Continued)**

**C. *Bond Insurer Rating Downgrade***

On December 1, Standard and Poor’s announced that it is affirming its rating on the bond insurer National Public Finance Guarantee Corporation (NPFGC) at “A,” but that its withdrawing its rating on NPFGC as it relates to issuers. As a result, certain of the City’s bonds insured by NPFGC will be rated at the “underlying” rating, and the insurer rating would be gone.

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**City's Retiree Medical Benefits (OPEB) Schedule of Funding Progress  
(in thousands)**

Actuarial Valuation Date	Actuarial Valuation of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2012	\$0	\$34,686	(\$34,686)	0.00%	\$41,419	(83.7%)
6/30/2014	10,536	47,263	(36,727)	22.29%	40,299	(91.1%)
6/30/2016	15,632	44,063	(28,431)	35.48%	42,779	(66.5%)

**City's Retiree Medical Benefits (OPEB) Schedule of Contributions**

Fiscal Year	Annual OPEB Cost	Actual Contribution	% of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$3,478,534	\$4,486,013	129%	\$12,107,552
6/30/2016	3,586,429	3,722,107	104%	11,971,874
6/30/2017	2,901,898	3,945,347	136%	10,050,425

**VSFCD's Retiree Medical Benefits Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	(Unfunded Liability) Excess Assets	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
01/01/13	\$3,048,294	\$14,833,842	(\$11,785,548)	20.5%	\$7,332,700	(160.7%)
01/01/16	5,623,674	15,908,959	(10,285,285)	35.3%	7,940,275	(129.5%)
01/01/17	7,728,148	16,804,564	(9,076,416)	46.0%	8,022,329	(113.1%)

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**Vallejo Sanitation and Flood Control District  
Net OPEB Liability and Related Ratios  
Last Ten Fiscal Years (1)**

<b>For the Measurement Period Ended June 30</b>	<u><b>2017</b></u>
<b>Total OPEB Liability</b>	
Service Cost	\$323,479
Interest	1,166,959
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit Payments	<u>(836,221)</u>
Net change in Total OPEB Liability	654,217
Total OPEB Liability at beginning of year	<u>16,150,348</u>
 <b>Total OPEB Liability at end of year</b>	 <u><u>\$16,804,565</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$1,336,221
Contributions - member	171,665
Net investment income	794,510
Benefit payments	(836,221)
Administrative expenses	<u>(36,633)</u>
Net change in Plan Fiduciary Net Position	1,429,542
Plan Fiduciary Net Position at beginning of year	<u>6,298,606</u>
 <b>Plan Fiduciary Net Position at end of year</b>	 <u><u>\$7,728,148</u></u>
 <b>Authority's Net OPEB Liability (Asset) at end of year</b>	 <u><u>\$9,076,417</u></u>
 <b>Plan's Fiduciary Net Position as percentage of Total OPEB Liability</b>	 46.0%
 <b>Covered-employee payroll</b>	 \$8,022,329
 <b>Net OPEB Liability as percentage of covered-employee payroll</b>	 113.14%

**Notes:**

(1) Fiscal year 2017 was the first year of implementation



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**Vallejo Sanitation and Flood Control District  
Schedule of Changes in the District's  
Net OPEB Liability and Related Ratios  
Last Ten Fiscal Years (1)**

For the Fiscal Year Ended June 30	<u>2017</u>
Actuarially Determined Contributions	\$1,092,974
Employer Contributions	<u>1,336,221</u>
Contribution Deficiency (Excess)	<u>(\$243,247)</u>
Covered-Employee Payroll	\$8,022,329
Contributions as percentage of covered-employee payroll	16.66%

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

Valuation date	January 1, 2016
Discount rate	7.25%
General inflation	2.75%
Demographic assumptions	CalPERS 1997-2011
Mortality improvement scale	Modified MP - 2014

Healthcare trend:

2018	6.75%
2019	6.00%
2020	5.00%
2021+	4.50%

(1) Fiscal year 2017 was the first year of implementation

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**Vallejo Sanitation and Flood Control District**  
Schedule of Investment Returns  
Last Ten Fiscal Years (1)

For the Fiscal Year Ended June 30	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.40%

*Notes:*

(1) Fiscal year 2017 was the first year of implementation

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years\*

Measurement Date	6/30/2014	6/30/2015	6/30/2016
<b>Total Pension Liability</b>			
Service Cost	\$3,707,801	\$3,687,869	\$3,796,340
Interest	17,746,245	18,270,528	18,913,669
Differences between expected and actual experience	-	(1,151,730)	1,132,193
Changes in assumptions	-	(4,077,633)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(13,630,142)	(14,371,625)	(15,103,869)
<b>Net change in total pension liability</b>	<b>7,823,904</b>	<b>2,357,409</b>	<b>8,738,333</b>
<b>Total pension liability - beginning</b>	<b>241,577,765</b>	<b>249,401,669</b>	<b>251,759,078</b>
<b>Total pension liability - ending (a)</b>	<b>\$249,401,669</b>	<b>\$251,759,078</b>	<b>\$260,497,411</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$5,801,786	\$5,947,979	\$6,951,327
Contributions - employee	1,849,941	1,825,329	1,920,952
Net investment income (1)	24,872,487	3,661,248	810,323
Net plan to plan resource movement	-	-	(576)
Administrative expense	-	(184,697)	(99,958)
Benefit payments, including refunds of employee contributions	(13,630,142)	(14,371,625)	(15,103,869)
<b>Net change in plan fiduciary net position</b>	<b>18,894,072</b>	<b>(3,121,766)</b>	<b>(5,521,801)</b>
<b>Plan fiduciary net position - beginning</b>	<b>148,241,643</b>	<b>167,135,715</b>	<b>164,013,949</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$167,135,715</b>	<b>\$164,013,949</b>	<b>\$158,492,148</b>
Net pension liability - ending (a)-(b)	\$82,265,954	\$87,745,129	\$102,005,263
Plan fiduciary net position as a percentage of the total pension liability	67.01%	65.15%	60.84%
Covered payroll	\$19,462,126	\$20,358,941	\$21,778,435
Net pension liability as percentage of covered payroll	422.70%	430.99%	468.38%

**Notes to Schedule:**

(1) Net of administrative expenses in 2014.

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes.

**Changes in assumptions.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2015 measurement date.

\* - Fiscal year 2015 was the first year of implementation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS**

Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Pension Plan  
Last 10 Years\*

<b>Fiscal Year Ended June 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially determined contribution	\$5,947,949	\$6,951,327	\$7,641,298
Contributions in relation to the actuarially determined contributions	5,947,949	6,951,327	7,641,298
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	<u>\$20,358,941</u>	<u>\$21,778,435</u>	<u>\$20,905,033</u>
Contributions as a percentage of covered payroll	29.22%	31.92%	36.55%
<b>Notes to Schedule</b>			
Valuation date:	6/30/2012	6/30/2013	6/30/2014
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age		
Amortization method	Level percentage of payroll		
Asset valuation method	15 Year Smoothed Market		
Inflation	2.75%		
Salary increases	3.00%		
Investment rate of return	7.50%, net of pension plan investment expense, including inflation		
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.		
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.		

\* - Fiscal year 2015 was the first year of implementation.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuations

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
 Safety Plan - Agent Multiple-Employer Defined Benefit Pension Plan  
 Last 10 Years\*

Measurement Date	6/30/2014	6/30/2015	6/30/2016
<b>Total Pension Liability</b>			
Service Cost	\$5,410,714	\$5,665,531	\$6,037,920
Interest	30,833,294	31,830,406	32,721,025
Differences between expected and actual experience	-	463,336	(675,259)
Changes in assumptions	-	(7,623,305)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(23,513,099)	(24,963,470)	(25,766,118)
<b>Net change in total pension liability</b>	12,730,909	5,372,498	12,317,568
<b>Total pension liability - beginning</b>	420,161,774	432,892,683	438,265,181
<b>Total pension liability - ending (a)</b>	\$432,892,683	\$438,265,181	\$450,582,749
<b>Plan fiduciary net position</b>			
Contributions - employer	\$9,034,348	\$10,188,345	\$12,077,355
Contributions - employee	2,517,611	2,574,737	2,498,407
Net investment income (1)	43,593,695	6,292,622	1,329,651
Administrative expense	-	(320,958)	(173,865)
Plan to Plan resource movement	-	(115)	-
Benefit payments, including refunds of employee contributions	(23,513,099)	(24,963,470)	(25,766,118)
<b>Net change in plan fiduciary net position</b>	31,632,555	(6,228,839)	(10,034,570)
<b>Plan fiduciary net position - beginning</b>	259,879,150	291,511,705	285,282,866
<b>Plan fiduciary net position - ending (b)</b>	\$291,511,705	\$285,282,866	\$275,248,296
Net pension liability - ending (a)-(b)	\$141,380,978	\$152,982,315	\$175,334,453
Plan fiduciary net position as a percentage of the total pension liability	67.34%	65.09%	61.09%
Covered payroll	\$19,082,521	\$20,922,604	\$21,563,045
Net pension liability as percentage of covered payroll	740.89%	731.18%	813.12%

**Notes to Schedule:**

(1) Net of administrative expenses in 2014.

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes.

**Changes in assumptions.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2015 measurement date.

\* - Fiscal year 2015 was the first year of implementation.

Source: CalPERS Accounting Valuation

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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Safety Plan - Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year Ended June 30,</b>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Actuarially determined contribution	\$10,188,345	\$12,077,355	\$12,582,017
Contributions in relation to the actuarially determined contributions	<u>10,188,345</u>	<u>12,077,355</u>	<u>12,582,017</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 Covered payroll	 <u>\$20,922,604</u>	 <u>\$21,563,045</u>	 <u>\$20,842,877</u>
 Contributions as a percentage of covered payroll	 48.70%	 56.01%	 60.37%
 <b>Notes to Schedule</b>			
Valuation date:	6/30/2012	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\*- Fiscal year 2015 was the first year of implementation.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuations

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**Vallejo Sanitation and Flood Control District**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Last 10 Years\***  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's proportion of the Net Pension Liability (Asset)	0.18915%	0.14712%	0.14868%
Plan's proportion share of the Net Pension Liability (Asset)	\$11,769,980	\$15,432,136	\$19,705,443
Plan's Covered Payroll	\$7,602,013	\$7,940,275	\$8,022,329
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	154.83%	194.35%	245.63%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	78.40%

Notes to Schedule:

**Benefit Changes** - In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary, instead of a final five-year average salary.

**Changes in Assumptions** - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\* - Fiscal year 2015 was the first year of implementation.

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**Vallejo Sanitation and Flood Control District  
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Schedule of Contributions  
Last 10 Fiscal Years \***

<b>Fiscal Year Ended June 30,</b>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Actuarially determined contribution	\$1,273,976	\$1,064,678	\$899,758
Contributions in relation to the actuarially determined contributions	<u>(1,273,976)</u>	<u>(1,170,814)</u>	<u>(899,758)</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>	<u><u>(\$106,136)</u></u>	<u><u>\$0</u></u>
 Covered payroll	 \$7,693,775	 \$7,924,588	 \$8,022,329
Contributions as a percentage of covered payroll	16.56%	13.44%	11.22%

\* - Fiscal year 2015 is the first year of implementation.

Source: VSFCD's general ledger and CalPERS Actuarial Valuation



## NON-MAJOR GOVERNMENTAL FUNDS

### **SPECIAL REVENUE FUNDS**

**Community Development Block Grant Fund** accounts for monies received and expended by the City as a participant in the Federal Community Development Block Grant program.

**HOME Program Fund** accounts for monies received and expended by the City as a participant in the Federal HOME Grant program.

**Neighborhood Stabilization Program Fund** accounts for monies received and expended by the City as a participant in the Federal NSP Grant.

**Mare Island Base Reuse Fund** accounts for monies received from tenants placed on the former Mare Island Naval Shipyard during the conversion process. It also accounts for operating costs to support ongoing development programs on the island. Funds are restricted for use on the island.

**Mare Island CFD 2002 Fund** accounts for monies received from general taxes and from property owner assessments for maintenance and repair of infrastructure and facilities on the former Mare Island Naval Shipyard.

**Mare Island CFD 2005 1A (State) Fund** accounts for transactions of this district formed under state statute to provide municipal services within the district.

**Mare Island CFD 2005 1B (Local) Fund** accounts for transactions of this district formed under local statute to provide municipal services within the district.

**State Gas Tax Fund** accounts for monies received from the state gas tax allocation and expended on construction, improvement and maintenance of public streets and related infrastructure.

**Solid Waste Disposal Fund** accounts for monies received from garbage collection fines and expended on enforcing major portions of the mandatory garbage subscription ordinance. This fund is also used for the mandatory city-wide recycling program and related recycling program grants.

**Hiddenbrooke Community Services District Fund** accounts for monies collected as the result of special taxes which are used to fund a variety of municipal services provided to the residents of the Hiddenbrooke development.

**Landscape Maintenance Districts Fund** accounts for special assessments on property within district boundaries for the restricted purpose of providing landscape services within the specified districts.

**Assets Seizure Fund** accounts for monies received from police confiscated drug money and property. Funds are held until final court disposition is received. The funds are then restricted for police related activities only.

**Traffic Offender/Vehicle Impound Program Fund** accounts for monies received and expended from vehicle impound fees.

**Office of Traffic Safety Fund** accounts for the award and expenditure of grants from the California Office of Traffic Safety.

## NON-MAJOR GOVERNMENTAL FUNDS (Continued)

**Justice Assistance Grant Fund** accounts for revenues received from the Justice Assistance Grant.

**Supplemental Law Enforcement Grant Fund** accounts for revenues received from the Supplemental Law Enforcement Services Grant.

**Cadet Program Fund** accounts for fee revenues and related staff costs of the Police Cadet Program. The Cadets provide security services to various city programs.

**Outside Services Fund** accounts for one-time billings to third parties and the related expenditures of these funds. The primary activity is development review.

**State Lands Fund** accounts for lease rentals generated from City-owned waterfront property subject to State Lands Commission restrictions.

**Hazmat Revolving Fund** accounts for monies received and expended for hazardous material removal.

**Administrative Trust Fund** accounts for funds held for special programs, including performance bonds for construction projects.

**Emergency Disaster Fund** accounts for monies received and expended for activities related to damages from the 2014 South Napa earthquake, including federal and State grant revenues.

**NLP Nuisance Abatement Fund** accounts for monies received and used to demolish dangerous buildings or prevent escalating nuisance conditions.

### DEBT SERVICE FUND

**Certificates of Participation Fund** accounts for the accumulation of lease revenue and the payments of annual General Fund debt service requirements. Debt issues include the 1999, 2000, 2002, and 2003 certificates of participation.

### CAPITAL PROJECTS FUNDS

**Capital Outlay Fund** accounts for the expenditure of General Fund and grant funded capital projects, including acquisitions and improvements of public property, public works projects, facilities, equipment and systems.

**Transportation Impact Mitigation Fund** accounts for monies received from the Transportation Impact fee imposed on commercial and residential development and expended on transportation improvements necessitated by such development.

**Bridge Construction Fund** accounts for monies received from the Bridge Construction Development Tax Ordinance.

**Northgate Fee & Benefit District #94-1 Fund** accounts for monies received from the development of the Northgate District #94-1 and expended for public improvements within that development area.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**Hiddenbrooke Overpass Fund** accounts for monies received from the Hiddenbrooke Overpass fee imposed on commercial and residential development within the Hiddenbrooke development area. These funds will be used to renovate the existing Hiddenbrooke overpass.

**Mare Island CFD 2005 1A Facilities Fund** accounts for transactions of this district formed under state statute to provide municipal facilities within the district.

**Mare Island Conversion Fund** is used to account for monies received from federal grants which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

**Traffic Congestion Relief Fund** accounts for street maintenance and capital expenditures to be paid from State Proposition 42 allocations.

**Capital Grants & Contributions Fund** accounts for capital project expenditures to be reimbursed from by granting agencies, developers, or other third parties.

**Neighborhood Parks (GVRD) Fund** accounts for park development impact fee revenue and for contributions to the Greater Vallejo Recreation District for park improvements.

**Long-Term Maintenance Fund** accounts for revenues received from cell tower leases for use on long term repairs and maintenance expenditures.

**Arts and Convention Center Fund** accounts for the Empress Theatre advances to the former Redevelopment Agency.

**Columbus Parkway Improvements Fund** accounts for monies received from a developer for the Columbus Parkway widening project.

**Fire Station #7 Fund** accounts for development fees that support debt service payments on Columbus Fire Station #7.

**PERMANENT FUND**

**McCune Collection Fund** accounts for monies held for the Library which consists of donations and sales of rare books to maintain the McCune book collection.

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2017

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund # 102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
<b>ASSETS</b>						
Cash and investments		\$1,250,465	\$393,255	\$688,806	\$4,944,981	\$325,267
Restricted cash and investments held with fiscal agent				480,057		
Accounts receivable	\$1,096	31,719	1,814	136,840	103,698	
Due from other governments	656,627	72,648				
Notes and loans receivable	2,388,329	5,419,715	1,793,742			
Prepays and deposits		12,259				
Total Assets	<u>\$3,046,052</u>	<u>\$6,786,806</u>	<u>\$2,188,811</u>	<u>\$1,305,703</u>	<u>\$5,048,679</u>	<u>\$325,267</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$180,626	\$38,823		\$5,221	\$45,000	\$3,763
Due to other funds	476,852					
Due to other governments						
Unearned revenue - Grants					93,812	
Deposits payable	245	343		7,785		
Total Liabilities	<u>657,723</u>	<u>39,166</u>		<u>13,006</u>	<u>138,812</u>	<u>3,763</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - accounts receivable		23,750				
Unavailable revenue - interest receivable						
Unavailable revenue - notes and loans receivable	2,388,329	5,419,715	\$1,793,742			
Total Deferred Inflows of Resources	<u>2,388,329</u>	<u>5,443,465</u>	<u>1,793,742</u>			
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable		12,259				
Restricted		1,291,916	395,069	1,292,697	4,909,867	321,504
Committed						
Assigned						
Total Fund Balances		<u>1,304,175</u>	<u>395,069</u>	<u>1,292,697</u>	<u>4,909,867</u>	<u>321,504</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$3,046,052</u>	<u>\$6,786,806</u>	<u>\$2,188,811</u>	<u>\$1,305,703</u>	<u>\$5,048,679</u>	<u>\$325,267</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Assets Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
\$1,219,879		\$287,393	\$2,792,440	\$10,407,318	\$709,311	\$120,316	
	304,340 70,724	31,750					\$21,976
		1,440					
<u>\$1,219,879</u>	<u>\$375,064</u>	<u>\$320,583</u>	<u>\$2,792,440</u>	<u>\$10,407,318</u>	<u>\$709,311</u>	<u>\$120,316</u>	<u>\$21,976</u>
	\$146,606 220,246	\$12,964	\$31,251	\$120,336	\$287	\$580	\$21,976
		215,570	141,674		7,353		
				31,720	201,938		
	<u>366,852</u>	<u>228,534</u>	<u>172,925</u>	<u>152,056</u>	<u>209,578</u>	<u>580</u>	<u>21,976</u>
\$1,219,879	8,212	1,440	2,619,515	10,255,262	499,733	119,736	
		90,609					
<u>1,219,879</u>	<u>8,212</u>	<u>92,049</u>	<u>2,619,515</u>	<u>10,255,262</u>	<u>499,733</u>	<u>119,736</u>	
<u>\$1,219,879</u>	<u>\$375,064</u>	<u>\$320,583</u>	<u>\$2,792,440</u>	<u>\$10,407,318</u>	<u>\$709,311</u>	<u>\$120,316</u>	<u>\$21,976</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2017

	SPECIAL REVENUE FUNDS					
	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134	Hazmat Revolving Fund Fund #143
<b>ASSETS</b>						
Cash and investments		\$373,535	\$63,388	\$617,965		
Restricted cash and investments held with fiscal agent						
Accounts receivable				11,132	22,029	\$10,000
Due from other governments	\$1,932	2,141				
Notes and loans receivable						
Prepays and deposits						
Total Assets	\$1,932	\$375,676	\$63,388	\$629,097	\$22,029	\$10,000
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities				\$33,226		
Due to other funds	\$1,932				\$11,382	\$10,000
Due to other governments						
Unearned revenue - Grants					9,260	
Deposits payable				595,871	1,387	
Total Liabilities	1,932			629,097	22,029	10,000
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - accounts receivable						
Unavailable revenue - interest receivable						
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources						
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted		\$375,676	\$63,388			
Committed						
Assigned						
Total Fund Balances		375,676	63,388			
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,932	\$375,676	\$63,388	\$629,097	\$22,029	\$10,000

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
Administrative Trust Fund #601	Emergency Disaster Fund #109	NLP Nuisance Abatement Fund #147	Certificates of Participation Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Northgate Fee & Benefit District #94-1 Fund #208
\$697,337	\$657,536	\$384,336		\$11,253,325	\$3,288,233	\$318,924	\$220,161
			\$242,569				
	6,576			77,803	89,088	623,527	
<u>\$697,337</u>	<u>\$664,112</u>	<u>\$384,336</u>	<u>\$242,569</u>	<u>\$11,331,128</u>	<u>\$3,377,321</u>	<u>\$942,451</u>	<u>\$220,161</u>
\$23,008	\$6,809			\$661,093		\$11,158	
674,329	320,558	\$80,314					
<u>697,337</u>	<u>327,367</u>	<u>80,314</u>		<u>661,093</u>		<u>11,158</u>	
						196,614	
						196,614	
			\$242,569	3,131,003	\$3,377,321	734,679	\$220,161
		304,022		7,539,032			
	336,745						
	336,745	304,022	242,569	10,670,035	3,377,321	734,679	220,161
<u>\$697,337</u>	<u>\$664,112</u>	<u>\$384,336</u>	<u>\$242,569</u>	<u>\$11,331,128</u>	<u>\$3,377,321</u>	<u>\$942,451</u>	<u>\$220,161</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2017

	CAPITAL PROJECTS FUNDS					
	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137
<b>ASSETS</b>						
Cash and investments	\$7,390,222	\$1,208,307	\$1,082,277	\$1,021,716	\$577,564	\$371,587
Restricted cash and investments held with fiscal agent			2,575,016			
Accounts receivable Due from other governments					965,245	
Notes and loans receivable	612,241					181,805
Prepays and deposits						
Total Assets	<u>\$8,002,463</u>	<u>\$1,208,307</u>	<u>\$3,657,293</u>	<u>\$1,021,716</u>	<u>\$1,542,809</u>	<u>\$553,392</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$1,148		\$171,455	\$19,822	\$185,742	
Due to other funds					717,025	
Due to other governments						
Unearned revenue - Grants			376,807		577,564	
Deposits payable						
Total Liabilities	<u>1,148</u>		<u>548,262</u>	<u>19,822</u>	<u>1,480,331</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - accounts receivable						
Unavailable revenue - interest receivable	155,646					\$43,044
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources	<u>155,646</u>					<u>43,044</u>
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted	7,845,669	\$1,208,307	3,109,031	1,001,894	62,478	510,348
Committed						
Assigned						
Total Fund Balances	<u>7,845,669</u>	<u>1,208,307</u>	<u>3,109,031</u>	<u>1,001,894</u>	<u>62,478</u>	<u>510,348</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$8,002,463</u>	<u>\$1,208,307</u>	<u>\$3,657,293</u>	<u>\$1,021,716</u>	<u>\$1,542,809</u>	<u>\$553,392</u>



CAPITAL PROJECTS FUNDS				PERMANENT FUND	
Long-Term Maintenance Fund #223	Arts and Convention Center Fund #206	Columbus Parkway Improvements Fund #224	Empress Theater Fund #225	McCune Collection Fund #603	Total Nonmajor Governmental Funds
\$607,799	\$74,193	\$911,323	\$50,000	\$107,720	\$54,416,879
					3,297,642
					654,418
					1,875,672
	4,897,538		47,265		16,053,250
					13,699
<u>\$607,799</u>	<u>\$4,971,731</u>	<u>\$911,323</u>	<u>\$97,265</u>	<u>\$107,720</u>	<u>\$76,311,560</u>
			\$37,157	\$2,781	\$1,738,856
					1,459,413
					7,353
					1,815,559
					1,513,618
			37,157	2,781	6,534,799
					23,750
	\$1,435,180		47,265		1,830,484
					9,649,051
	<u>1,435,180</u>		<u>47,265</u>		<u>11,503,285</u>
\$170,000		\$911,323		64,625	78,324
437,799	3,536,551		12,843	40,314	44,856,228
					8,924,377
607,799	3,536,551	911,323	12,843	104,939	4,414,547
<u>\$607,799</u>	<u>\$4,971,731</u>	<u>\$911,323</u>	<u>\$97,265</u>	<u>\$107,720</u>	<u>\$76,311,560</u>

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

SPECIAL REVENUE FUNDS						
	Community Development Block Grant Fund #101	Home Program Fund # 102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
REVENUES						
Taxes					\$1,455,681	
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,495,630	\$617,719				
Use of money and property	69,247	658,724	\$40,107	\$426,120	9,457	\$513
Charges for services				151,870	2,110,649	327,310
Other	14,935					
Total Revenues	<u>1,579,812</u>	<u>1,276,443</u>	<u>40,107</u>	<u>577,990</u>	<u>3,575,787</u>	<u>327,823</u>
EXPENDITURES						
Current:						
Finance						
Law						
Development services						
Community development	725,890	898,019	4,011	316,759		
Fire services					1,849,000	
Police services					636,000	
Public works					958,674	262,742
Capital outlay	853,922				315,663	
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>1,579,812</u>	<u>898,019</u>	<u>4,011</u>	<u>316,759</u>	<u>3,759,337</u>	<u>262,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>378,424</u>	<u>36,096</u>	<u>261,231</u>	<u>(183,550)</u>	<u>65,081</u>
OTHER FINANCING SOURCES (USES)						
Transfers in					11,444	
Transfers (out)						
Total Other Financing Sources (Uses)					<u>11,444</u>	
NET CHANGE IN FUND BALANCES		<u>378,424</u>	<u>36,096</u>	<u>261,231</u>	<u>(172,106)</u>	<u>65,081</u>
BEGINNING FUND BALANCES		<u>925,751</u>	<u>358,973</u>	<u>1,031,466</u>	<u>5,081,973</u>	<u>256,423</u>
ENDING FUND BALANCES		<u>\$1,304,175</u>	<u>\$395,069</u>	<u>\$1,292,697</u>	<u>\$4,909,867</u>	<u>\$321,504</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Asset Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
		\$13,657				\$96,549	
	\$2,393,644	14,454			\$21,232		\$96,528
\$2,581	(9)	72,456	\$5,827	\$20,698	1,477	366	
112,256	1,022,500	1,380,666	763,133	3,610,769			
	56,105		5,000	10,218		53,779	
114,837	3,472,240	1,482,131	773,960	3,641,685	22,709	150,694	96,528
					89,749	129,161	96,528
7,417	3,204,588	1,427,573	675,430	2,275,377			
7,417	3,204,588	1,427,573	675,430	2,275,377	89,749	129,161	96,528
107,420	267,652	54,558	98,530	1,366,308	(67,040)	21,533	
	(384,375)			18,435	(14,500)		
	(384,375)			18,435	(14,500)		
107,420	(116,723)	54,558	98,530	1,384,743	(81,540)	21,533	
1,112,459	124,935	37,491	2,520,985	8,870,519	581,273	98,203	
\$1,219,879	\$8,212	\$92,049	\$2,619,515	\$10,255,262	\$499,733	\$119,736	

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

SPECIAL REVENUE FUNDS						
	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134	Hazmat Revolving Fund #143
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$87,618	\$237,681				
Use of money and property		699	\$141	\$2,075	\$229,832	\$8
Charges for services				582,519		40,000
Other			925			
Total Revenues	<u>87,618</u>	<u>238,380</u>	<u>1,066</u>	<u>584,594</u>	<u>229,832</u>	<u>40,008</u>
EXPENDITURES						
Current:						
Finance						
Law						
Development services				576,183		
Community development					68,053	
Fire services						40,008
Police services	87,618	170,189	318			
Public works				6,336		
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>87,618</u>	<u>170,189</u>	<u>318</u>	<u>582,519</u>	<u>68,053</u>	<u>40,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
		<u>68,191</u>	<u>748</u>	<u>2,075</u>	<u>161,779</u>	
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(2,075)	(161,779)	
Total Other Financing Sources (Uses)				<u>(2,075)</u>	<u>(161,779)</u>	
NET CHANGE IN FUND BALANCES						
		<u>68,191</u>	<u>748</u>			
BEGINNING FUND BALANCES						
		<u>307,485</u>	<u>62,640</u>			
ENDING FUND BALANCES						
		<u>\$375,676</u>	<u>\$63,388</u>			

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
Administrative Trust Fund #601	Emergency Disaster Fund #109	NLP Nuisance Abatement Fund #147	Certificates of Participation Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Northgate Fee & Benefit District #94-1 Fund #208
				\$317,853	\$291,761		
\$2,050	\$405	\$539	\$173	33,852	6,982		\$502
<u>2,986</u>		<u>195,389</u>		<u>1,487</u>			
<u>5,036</u>	<u>405</u>	<u>195,928</u>	<u>173</u>	<u>353,192</u>	<u>298,743</u>		<u>502</u>
		803					
2,986	104,080		9,000	4,500	4,500	\$4,500	4,500
				4,062,711		604,490	
			862,465				
<u>2,986</u>	<u>104,080</u>	<u>803</u>	<u>1,178,738</u>	<u>4,067,211</u>	<u>4,500</u>	<u>608,990</u>	<u>4,500</u>
<u>2,050</u>	<u>(103,675)</u>	<u>195,125</u>	<u>(1,178,565)</u>	<u>(3,714,019)</u>	<u>294,243</u>	<u>(608,990)</u>	<u>(3,998)</u>
<u>(2,050)</u>	<u>(1,442,000)</u>		<u>1,104,478</u>	<u>5,555,032</u>			
<u>(2,050)</u>	<u>(1,442,000)</u>	<u>-</u>	<u>1,104,478</u>	<u>5,555,032</u>			
	<u>(1,545,675)</u>	<u>195,125</u>	<u>(74,087)</u>	<u>1,841,013</u>	<u>294,243</u>	<u>(608,990)</u>	<u>(3,998)</u>
	<u>1,882,420</u>	<u>108,897</u>	<u>316,656</u>	<u>8,829,022</u>	<u>3,083,078</u>	<u>1,343,669</u>	<u>224,159</u>
	<u>\$336,745</u>	<u>\$304,022</u>	<u>\$242,569</u>	<u>\$10,670,035</u>	<u>\$3,377,321</u>	<u>\$734,679</u>	<u>\$220,161</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	CAPITAL PROJECTS FUNDS					
	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137
REVENUES						
Taxes						
Licenses, permits and fees						\$25,697
Fines and forfeitures						
Intergovernmental			\$749,363		\$1,367,675	
Use of money and property	\$16,732	\$2,573	19,011	\$2,462	1,475	914
Charges for services		100,005			1	
Other						1,000
Total Revenues	<u>16,732</u>	<u>102,578</u>	<u>768,374</u>	<u>2,462</u>	<u>1,369,151</u>	<u>27,611</u>
EXPENDITURES						
Current:						
Finance						
Law						
Development services						
Community development			823,954			151,035
Fire services						
Police services						
Public works	4,500	7,097				
Capital outlay	61,935			626,768	1,367,677	21,957
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>66,435</u>	<u>7,097</u>	<u>823,954</u>	<u>626,768</u>	<u>1,367,677</u>	<u>172,992</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(49,703)</u>	<u>95,481</u>	<u>(55,580)</u>	<u>(624,306)</u>	<u>1,474</u>	<u>(145,381)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				384,375		
Transfers (out)						
Total Other Financing Sources (Uses)				<u>384,375</u>		
NET CHANGE IN FUND BALANCES	<u>(49,703)</u>	<u>95,481</u>	<u>(55,580)</u>	<u>(239,931)</u>	<u>1,474</u>	<u>(145,381)</u>
BEGINNING FUND BALANCES	<u>7,895,372</u>	<u>1,112,826</u>	<u>3,164,611</u>	<u>1,241,825</u>	<u>61,004</u>	<u>655,729</u>
ENDING FUND BALANCES	<u>\$7,845,669</u>	<u>\$1,208,307</u>	<u>\$3,109,031</u>	<u>\$1,001,894</u>	<u>\$62,478</u>	<u>\$510,348</u>

CAPITAL PROJECTS FUNDS				PERMANENT FUND	
Long-Term Maintenance Fund #223	Arts and Convention Center Fund #206	Columbus Parkway Improvements Fund #224	Empress Theater Fund #225	McCune Collection Fund #603	Total Nonmajor Governmental Funds
					\$1,455,681
					745,517
					35,686
					7,118,719
\$1,145	\$173	\$2,009		\$247	1,559,600
		80,662			10,282,340
					341,824
<u>1,145</u>	<u>173</u>	<u>82,671</u>		<u>247</u>	<u>21,539,367</u>
					803
					576,183
				5,039	2,992,760
					1,889,008
					1,212,549
		4,500	\$37,157		8,960,814
					7,956,780
					862,465
					307,273
		<u>4,500</u>	<u>37,157</u>	<u>5,039</u>	<u>24,758,635</u>
<u>1,145</u>	<u>173</u>	<u>78,171</u>	<u>(37,157)</u>	<u>(4,792)</u>	<u>(3,219,268)</u>
100,000	1,680		50,000		7,225,444
					(2,006,779)
<u>100,000</u>	<u>1,680</u>		<u>50,000</u>		<u>5,218,665</u>
101,145	1,853	78,171	12,843	(4,792)	1,999,397
506,654	3,534,698	833,152		109,731	56,274,079
<u>\$607,799</u>	<u>\$3,536,551</u>	<u>\$911,323</u>	<u>\$12,843</u>	<u>\$104,939</u>	<u>\$58,273,476</u>

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$2,059,858	\$1,495,630	(\$564,228)	\$1,562,028	\$617,719	(\$944,309)
Use of money and property	75,000	69,247	(5,753)	550,000	658,724	108,724
Charges for services						
Other		14,935	14,935	500,000		(500,000)
<b>Total Revenues</b>	<u>2,134,858</u>	<u>1,579,812</u>	<u>(555,046)</u>	<u>2,612,028</u>	<u>1,276,443</u>	<u>(1,335,585)</u>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Law						
Development services						
Community development	900,814	725,890	174,924	3,037,779	898,019	2,139,760
Fire services						
Police services						
Public works						
Nondepartmental						
Capital outlay	<u>1,234,044</u>	<u>853,922</u>	<u>380,122</u>			
<b>Total Expenditures</b>	<u>2,134,858</u>	<u>1,579,812</u>	<u>555,046</u>	<u>3,037,779</u>	<u>898,019</u>	<u>2,139,760</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				<u>(425,751)</u>	<u>378,424</u>	<u>804,175</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>				<u>(\$425,751)</u>	<u>378,424</u>	<u>\$804,175</u>
<b>BEGINNING FUND BALANCES</b>					<u>925,751</u>	
<b>ENDING FUND BALANCES</b>					<u>\$1,304,175</u>	



NEIGHBORHOOD STABILIZATION PROGRAM			MARE ISLAND BASE REUSE			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$1,435,490	\$1,455,681	\$20,191
\$897,748		(\$897,748)	\$377,000	\$426,120	\$49,120	26,000	9,457	(16,543)
393,972	\$40,107	(353,865)	66,500	151,870	85,370	2,178,276	2,110,649	(67,627)
<u>1,291,720</u>	<u>40,107</u>	<u>(1,251,613)</u>	<u>443,500</u>	<u>577,990</u>	<u>134,490</u>	<u>3,639,766</u>	<u>3,575,787</u>	<u>(63,979)</u>
1,291,720	4,011	1,287,709	515,270	316,759	198,511	1,843,000	1,849,000	(6,000)
						655,000	636,000	19,000
						1,405,572	958,674	446,898
						<u>315,663</u>	<u>315,663</u>	
<u>1,291,720</u>	<u>4,011</u>	<u>1,287,709</u>	<u>515,270</u>	<u>316,759</u>	<u>198,511</u>	<u>4,219,235</u>	<u>3,759,337</u>	<u>459,898</u>
	36,096	36,096	(71,770)	261,231	333,001	(579,469)	(183,550)	395,919
						11,444	11,444	
						<u>11,444</u>	<u>11,444</u>	
	36,096	<u>\$36,096</u>	<u>(\$71,770)</u>	261,231	<u>\$333,001</u>	<u>(\$568,025)</u>	(172,106)	<u>\$395,919</u>
	<u>358,973</u>			<u>1,031,466</u>			<u>5,081,973</u>	
	<u>\$395,069</u>			<u>\$1,292,697</u>			<u>\$4,909,867</u>	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	MARE ISLAND CFD 2005 1A (State)			MARE ISLAND CFD 2005 1B (Local)		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$513	\$513		\$2,581	\$2,581
Charges for services	\$327,308	327,310	2	\$112,254	112,256	2
Other						
Total Revenues	<u>327,308</u>	<u>327,823</u>	<u>515</u>	<u>112,254</u>	<u>114,837</u>	<u>2,583</u>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services						
Public works	364,283	262,742	101,541	9,160	7,417	1,743
Nondepartmental						
Capital outlay						
Total Expenditures	<u>364,283</u>	<u>262,742</u>	<u>101,541</u>	<u>9,160</u>	<u>7,417</u>	<u>1,743</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(\$36,975)</u>	<u>65,081</u>	<u>102,056</u>	<u>103,094</u>	<u>107,420</u>	<u>4,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$36,975)</u>	<u>65,081</u>	<u>\$102,056</u>	<u>\$103,094</u>	<u>107,420</u>	<u>\$4,326</u>
<b>BEGINNING FUND BALANCES</b>		<u>256,423</u>			<u>1,112,459</u>	
<b>ENDING FUND BALANCES</b>		<u>\$321,504</u>			<u>\$1,219,879</u>	

STATE GAS TAX			SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$11,250	\$13,657	\$2,407			
				14,454	14,454			
\$2,580,470	\$2,393,644	(\$186,826)		72,456	72,456			
	(9)	(9)		898	898	\$22,724	\$5,827	(\$16,897)
1,023,750	1,022,500	(1,250)	1,465,194	1,380,666	(84,528)	797,444	763,133	(34,311)
38,000	56,105	18,105					5,000	5,000
<u>3,642,220</u>	<u>3,472,240</u>	<u>(169,980)</u>	<u>1,476,444</u>	<u>1,482,131</u>	<u>5,687</u>	<u>820,168</u>	<u>773,960</u>	<u>(46,208)</u>
3,382,781	3,204,588	178,193	1,433,407	1,427,573	5,834	1,070,710	675,430	395,280
<u>3,382,781</u>	<u>3,204,588</u>	<u>178,193</u>	<u>1,433,407</u>	<u>1,427,573</u>	<u>5,834</u>	<u>1,070,710</u>	<u>675,430</u>	<u>395,280</u>
259,439	267,652	8,213	43,037	54,558	11,521	(250,542)	98,530	349,072
<u>(384,375)</u>	<u>(384,375)</u>							
<u>(384,375)</u>	<u>(384,375)</u>							
<u>(\$124,936)</u>	<u>(116,723)</u>	<u>\$8,213</u>	<u>\$43,037</u>	<u>54,558</u>	<u>\$11,521</u>	<u>(\$250,542)</u>	<u>98,530</u>	<u>\$349,072</u>
	<u>124,935</u>			<u>37,491</u>			<u>2,520,985</u>	
	<u>\$8,212</u>			<u>\$92,049</u>			<u>\$2,619,515</u>	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	LANDSCAPE MAINTENANCE DISTRICTS			ASSET SEIZURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures				\$10,000	\$21,232	\$11,232
Intergovernmental						
Use of money and property	\$83,376	\$20,698	(\$62,678)	4,000	1,477	(2,523)
Charges for services	3,486,321	3,610,769	124,448			
Other		10,218	10,218			
<b>Total Revenues</b>	<b>3,569,697</b>	<b>3,641,685</b>	<b>71,988</b>	<b>14,000</b>	<b>22,709</b>	<b>8,709</b>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services				250,044	89,749	160,295
Public works	2,686,474	2,275,377	411,097			
Nondepartmental						
Capital outlay						
<b>Total Expenditures</b>	<b>2,686,474</b>	<b>2,275,377</b>	<b>411,097</b>	<b>250,044</b>	<b>89,749</b>	<b>160,295</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>883,223</b>	<b>1,366,308</b>	<b>483,085</b>	<b>(236,044)</b>	<b>(67,040)</b>	<b>169,004</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	18,435	18,435				
Transfers (out)				(14,500)	(14,500)	
<b>Total Other Financing Sources (Uses)</b>	<b>18,435</b>	<b>18,435</b>		<b>(14,500)</b>	<b>(14,500)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$901,658</b>	<b>1,384,743</b>	<b>\$483,085</b>	<b>(\$250,544)</b>	<b>(81,540)</b>	<b>\$169,004</b>
<b>BEGINNING FUND BALANCES</b>		<b>8,870,519</b>			<b>581,273</b>	
<b>ENDING FUND BALANCES</b>		<b>\$10,255,262</b>			<b>\$499,733</b>	

TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			OFFICE OF TRAFFIC SAFETY			JUSTICE ASSISTANCE GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$110,000	\$96,549	(\$13,451)						
	366	366	\$163,002	\$96,528	(\$66,474)	\$204,076	\$87,618	(\$116,458)
<u>35,000</u>	<u>53,779</u>	<u>18,779</u>						
<u>145,000</u>	<u>150,694</u>	<u>5,694</u>	<u>163,002</u>	<u>96,528</u>	<u>(66,474)</u>	<u>204,076</u>	<u>87,618</u>	<u>(116,458)</u>
150,000	129,161	20,839	163,002	96,528	66,474	204,076	87,618	116,458
<u>150,000</u>	<u>129,161</u>	<u>20,839</u>	<u>163,002</u>	<u>96,528</u>	<u>66,474</u>	<u>204,076</u>	<u>87,618</u>	<u>116,458</u>
<u>(5,000)</u>	<u>21,533</u>	<u>26,533</u>						
<u>(\$5,000)</u>	<u>21,533</u>	<u>\$26,533</u>						
	<u>98,203</u>							
	<u>\$119,736</u>							

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$180,000	\$237,681	\$57,681			
Use of money and property		699	699		\$141	\$141
Charges for services						
Other				\$1,000	925	(75)
<b>Total Revenues</b>	<u>180,000</u>	<u>238,380</u>	<u>58,380</u>	<u>1,000</u>	<u>1,066</u>	<u>66</u>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services	307,646	170,189	137,457	52,526	318	52,208
Public works						
Nondepartmental						
Capital outlay						
<b>Total Expenditures</b>	<u>307,646</u>	<u>170,189</u>	<u>137,457</u>	<u>52,526</u>	<u>318</u>	<u>52,208</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(127,646)</u>	<u>68,191</u>	<u>195,837</u>	<u>(51,526)</u>	<u>748</u>	<u>52,274</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$127,646)</u>	<u>68,191</u>	<u>\$195,837</u>	<u>(\$51,526)</u>	<u>748</u>	<u>\$52,274</u>
<b>BEGINNING FUND BALANCES</b>		<u>307,485</u>			<u>62,640</u>	
<b>ENDING FUND BALANCES</b>		<u>\$375,676</u>			<u>\$63,388</u>	

OUTSIDE SERVICES			STATE LANDS			HAZMAT REVOLVING FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$3,000	\$2,075	(\$925)	\$212,098	\$229,832	\$17,734	\$350	\$8	(\$342)
1,345,000	582,519	(762,481)				40,000	40,000	
<u>1,348,000</u>	<u>584,594</u>	<u>(763,406)</u>	<u>212,098</u>	<u>229,832</u>	<u>17,734</u>	<u>40,350</u>	<u>40,008</u>	<u>(342)</u>
1,145,000	576,183	568,817	128,813	68,053	60,760	40,350	40,008	342
200,000	6,336	193,664						
<u>1,345,000</u>	<u>582,519</u>	<u>762,481</u>	<u>128,813</u>	<u>68,053</u>	<u>60,760</u>	<u>40,350</u>	<u>40,008</u>	<u>342</u>
<u>3,000</u>	<u>2,075</u>	<u>(925)</u>	<u>83,285</u>	<u>161,779</u>	<u>78,494</u>			
<u>(3,000)</u>	<u>(2,075)</u>	<u>925</u>	<u>(62,414)</u>	<u>(161,779)</u>	<u>(99,365)</u>			
<u>(3,000)</u>	<u>(2,075)</u>	<u>925</u>	<u>(62,414)</u>	<u>(161,779)</u>	<u>(99,365)</u>			
			<u>\$20,871</u>		<u>(\$20,871)</u>			

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	ADMINISTRATIVE TRUST FUND			EMERGENCY DISASTER FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental					\$405	\$405
Use of money and property	\$7,000	\$2,050	(\$4,950)			
Charges for services	4,000		(4,000)			
Other	10,305	2,986	(7,319)			
<b>Total Revenues</b>	<b>21,305</b>	<b>5,036</b>	<b>(16,269)</b>		<b>405</b>	<b>405</b>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services	10,305	2,986	7,319			
Public works	4,000		4,000	\$1,547,460	104,080	1,443,380
Nondepartmental						
Capital outlay						
<b>Total Expenditures</b>	<b>14,305</b>	<b>2,986</b>	<b>11,319</b>	<b>1,547,460</b>	<b>104,080</b>	<b>1,443,380</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>7,000</b>	<b>2,050</b>	<b>(4,950)</b>	<b>(1,547,460)</b>	<b>(103,675)</b>	<b>1,443,785</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)	(7,000)	(2,050)	4,950	(1,442,000)	(1,442,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(7,000)</b>	<b>(2,050)</b>	<b>4,950</b>	<b>(1,442,000)</b>	<b>(1,442,000)</b>	
<b>NET CHANGE IN FUND BALANCES</b>				<b>(\$2,989,460)</b>	<b>(1,545,675)</b>	<b>\$1,443,785</b>
<b>BEGINNING FUND BALANCES</b>					<b>1,882,420</b>	
<b>ENDING FUND BALANCES</b>					<b>\$336,745</b>	



NLP NUISANCE ABATEMENT FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$539	\$539
<u>\$240,000</u>	<u>195,389</u>	<u>(44,611)</u>
<u>240,000</u>	<u>195,928</u>	<u>(44,072)</u>
131,167	803	130,364
<u>131,167</u>	<u>803</u>	<u>130,364</u>
<u>108,833</u>	<u>195,125</u>	<u>86,292</u>
<u>\$108,833</u>	195,125	<u>\$86,292</u>
	<u>108,897</u>	
	<u>\$304,022</u>	



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**INTERNAL SERVICE FUNDS**

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
<b>ASSETS</b>					
Cash and investments	\$6,635,471	\$17,123,812	\$194,804	\$400,928	\$24,355,015
Accounts receivable	14,704	7,500	20,788		42,992
Due from other funds		1,829,635			1,829,635
Materials, parts, and supplies	178,841				178,841
Capital assets, net	6,023,300				6,023,300
<b>Total Assets</b>	<b>12,852,316</b>	<b>18,960,947</b>	<b>215,592</b>	<b>400,928</b>	<b>32,429,783</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	271,753	81,738			353,491
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	111,273	57,932	26,465		195,670
Claims payable, current		3,228,594			3,228,594
Employee benefits payable, current	50,562	6,989	189,127		246,678
<b>Current liabilities</b>	<b>161,835</b>	<b>3,293,515</b>	<b>215,592</b>		<b>3,670,942</b>
<b>Long-term liabilities:</b>					
Claims payable		12,262,406			12,262,406
Employee benefits payable, long term		6,736		10,379,764	10,386,500
Net pension liability	2,297,890	521,587			2,819,477
<b>Total Liabilities</b>	<b>2,459,725</b>	<b>16,084,244</b>	<b>215,592</b>	<b>10,379,764</b>	<b>29,139,325</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	20,813	3,556			24,369
<b>NET POSITION (DEFICITS)</b>					
Net investment in capital assets	6,023,300				6,023,300
Unrestricted	4,620,231	2,954,885		(9,978,836)	(2,403,720)
<b>Total Net Position (Deficits)</b>	<b>\$10,643,531</b>	<b>\$2,954,885</b>		<b>(\$9,978,836)</b>	<b>\$3,619,580</b>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$4,384,032	\$7,422,084		\$4,891,950	\$16,698,066
Other	33,192	6,989			40,181
Total operating revenues	<u>4,417,224</u>	<u>7,429,073</u>		<u>4,891,950</u>	<u>16,738,247</u>
<b>OPERATING EXPENSES</b>					
Operating expenses	2,278,091	1,818,996		2,901,898	6,998,985
Insurance and claims		3,919,656			3,919,656
Depreciation	<u>1,264,001</u>				<u>1,264,001</u>
Total operating expenses	<u>3,542,092</u>	<u>5,738,652</u>		<u>2,901,898</u>	<u>12,182,642</u>
Operating income (loss)	<u>875,132</u>	<u>1,690,421</u>		<u>1,990,052</u>	<u>4,555,605</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income (expense)	16,897	106,043		2,985	125,925
Gain on sale of assets	<u>89,852</u>				<u>89,852</u>
Total nonoperating revenues (expenses)	<u>106,749</u>	<u>106,043</u>		<u>2,985</u>	<u>215,777</u>
Income (loss) before transfers	981,881	1,796,464		1,993,037	4,771,382
Transfers in	<u>29,789</u>	<u>750,000</u>			<u>779,789</u>
Change in net position	1,011,670	2,546,464		1,993,037	5,551,171
BEGINNING NET POSITION (DEFICIT)	<u>9,631,861</u>	<u>408,421</u>		<u>(11,971,873)</u>	<u>(1,931,591)</u>
ENDING NET POSITION (DEFICIT)	<u><u>\$10,643,531</u></u>	<u><u>\$2,954,885</u></u>		<u><u>(\$9,978,836)</u></u>	<u><u>\$3,619,580</u></u>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$4,410,828	\$7,438,455		\$4,891,950	\$16,741,233
Payments to suppliers	(1,570,683)	(559,479)			(2,130,162)
Payments to or on behalf of employees	(743,806)	(1,227,972)	(\$1,237,820)	(6,294,746)	(9,504,344)
Claims paid		(4,742,656)			(4,742,656)
<b>Cash Flows from Operating Activities</b>	<b>2,096,339</b>	<b>908,348</b>	<b>(1,237,820)</b>	<b>(1,402,796)</b>	<b>364,071</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund receipts (payments)	29,789	750,000			779,789
Intergovernmental receipts (payments)		3,306,840			3,306,840
<b>Cash Flows from Noncapital Financing Activities</b>	<b>29,789</b>	<b>4,056,840</b>			<b>4,086,629</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale of capital assets	89,852				89,852
Acquisition of capital assets	(3,740,697)				(3,740,697)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(3,650,845)</b>				<b>(3,650,845)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	16,897	106,043		2,985	125,925
<b>Cash Flows from Investing Activities</b>	<b>16,897</b>	<b>106,043</b>		<b>2,985</b>	<b>125,925</b>
<b>Net Cash Flows</b>	<b>(1,507,820)</b>	<b>5,071,231</b>	<b>(1,237,820)</b>	<b>(1,399,811)</b>	<b>925,780</b>
Cash and investments at beginning of period	8,143,291	12,052,581	1,432,624	1,800,739	23,429,235
Cash and investments at end of period	<u>\$6,635,471</u>	<u>\$17,123,812</u>	<u>\$194,804</u>	<u>\$400,928</u>	<u>\$24,355,015</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$875,132	\$1,690,421		\$1,990,052	\$4,555,605
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	1,264,001				1,264,001
<b>Change in assets and liabilities:</b>					
Receivables, net	(6,396)	9,382	\$10,399		13,385
Other assets	(7,201)				(7,201)
Accounts payable and accrued liabilities	(57,600)	34,430	(1,280,906)	(1,618,092)	(2,922,168)
Employee benefits payable	(41,056)	10,968	32,687	(1,774,756)	(1,772,157)
Net pension liability and deferred outflows/inflows of resources related to pensions	69,459	(13,853)			55,606
Claims payable		(823,000)			(823,000)
<b>Cash Flows from Operating Activities</b>	<b>\$2,096,339</b>	<b>\$908,348</b>	<b>(1,237,820)</b>	<b>(1,402,796)</b>	<b>\$364,071</b>

## **AGENCY FUNDS**

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

The City's Agency Funds include the Improvement Districts and Assessment Districts Agency Funds. These funds account for the collection of assessment and the disbursement to district bond holders for debt without City commitment.

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Cash and investments	<u>\$45,888</u>	<u>\$99</u>	<u>\$4,500</u>	<u>\$41,487</u>
Total Assets	<u>\$45,888</u>	<u>\$99</u>	<u>\$4,500</u>	<u>\$41,487</u>
<u>Liabilities</u>				
Due to property owners	<u>\$45,888</u>	<u>\$99</u>	<u>\$4,500</u>	<u>\$41,487</u>
Total Liabilities	<u>\$45,888</u>	<u>\$99</u>	<u>\$4,500</u>	<u>\$41,487</u>
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$2,952,980	\$1,839,483	\$1,486,436	\$3,306,027
Restricted cash and investments	<u>3,304,837</u>	<u>3,624</u>	<u>114,482</u>	<u>3,193,979</u>
Total Assets	<u>\$6,257,817</u>	<u>\$1,843,107</u>	<u>\$1,600,918</u>	<u>\$6,500,006</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$6,257,817</u>	<u>\$1,843,107</u>	<u>\$1,600,918</u>	<u>\$6,500,006</u>
Total Liabilities	<u>\$6,257,817</u>	<u>\$1,843,107</u>	<u>\$1,600,918</u>	<u>\$6,500,006</u>



CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$367,919	\$518,064	\$422,036	\$463,947
Restricted cash and investments	594,885	605	90,429	505,061
Total Assets	<u>\$962,804</u>	<u>\$518,669</u>	<u>\$512,465</u>	<u>\$969,008</u>
<u>Liabilities</u>				
Due to bondholders	\$962,804	\$518,669	\$512,465	\$969,008
Total Liabilities	<u>\$962,804</u>	<u>\$518,669</u>	<u>\$512,465</u>	<u>\$969,008</u>
 <u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,366,787	\$2,357,646	\$1,912,972	\$3,811,461
Restricted cash and investments held with fiscal agent	3,899,722	4,229	204,911	3,699,040
Total Assets	<u>\$7,266,509</u>	<u>\$2,361,875</u>	<u>\$2,117,883</u>	<u>\$7,510,501</u>
<u>Liabilities</u>				
Due to bondholders	\$7,220,621	\$2,361,776	\$2,113,383	\$7,469,014
Due to property owners	45,888	99	4,500	41,487
Total Liabilities	<u>\$7,266,509</u>	<u>\$2,361,875</u>	<u>\$2,117,883</u>	<u>\$7,510,501</u>



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## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. 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:

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

### ***Revenue Capacity***

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

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Taxes Rates
- Top 10 Principal Property Tax Payers
- Property Tax Levies and Collections
- Taxable Sales by Category
- Top 25 Principal Sales Tax Payers

### ***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:

- Ratios of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Pledged Revenue Coverage

### ***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:

- Demographic and Economic Statistics
- Top 10 Principal Employers
- Full-time and Part-time City Employees by Function

### ***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:

- Operating Indicators by Function
- Capital Asset Statistics by Function

### ***Sources***

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



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## Net Position by Component

## Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net Investment in Capital Assets	\$ 264,548,211	\$ 266,223,475	\$ 273,408,041	\$ 300,254,819	\$ 319,101,434	\$ 317,984,723	\$ 318,630,233	\$ 313,312,203	\$ 314,654,942	\$ 318,636,371
Restricted	102,874,303	85,263,689	81,295,175	84,076,839	67,066,468	65,402,869	70,125,586	65,421,676	68,373,151	70,545,240
Unrestricted	(22,169,645)	(26,867,493)	(17,973,163)	(16,698,219)	(949,135)	356,086	9,621,946	(191,225,009)	(177,003,436)	(174,091,484)
Total governmental activities net position	<u>\$ 345,252,869</u>	<u>\$ 324,619,671</u>	<u>\$ 336,730,053</u>	<u>\$ 367,633,439</u>	<u>\$ 385,218,767</u>	<u>\$ 383,743,678</u>	<u>\$ 398,377,765</u>	<u>\$ 187,508,870</u>	<u>\$ 206,024,657</u>	<u>\$ 215,090,127</u>
Business-type activities:										
Net Investment in Capital Assets	\$ 209,721,546	\$ 203,332,924	\$ 197,992,367	\$ 218,549,566	\$ 70,577,833	\$ 39,076,148	\$ 40,466,687	\$ 38,170,671	\$ 40,191,379	\$ 40,778,629
Restricted	46,365,386	41,511,141	43,848,953	42,434,217	4,541,278	4,306,908	5,253,775	5,253,774	5,253,836	5,258,610
Unrestricted	35,217,209	38,002,659	33,507,221	41,110,758	24,728,431	20,942,101	23,707,740	1,294,897	(75,800)	1,842,145
Total business-type activities net position	<u>\$ 291,304,141</u>	<u>\$ 282,846,724</u>	<u>\$ 275,348,541</u>	<u>\$ 302,094,541</u>	<u>\$ 99,847,542</u>	<u>\$ 64,325,157</u>	<u>\$ 69,428,202</u>	<u>\$ 44,719,342</u>	<u>\$ 45,369,415</u>	<u>\$ 47,879,384</u>
Primary government:										
Net Investment in Capital Assets	\$ 474,269,757	\$ 469,556,399	\$ 471,400,408	\$ 518,804,385	\$ 389,679,267	\$ 357,060,871	\$ 359,096,920	\$ 351,482,874	\$ 354,846,321	\$ 359,415,000
Restricted	149,239,689	126,774,830	125,144,128	126,511,056	71,607,746	69,709,777	75,379,361	70,675,450	73,677,073	75,803,850
Unrestricted	13,047,564	11,135,166	15,534,058	24,412,539	23,779,296	21,298,187	33,329,686	(189,930,112)	(177,129,322)	(172,249,339)
Total primary government net position	<u>\$ 636,557,010</u>	<u>\$ 607,466,395</u>	<u>\$ 612,078,594</u>	<u>\$ 669,727,980</u>	<u>\$ 485,066,309</u>	<u>\$ 448,068,835</u>	<u>\$ 467,805,967</u>	<u>\$ 232,228,212</u>	<u>\$ 251,394,072</u>	<u>\$ 262,969,511</u>

Notes: <sup>1</sup> Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the Net Position related to the implementation of GASB 61.

<sup>2</sup> The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

<sup>3</sup> The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Prior amounts have not been restated.

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
Legislative and Advisory	\$ 285,594	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581	\$ 304,333	\$ 213,736	\$ 268,785	\$ 257,208	\$ 244,300
Executive	686,783	515,508	922,039	513,771	2,442,285	3,012,974	3,844,344	3,817,882	2,386,112	2,795,092
Finance	1,216,526	1,843,470	1,631,483	1,654,657	798,688	1,382,283	1,770,592	1,654,071	2,009,568	2,046,341
Human Resources	668,458	500,773	499,447	556,953	962,813	1,026,615	930,294	1,034,655	1,390,288	988,831
Law	867,418	907,159	760,735	719,025	503,754	1,158,594	1,079,614	694,447	976,895	1,289,690
Development Services	3,252,585	2,612,545	1,986,757	2,616,595	2,346,911	2,180,055	2,504,558	2,701,130	2,954,366	2,925,237
Community Development	33,498,889	38,289,355	39,370,106	36,122,330	27,382,802	33,586,418	32,366,219	26,801,601	27,801,563	27,348,207
Fire services	27,464,830	24,629,574	15,796,657	17,484,072	19,054,650	23,480,073	23,628,510	24,689,484	24,573,111	27,384,860
Police services	43,073,607	37,381,874	29,586,690	29,812,069	32,241,212	37,952,439	31,968,288	36,412,375	38,994,284	42,345,792
Public Works	25,984,476	22,384,992	19,014,211	19,003,755	20,936,214	23,495,632	24,633,518	35,650,143	29,491,475	29,016,544
Nondepartmental	11,045,020	11,426,993	9,251,587	5,000,249	5,134,037	-	-	-	-	-
Interest on long-term debt	2,694,646	2,506,891	2,764,194	2,223,807	766,981	209,054	196,404	541,370	462,398	438,450
Total governmental activities expenses	<u>150,738,832</u>	<u>143,229,142</u>	<u>121,709,659</u>	<u>115,888,937</u>	<u>112,790,928</u>	<u>127,788,270</u>	<u>123,136,077</u>	<u>134,265,943</u>	<u>131,297,268</u>	<u>136,823,344</u>
Business-type activities:										
Water	32,479,434	33,749,246	34,493,370	32,056,326	32,420,781	33,770,385	34,534,260	35,075,642	34,856,203	35,523,887
Local Transportation	28,873,584	28,008,014	27,091,545	29,226,639	18,138,000	2,612,944	-	-	-	-
Sanitation & Flood Control	27,478,992	28,865,210	29,261,276	29,284,313	-	-	-	-	-	-
Marine World JPA	40,016,158	-	-	-	-	-	-	-	-	-
Other proprietary funds	3,969,348	4,148,159	3,793,179	3,493,484	2,105,913	5,351,278	5,230,382	6,447,594	5,622,800	6,135,549
Total business-type activities expenses	<u>132,817,516</u>	<u>94,770,629</u>	<u>94,639,370</u>	<u>94,060,762</u>	<u>52,664,694</u>	<u>41,734,607</u>	<u>39,764,642</u>	<u>41,523,236</u>	<u>40,479,003</u>	<u>41,659,436</u>
Total primary government expenses	<u>\$ 283,556,348</u>	<u>\$ 237,999,771</u>	<u>\$ 216,349,029</u>	<u>\$ 209,949,699</u>	<u>\$ 165,455,622</u>	<u>\$ 169,522,877</u>	<u>\$ 162,900,719</u>	<u>\$ 175,789,179</u>	<u>\$ 171,776,271</u>	<u>\$ 178,482,780</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	\$ 21,575,263	\$ 18,552,714	\$ 16,037,875	\$ 18,833,908	\$ 16,987,109	\$ 15,462,878	\$ 18,819,481	\$ 24,461,121	\$ 24,632,362	\$ 24,510,980
Operating grants and contributions	24,514,830	20,365,355	33,498,552	32,390,912	36,777,286	35,971,107	38,596,729	26,535,944	26,731,559	27,598,297
Capital grants and contributions	3,485,922	6,359,992	14,604,908	25,998,119	14,626,104	6,925,849	5,661,868	3,476,887	8,851,629	5,362,544
Total governmental activities program revenues	<u>49,576,065</u>	<u>45,278,061</u>	<u>64,141,335</u>	<u>77,222,939</u>	<u>68,390,499</u>	<u>58,359,834</u>	<u>63,078,078</u>	<u>54,473,952</u>	<u>60,215,550</u>	<u>57,471,821</u>
Business-type activities:										
Charges for services	109,978,623	68,630,750	67,662,779	70,644,225	41,983,768	39,543,209	42,589,807	39,476,107	37,578,399	37,952,387
Operating grants and contributions	16,349,279	13,279,238	13,953,527	17,808,014	7,735,861	350,876	22,479	22,479	25,847	123,279
Capital grants and contributions	4,391,676	6,467,283	4,749,758	29,597,531	10,549,196	2,116,548	331,315	1,197,727	1,383,466	3,374,785
Total business-type activities program revenues	<u>130,719,578</u>	<u>88,377,271</u>	<u>86,366,064</u>	<u>118,049,770</u>	<u>60,268,825</u>	<u>42,010,633</u>	<u>42,921,122</u>	<u>40,696,313</u>	<u>38,987,712</u>	<u>41,450,451</u>
Total primary government program revenues	<u>\$ 180,295,643</u>	<u>\$ 133,655,332</u>	<u>\$ 150,507,399</u>	<u>\$ 195,272,709</u>	<u>\$ 128,659,324</u>	<u>\$ 100,370,467</u>	<u>\$ 105,999,200</u>	<u>\$ 95,170,265</u>	<u>\$ 99,203,262</u>	<u>\$ 98,922,272</u>
Net revenue/(expense)										
Governmental activities	\$ (101,162,767)	\$ (97,951,081)	\$ (57,568,324)	\$ (38,665,998)	\$ (44,400,429)	\$ (69,428,436)	\$ (60,057,999)	\$ (79,791,991)	\$ (71,081,718)	\$ (79,351,523)
Business-type activities	(2,097,938)	(6,393,358)	(8,273,306)	23,989,008	7,604,131	276,026	3,156,480	(826,923)	(1,491,291)	(208,985)
Total primary government net expense	<u>\$ (103,260,705)</u>	<u>\$ (104,344,439)</u>	<u>\$ (65,841,630)</u>	<u>\$ (14,676,990)</u>	<u>\$ (36,796,298)</u>	<u>\$ (69,152,410)</u>	<u>\$ (56,901,519)</u>	<u>\$ (80,618,914)</u>	<u>\$ (72,573,009)</u>	<u>\$ (79,560,508)</u>

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 18,241,341	\$ 17,612,113	\$ 14,455,331	\$ 13,392,935	\$ 14,143,780	\$ 14,484,918	\$ 14,346,058	\$ 15,694,198	\$ 16,956,367	\$ 18,234,843
Incremental property taxes	4,908,635	3,591,154	3,280,994	3,061,230	1,790,418	-	-	-	-	-
Sales taxes	12,907,978	11,480,014	10,715,183	11,067,013	14,360,808	24,685,817	25,583,330	26,857,325	27,767,194	29,276,208
Utility user taxes	13,501,146	13,057,518	12,916,339	12,890,539	12,792,738	12,521,558	12,610,733	12,627,342	12,994,432	13,339,264
Motor vehicles / In lieu property tax	10,388,740	9,905,427	8,313,033	8,259,104	7,478,690	7,156,707	7,640,132	8,365,437	8,526,690	9,085,386
Other taxes	9,339,334	10,406,286	9,434,521	9,424,070	9,671,662	9,212,120	9,948,063	10,654,921	12,979,029	14,888,721
Mare Island CFD Assessments	5,311,886	5,022,136	3,499,675	2,099,096	-	-	-	-	-	-
Investment earnings	6,043,677	2,826,200	968,998	1,579,810	1,282,961	419,817	679,347	1,376,228	1,765,281	849,111
Gain on sale of capital assets	-	-	-	-	-	-	102,447	21,700	173,859	89,852
Insurance recoveries	-	-	-	-	-	-	-	913,838	-	-
Miscellaneous	3,244,188	4,038,522	3,824,312	4,002,078	3,435,245	3,874,022	3,837,952	5,364,701	4,868,998	5,604,775
Capital contributions from developers	-	-	-	6,917,609	-	-	-	-	-	-
Debt Restructuring Adjustment	-	-	-	-	1,075,176	-	-	-	-	-
Assets transferred to/liabilities assumed by Successor Agency	-	-	-	-	(4,483,759)	-	1,535,778	2,458,682	5,293,678	(425,935)
Transfers	1,352,629	(621,487)	2,270,320	(372,100)	438,038	(4,401,612)	(1,591,754)	(2,685,186)	(1,728,023)	(2,654,217)
<b>Total governmental activities</b>	<b>85,239,554</b>	<b>77,317,883</b>	<b>69,678,706</b>	<b>72,321,384</b>	<b>61,985,757</b>	<b>67,953,347</b>	<b>74,692,086</b>	<b>81,649,186</b>	<b>89,597,505</b>	<b>88,288,008</b>
Business-type activities:										
Investment earnings	2,716,137	(2,857,059)	2,930,362	1,358,973	401,785	106,369	354,811	251,358	413,341	64,737
Miscellaneous	247,080	171,513	115,081	1,025,919	-	87,023	-	-	-	-
Gain or (Loss) on sales or transfer of assets	28,442,907	-	-	-	(19,034,732)	(40,393,415)	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-	69,208	-	-
Debt Restructuring Adjustment	-	-	-	-	625,498	-	-	-	-	-
Transfers	(1,352,629)	621,487	(2,270,320)	372,100	(438,038)	4,401,612	1,591,754	2,685,186	1,728,023	2,654,217
<b>Total business-type activities</b>	<b>30,053,495</b>	<b>(2,064,059)</b>	<b>775,123</b>	<b>2,756,992</b>	<b>(18,445,487)</b>	<b>(35,798,411)</b>	<b>1,946,565</b>	<b>3,005,752</b>	<b>2,141,364</b>	<b>2,718,954</b>
<b>Total primary government</b>	<b>\$ 115,293,049</b>	<b>\$ 75,253,824</b>	<b>\$ 70,453,829</b>	<b>\$ 75,078,376</b>	<b>\$ 43,540,270</b>	<b>\$ 32,154,936</b>	<b>\$ 76,638,651</b>	<b>\$ 84,654,938</b>	<b>\$ 91,738,869</b>	<b>\$ 91,006,962</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (15,923,213)	\$ (20,633,198)	\$ 12,110,382	\$ 33,655,386	\$ 17,585,328	\$ (1,475,089)	\$ 14,634,087	\$ 1,857,195	\$ 18,515,787	\$ 8,936,485
Business-type activities	27,955,557	(8,457,417)	(7,498,183)	26,746,000	(10,841,356)	(35,522,385)	5,103,045	2,178,829	650,073	2,509,969
<b>Total primary government</b>	<b>\$ 12,032,344</b>	<b>\$ (29,090,615)</b>	<b>\$ 4,612,199</b>	<b>\$ 60,401,386</b>	<b>\$ 6,743,972</b>	<b>\$ (36,997,474)</b>	<b>\$ 19,737,132</b>	<b>\$ 4,036,024</b>	<b>\$ 19,165,860</b>	<b>\$ 11,446,454</b>

Notes: <sup>1</sup> Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the Net Position related to the implementation of GASB 61.

<sup>2</sup> The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

<sup>3</sup> The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Prior amounts have not been restated.

**FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011 <sup>2</sup>	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 2,059,564	\$ 1,928,641	\$ 2,004,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,453,476	2,397,227	3,834,873	-	-	-	-	-	-	-
Nonspendable	-	-	-	6,509,043	1,315,581	1,303,621	1,294,967	1,315,114	2,192,050	2,152,578
Restricted	-	-	-	208,435	242,919	241,179	249,697	271,572	272,885	320,738
Committed	-	-	-	350,685	381,709	356,245	2,617,267	2,691,002	2,251,472	1,235,078
Assigned	-	-	-	304,729	9,874,285	5,233,259	7,910,909	9,302,184	11,102,326	10,993,484
Unassigned	-	-	-	6,340,374	11,084,523	9,797,270	6,944,336	7,976,200	9,929,786	15,679,786
<b>Total General Fund</b>	<b>\$ 3,513,040</b>	<b>\$ 4,325,868</b>	<b>\$ 5,839,440</b>	<b>\$ 13,713,266</b>	<b>\$ 22,899,017</b>	<b>\$ 16,931,574</b>	<b>\$ 19,017,176</b>	<b>\$ 21,556,072</b>	<b>\$ 25,748,519</b>	<b>\$ 30,381,664</b> <sup>1</sup>
<b>All Other Governmental Funds</b>										
Reserved	\$ 106,524,043	\$ 88,606,846	\$ 83,361,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	146,399	98,115	4,249	-	-	-	-	-	-	-
Debt service funds	(5,529,994)	(5,530,905)	(5,530,904)	-	-	-	-	-	-	-
Capital projects funds	733,691	780,658	1,327,530	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	3,898,072	102,072	102,072	240,832	102,072	71,236	78,324
Restricted	-	-	-	75,195,891	54,463,122	52,151,109	55,992,171	55,838,343	58,248,081	60,205,695
Committed	-	-	-	1,890,263	3,087,235	9,799,861	9,045,767	6,028,419	6,806,813	8,924,377
Assigned	-	-	-	2,423	1,883	3,088	196,806	5,938,342	5,961,263	4,414,547
Unassigned	-	-	-	(6,390,906)	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 101,874,139</b>	<b>\$ 83,954,714</b>	<b>\$ 79,162,215</b>	<b>\$ 74,595,743</b>	<b>\$ 57,654,312</b>	<b>\$ 62,056,130</b>	<b>\$ 65,475,576</b>	<b>\$ 67,907,176</b>	<b>\$ 71,087,393</b>	<b>\$ 73,622,943</b> <sup>1</sup>

Note: <sup>1</sup> The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis

<sup>2</sup> The City implemented the provisions of GASB Statement No. 54 in fiscal year 2011, and years prior to 2011 have not been restated to conform with the new presentation



**Changes in Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Taxes	\$ 58,729,898	\$ 55,815,958	\$ 50,538,624	\$ 49,449,077	\$ 51,936,540	\$ 61,132,188	\$ 62,488,184	\$ 65,751,608	\$ 70,410,583	\$ 75,422,419
Licenses and permits	3,327,060	2,440,614	3,479,468	2,758,651	2,356,064	1,814,364	2,457,440	3,741,906	4,026,167	4,034,816
Fines and forfeitures	1,827,945	1,560,809	1,619,074	1,718,092	2,726,824	1,249,687	2,337,703	1,876,686	1,878,579	1,605,515
Intergovernmental	38,546,090	36,743,052	54,205,823	66,450,139	53,299,532	47,132,738	50,356,902	41,097,037	45,197,746	43,606,471
Investment income	6,891,090	4,520,458	3,114,627	3,391,067	3,328,151	2,363,471	2,962,200	4,556,124	3,696,181	3,378,893
Charges for services	20,234,105	20,026,448	16,032,936	14,276,523	14,742,402	16,182,809	16,714,747	18,866,133	19,429,149	20,257,999
Other	1,833,312	841,040	1,364,069	1,329,468	3,249,481	1,295,826	505,843	1,320,781	1,426,715	1,004,441
<b>Total revenues</b>	<b>131,389,500</b>	<b>121,948,379</b>	<b>130,354,621</b>	<b>139,373,017</b>	<b>131,638,994</b>	<b>131,171,083</b>	<b>137,823,019</b>	<b>137,210,275</b>	<b>146,065,120</b>	<b>149,310,554</b>
<b>Expenditures</b>										
<b>Current:</b>										
Legislative and Advisory	292,370	215,485	152,693	180,050	219,289	275,664	207,903	264,854	294,088	298,748
Executive	736,846	621,003	958,688	530,814	2,221,478	2,747,243	3,600,970	3,794,952	2,641,913	2,758,675
Finance	1,159,374	1,696,164	1,696,193	1,658,660	934,626	1,183,251	1,636,027	1,636,916	2,102,912	2,047,751
Human resources	723,493	553,254	542,961	542,742	986,692	993,835	868,575	1,017,017	1,431,434	1,023,566
Law	892,284	863,429	812,432	702,882	592,192	1,027,329	1,116,788	692,338	1,133,882	1,272,898
Development services	3,248,627	2,633,028	2,090,980	2,640,564	2,426,783	1,878,237	2,604,498	2,755,399	3,047,840	2,955,960
Community Development	33,707,475	38,999,888	40,552,499	35,884,630	32,372,627	32,516,830	31,197,117	26,476,837	26,457,500	26,505,452
Fire services	28,063,568	23,107,207	18,850,438	17,367,449	18,110,162	20,917,691	23,462,547	24,645,684	25,569,791	26,514,402
Police services	41,185,818	34,354,261	29,024,674	29,247,704	30,774,361	34,681,714	34,139,510	36,807,817	39,698,362	41,240,618
Public works	14,077,984	12,713,924	11,106,223	11,566,388	12,292,557	13,210,589	14,543,079	16,976,530	15,123,636	14,870,274
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-
Nondepartmental	11,045,020	11,426,993	9,251,587	5,000,249	5,134,037	12,171,647	7,516,587	4,118,675	4,552,327	5,879,195
Capital Outlay	14,039,215	7,499,257	14,492,613	26,647,150	13,321,436	9,716,431	8,826,479	12,543,661	14,073,942	11,326,920
<b>Debt service:</b>										
Principal	1,497,254	1,464,697	1,767,835	1,324,504	6,033,970	275,131	397,268	746,689	927,301	963,929
Interest	2,589,723	2,392,481	2,257,120	1,306,025	766,981	204,899	186,276	358,575	343,902	307,273
<b>Total expenditures</b>	<b>153,259,051</b>	<b>138,541,071</b>	<b>133,556,936</b>	<b>134,599,811</b>	<b>126,187,191</b>	<b>131,800,491</b>	<b>130,303,624</b>	<b>132,835,944</b>	<b>137,398,830</b>	<b>137,965,661</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(21,869,551)</b>	<b>(16,592,692)</b>	<b>(3,202,315)</b>	<b>4,773,206</b>	<b>5,451,803</b>	<b>(629,408)</b>	<b>7,519,395</b>	<b>4,374,331</b>	<b>8,666,290</b>	<b>11,344,893</b>
<b>Other financing sources (uses):</b>										
Gain (loss) on sale of assets	-	-	381,327	119,428	-	-	44,352	-	71,185	-
Transfers in	11,762,083	5,783,696	8,361,940	7,905,371	10,500,436	10,277,326	7,321,809	6,363,953	6,021,537	7,296,515
Transfers out	(8,506,845)	(6,297,601)	(7,091,620)	(9,566,511)	(11,112,398)	(11,293,235)	(9,380,508)	(9,549,139)	(8,249,560)	(10,730,521)
Proceeds from long-term debt issuance	411,052	-	1,023,741	75,860	78,766	79,692	-	-	-	-
Provision for collectability	-	-	(2,752,000)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,666,290</b>	<b>(513,905)</b>	<b>(76,612)</b>	<b>(1,465,852)</b>	<b>(533,196)</b>	<b>(936,217)</b>	<b>(2,014,347)</b>	<b>(3,185,186)</b>	<b>(2,156,838)</b>	<b>(3,434,006)</b>
<b>Extraordinary/Special Item:</b>										
Assets transferred to/liabilities assumed by										
Successor Agency/Housing Successor	-	-	-	-	(12,674,287)	-	-	3,781,351	863,212	(871,177)
<b>Net change in fund balances</b>	<b>\$ (18,203,261)</b>	<b>\$ (17,106,597)</b>	<b>\$ (3,278,927)</b>	<b>\$ 3,307,354</b>	<b>\$ (7,755,680)</b>	<b>\$ (1,565,625)</b>	<b>\$ 5,505,048</b>	<b>\$ 4,970,496</b>	<b>\$ 7,372,664</b>	<b>\$ 7,039,710</b>
<b>Beginning fund balance</b>	<b>\$ 123,590,440</b>	<b>\$ 105,387,179</b>	<b>\$ 88,280,582</b>	<b>\$ 85,001,655</b>	<b>\$ 88,309,009</b>	<b>\$ 80,553,329</b>	<b>\$ 78,987,704</b>	<b>\$ 84,492,752</b>	<b>\$ 89,463,248</b>	<b>\$ 96,835,912</b>
<b>Prior period adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,985</b>
<b>Ending fund balance</b>	<b>\$ 105,387,179</b>	<b>\$ 88,280,582</b>	<b>\$ 85,001,655</b>	<b>\$ 88,309,009</b>	<b>\$ 80,553,329</b>	<b>\$ 78,987,704</b>	<b>\$ 84,492,752</b>	<b>\$ 89,463,248</b>	<b>\$ 96,835,912</b>	<b>\$ 104,004,607</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>6%</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	City					Former Agency / Successor Agency to Redevelopment Agency 1					Total Direct Tax Rate
	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	
2008	\$ 10,362,506,115	\$ 263,084,155	\$ 66,760	\$ (571,860,687)	\$ 10,053,796,343	\$ 370,158,332	\$ 75,986,022	\$ 102,524	\$ (48,422,877)	\$ 397,824,001	0.24622%
2009	10,017,721,922	218,039,859	130,670	(702,322,165)	9,533,570,286	363,508,768	70,359,276	168,820	(44,383,622)	389,653,242	0.24622%
2010	8,334,230,762	205,436,106	130,670	(810,607,027)	7,729,190,511	336,214,268	67,421,432	168,820	(48,687,967)	355,116,553	0.24622%
2011	7,988,586,847	218,037,092	130,670	(956,462,720)	7,250,291,889	320,815,890	63,140,016	168,820	(48,616,563)	335,508,163	0.24622%
2012	7,740,206,643	200,451,644	130,670	(939,219,031)	7,001,569,926	334,138,674	61,058,136	168,820	(52,623,635)	342,741,995	0.24622%
2013	7,386,493,615	218,701,022	113,370	(289,480,094)	7,315,827,913	322,746,509	58,076,187	132,592	(48,641,023)	332,314,265	0.24622%
2014	8,014,862,817	198,012,673	113,370	(974,787,981)	7,238,200,879	321,057,973	53,344,811	132,592	(55,306,295)	319,229,081	0.24622%
2015	8,790,923,985	215,615,952	113,370	(990,126,778)	8,016,526,529	343,524,473	52,435,017	132,592	(55,876,943)	340,215,139	0.24622%
2016	9,367,567,455	208,385,912	113,370	(1,014,346,016)	8,561,720,721	361,136,586	54,225,181	132,592	(51,564,900)	363,929,459	0.24622%
2017	9,898,936,162	254,304,736	139,100	(1,026,877,027)	9,126,502,971	381,547,374	60,418,999	132,692	(58,114,553)	383,984,512	0.24622%

## NOTES:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

<sup>1</sup> The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

Source: County Assessor's Office  
HDL Property Report

**Direct and Overlapping Property Tax Rates  
(Rate per \$100 of assessed value)**
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Direct Rates:										
City basic rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Overlapping Rates:										
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490
Library Special Tax Zone 7	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365
Mosquito Abatement	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203
Solano Community College M&O	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758
Solano County Water Agency	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069
VSFCD Operating	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474
<b>Total Prop. 13 Direct Rate</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>
SC Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
SCC GOB Series 2005-A	0.01189	0.00000	0.01538	0.01636	0.01711	0.01768	0.01820	0.01299	0.00000	0.00000
SCC GOB 2012 Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01384	0.01337	0.01232	0.01297
Vallejo U.S.D. Measure A 2002	0.01556	0.01571	0.01885	0.01741	0.01609	0.01261	0.01250	0.00853	0.00730	0.00660
Vallejo U.S.D. Measure A 2004	0.00914	0.00962	0.01219	0.01258	0.01258	0.01187	0.01305	0.01086	0.01007	0.00943
SCC GOB 2012 Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00475	0.00387	0.00326	0.00337
Vallejo U.S.D. Measure A 2000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
SCC GOB 2014 Ref Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00131	0.00148	0.00218
SCC GOB 2014 Ref Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00309	0.01607	0.01566
Vallejo U.S.D. 2002-A GOB Refunding	0.03597	0.03958	0.05369	0.07544	0.06555	0.06576	0.06850	0.06358	0.06144	0.06092
Vallejo U.S.D. Measure A - 2006	0.01153	0.00993	0.00494	0.00804	0.00649	0.00646	0.00711	0.00588	0.00544	0.00519
SCC GOB Series 2006B	0.00269	0.00258	0.00309	0.00309	0.00304	0.00292	0.00276	0.00208	0.00178	0.00086
SCC GOB Series 2005 Refunding	-	0.012399	-	-	-	-	-	-	-	-
<b>Total Voter Approved Rate</b>	<b>0.10677</b>	<b>0.10981</b>	<b>0.12812</b>	<b>0.15292</b>	<b>0.14086</b>	<b>0.13730</b>	<b>0.16070</b>	<b>0.14556</b>	<b>0.13917</b>	<b>0.13718</b>
<b>Total Direct Rate</b>	<b>1.10677</b>	<b>1.10981</b>	<b>1.12812</b>	<b>1.15292</b>	<b>1.14086</b>	<b>1.13730</b>	<b>1.16070</b>	<b>1.14556</b>	<b>1.13917</b>	<b>1.13718</b>

## NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% 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.

Source: Solano County Auditor-Controller's Office

**Top 10 Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	2017		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Centro Watt Property Owner II	\$ 106,887,633	1.12%	\$ 69,692,499	0.67%
Park Management Corporation	81,656,599	0.86%	74,472,706	0.71%
Prime Ascot LP	59,352,261	0.62%		
Chevron USA	37,949,691	0.40%		
Sundance- Vallejo	35,045,873	0.37%	30,979,953	0.30%
(George) Ogino LLC	31,506,663	0.33%	23,622,180	0.23%
MG Sterling Vill Apartment GWP	31,378,580	0.33%		
KW WDC Vallejo LLC	27,248,250	0.29%	32,728,809	0.31%
Urban Land Company	26,233,437	0.28%		
Lennar Mare Island LLC	25,810,041	0.27%		
Sutter Solano Medical Center	-		73,725,328	0.71%
Granite Oxygen2 LLC	-		33,200,156	0.32%
Hart Sterling Village Apartment			26,804,472	0.26%
Century Watt Owner II, LLC			25,385,760	0.24%
Health Care REIT Inc.			22,311,924	0.21%
<b>Top Ten Totals</b>	<b>\$ 463,069,028</b>	<b>4.87%</b>	<b>\$ 412,923,787</b>	<b>3.96%</b>

The amounts shown above include assessed value data for both the City and the Successor Agency to the Redevelopment Agency.

Source: County Assessor's Office  
HDL Report

**Property Tax Levies and Collections****Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	\$ 21,379,627	\$ 21,159,268	98.97%	not available	not available	n.a.
2009	18,650,665	18,392,684	98.62%	not available	not available	n.a.
2010	13,724,398	13,463,254	98.10%	not available	not available	n.a.
2011	14,988,824	14,721,738	98.22%	not available	not available	n.a.
2012	14,464,482	14,216,317	98.28%	not available	not available	n.a.
2013	13,895,641	13,649,602	98.23%	not available	not available	n.a.
2014	14,207,379	14,036,515	98.80%	not available	not available	n.a.
2015	15,455,643	15,302,850	99.01%	not available	not available	n.a.
2016	16,777,951	16,639,813	99.18%	not available	not available	n.a.
2017	17,871,269	17,701,555	99.05%	not available	not available	n.a.

## NOTE:

The amounts presented include only City property taxes (excluding Successor Redevelopment Agency tax increment).

Source: Solano County Auditor Controller's Office

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS

State Board of Equalization Major Business Categories	Calendar Yr 2007 Totals	Calendar Yr 2008 Totals	Calendar Yr 2009 Totals	Calendar Yr 2010 Totals	Calendar Yr 2011 Totals	Calendar Yr 2012 Totals	Calendar Yr 2013 Totals	Calendar Yr 2014 Totals	Calendar Yr 2015 Totals	Calendar Yr 2016 Totals	YTD % change
<b>Retail Group</b>											
Apparel Stores	\$ 390,692	\$ 359,513	\$ 369,543	\$ 360,763	\$ 345,862	\$ 605,365	\$ 758,982	\$ 729,060	\$ 774,468	\$ 824,990	7%
Auto Dealers and Supplies	2,879,479	1,998,036	1,470,319	1,513,273	1,631,711	3,350,870	4,810,138	5,141,839	5,689,553	6,015,344	6%
Building Materials	799,622	720,223	644,770	662,073	746,590	1,300,322	1,690,133	1,720,598	1,872,305	2,029,294	8%
Drug Stores	167,467	172,695	167,018	176,892	191,552	338,120	395,157	471,278	496,641	707,335	42%
Eating and Drinking Places	1,131,324	1,125,658	1,067,025	1,059,653	1,115,102	2,050,277	2,483,150	2,665,448	2,906,373	3,186,830	10%
Food Stores	820,704	511,981	503,626	466,673	503,023	912,903	1,139,899	1,209,115	1,291,787	1,119,244	-13%
Furniture and Appliances	640,849	609,548	559,419	579,883	648,822	1,097,635	1,416,513	1,466,057	1,495,456	1,522,174	2%
General Merchandise	1,551,765	1,519,286	1,352,361	1,433,255	1,496,190	2,752,006	3,118,356	3,142,565	3,157,454	3,124,309	-1%
Other Retail Stores	625,491	575,426	502,195	466,542	449,602	985,360	1,290,156	1,305,731	1,314,263	1,455,179	11%
Packaged Liquor	82,817	84,533	84,430	82,831	86,022	158,442	180,317	209,710	239,682	456,275	90%
Service Stations	1,497,983	1,584,449	1,129,465	1,357,559	1,583,528	2,876,297	3,144,854	3,384,436	2,761,900	2,555,727	-7%
<b>Total Retail Group</b>	<b>10,588,194</b>	<b>9,261,348</b>	<b>7,850,171</b>	<b>8,159,397</b>	<b>8,798,004</b>	<b>16,427,597</b>	<b>20,427,655</b>	<b>21,445,837</b>	<b>21,999,882</b>	<b>22,996,701</b>	<b>5%</b>
Non-Store & Part Time Retailers	28,839	23,761	18,852	21,303	4,923	42,407	55,142	46,717	51,216	51,364	0%
Business, Service & Repair Group	786,320	784,686	610,460	559,570	594,428	1,455,135	1,707,567	1,722,581	1,877,718	2,014,404	7%
<b>Manufacturer &amp; Wholesaler Group</b>											
Contractions & Material	182,408	363,377	357,909	163,573	204,032	275,750	257,457	361,198	357,650	401,239	12%
Drugs & Chemical	2,841	2,301	62	-	-	39,633	46,141	56,577	139,697	69,264	-50%
Food/Farm Products & Equip	19,474	22,570	23,370	83,322	13,172	(27,521)	54,641	55,199	35,418	46,837	32%
Furniture & Textiles	9,336	5,627	3,186	1,483	1,578	9,266	15,756	19,400	18,527	20,396	10%
Heavy Industrial Equipment	148,647	252,867	211,939	119,087	148,636	251,122	234,838	246,794	213,383	265,169	24%
Industrial Equipment	134,660	194,877	99,609	101,367	76,267	227,485	295,961	316,909	370,663	288,567	-22%
All Other Equipment	11,767	5,706	22,102	3,497	4,252	296,596	420,478	404,424	487,063	494,907	2%
<b>Total Mfg &amp; Wholesale Group</b>	<b>509,133</b>	<b>847,325</b>	<b>718,175</b>	<b>472,329</b>	<b>447,937</b>	<b>1,072,331</b>	<b>1,325,272</b>	<b>1,460,501</b>	<b>424,543</b>	<b>1,586,379</b>	<b>274%</b>
State Adjustments & Transfers	427	140	(243)	(116)	(273)	509	5,675	3,205	(10,290)	10,508	-202%
<b>Total Sales All Outlets</b>	<b>11,912,913</b>	<b>10,917,260</b>	<b>9,197,415</b>	<b>9,212,483</b>	<b>9,845,019</b>	<b>18,997,979</b>	<b>23,521,311</b>	<b>24,678,841</b>	<b>24,343,069</b>	<b>26,659,356</b>	<b>10%</b>
<b>Retail Group</b>	<b>10,588,194</b>	<b>9,261,348</b>	<b>7,850,171</b>	<b>8,159,397</b>	<b>8,798,004</b>	<b>16,427,597</b>	<b>20,427,655</b>	<b>21,445,837</b>	<b>21,999,882</b>	<b>22,996,701</b>	<b>5%</b>
Non-Store & Part Time Retailers	28,839	23,761	18,852	21,303	4,923	42,407	55,142	46,717	51,216	51,364	0%
Business, Service & Repair Group	786,320	784,686	610,460	559,570	594,428	1,455,135	1,707,567	1,722,581	1,877,718	2,014,404	7%
Manufacturer & Wholesaler Group	509,133	847,325	718,175	472,329	447,937	1,072,331	1,325,272	1,460,501	424,543	1,586,379	274%
State Adjustments & Transfers	427	140	(243)	(116)	(273)	509	5,675	3,205	(10,290)	10,508	-202%
<b>Total Point of Sale</b>	<b>11,912,913</b>	<b>10,917,260</b>	<b>9,197,416</b>	<b>9,212,483</b>	<b>9,845,019</b>	<b>18,997,979</b>	<b>23,521,311</b>	<b>24,678,841</b>	<b>24,343,069</b>	<b>26,659,356</b>	<b>10%</b>
County Pool	1,526,135	1,023,183	1,346,368	1,146,988	1,316,169	1,185,156	1,510,000	1,475,021	1,634,979	1,634,979	0%
State Pool	6,817	5,825	8,650	4,915	1,701	6,051	7,149	10,111	10,358	10,358	0%
Sales Tax Receipts	13,445,865	11,946,268	10,552,434	10,364,387	11,162,889	11,799,325	12,781,159	13,128,117	13,546,345	14,056,183	4%
Transaction & Use Tax (MEASURE B)	-	-	-	-	-	8,389,861	12,257,300	13,035,854	13,639,919	14,345,109	5%
<b>Total Receipts</b>	<b>\$ 13,445,865</b>	<b>\$ 11,946,268</b>	<b>\$ 10,552,434</b>	<b>\$ 10,364,387</b>	<b>\$ 11,162,889</b>	<b>\$ 20,189,186</b>	<b>\$ 25,038,459</b>	<b>\$ 26,163,971</b>	<b>\$ 27,186,264</b>	<b>\$ 28,401,292</b>	<b>4%</b>

Sources: HDL Report

**Top 25 Principal Sales Tax Payers****CALENDAR YEARS 2016 and 2006**

IN ALPHABETICAL ORDER

2016	2006
99 Cents Only	Avery Greene Honda
Au Energy Shell Station	Barber Chrysler Dodge Jeep
Autolinx	Cornelius Ford
Avery Greene Honda	Costco
Best Buy	First Capitol Auction
Costco	Harley Davidson
First Capitol Auction	Home Depot
Foster Lumber Yard	JCs RVs
Home Depot	Kohls
Kohls	Mervyns
Lowe's	Nino Quality Motors
Marshalls	Rose Import Motors
McDonalds	Ross
Momentum Chrysler/Dodge/Jeep/Kia	Safeway
Ross	Safeway Fuel
Safeway	Shell/Texaco
Safeway Fuel	Six Flags Discovery Kingdom
Six Flags Discovery Kingdom	Sonoma Auto Center
Target	Target
Team Chevrolet Cadillac Hyundai Mazda	Team Chevrolet Cadillac Hyundai Mazda
Toyota Vallejo	Team Hyundai Mazda
Tributary Point Arco	Toyota Vallejo
Triple A's Sporting Goods	Vallejo Nissan
Vallejo Nissan	Walmart Neighborhood Market
Walmart Neighborhood Market	XKT / Nesco Fabricators

Source: HDL Report

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**
**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities <sup>3</sup>				Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
	RDA Tax Allocation Bonds <sup>1</sup>	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Governmental Activities	Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Total Business-type Activities			
2008	\$ 11,371,320	\$ 25,787,430	-	\$ 1,484,689	\$ 38,643,439	\$ 64,831,880	\$ 94,131,286	\$ 21,130,805	\$ 180,093,971	\$ 218,737,410	4.86%	1,806
2009	10,986,320	24,927,632	-	1,264,790	37,178,742	62,705,942	91,457,179	19,817,014	173,980,135	211,158,877	4.59%	1,744
2010	10,556,320	24,739,378	-	1,138,950	36,434,648	60,485,004	87,771,532	18,485,394	166,741,930	203,176,578	4.22%	1,673
2011	10,091,320	24,014,165	-	1,059,063	35,164,548	58,169,066	87,265,475	17,998,136	163,432,677	198,597,225	4.37%	1,705
2012	-	3,911,143	\$ 13,770,344	855,379	18,536,866	58,923,128	53,334,101	40,340,363	152,597,592	171,134,458	3.88%	1,476
2013	-	3,860,835	13,770,344	710,248	18,341,427	54,497,312	-	26,727,801	81,225,113	99,566,540	3.22%	850
2014	-	3,725,835	13,508,076	710,248	17,944,159	53,814,629	-	25,416,179	79,230,808	97,174,967	3.10%	820
2015	-	3,584,575	14,455,264	608,784	18,648,623	51,560,639	-	24,252,560	75,813,199	94,461,822	3.04%	789
2016	-	3,420,210	13,936,400	507,320	17,863,930	49,201,649	-	23,254,939	72,456,588	90,320,518	2.97%	770
2017	-	3,233,951	13,445,922	405,856	17,085,729	46,737,658	-	22,229,772	68,967,430	86,053,159	2.51%	728

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> No longer reported under governmental activities as the result of the dissolution of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency was once a blended component unit of the City.

The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

<sup>2</sup> These ratios are calculated using personal income and population for the current calendar year.

<sup>3</sup> Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the debt amounts related to the implementation of GASB 61.



### Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>2</sup>	Per Capita <sup>3</sup>
	General Obligation Bonds	RDA Tax Allocation Bonds <sup>1</sup>	Total		
2008	-	\$ 11,371	\$ 11,371	0.11%	94
2009	-	10,986	10,986	0.11%	91
2010	-	10,556	10,556	0.13%	87
2011	-	10,091	10,091	0.13%	87
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> No longer reported under governmental activities as the result of the dissolution of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency was once a blended component unit of the City.

<sup>2</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

<sup>3</sup> These ratios are calculated using personal income and population for the current calendar year.

**Direct and Overlapping Debt****June 30, 2017**

FY 2016-17 Assessed Valuation Citywide Total		\$ 9,510,487,483	
Successor Agency Incremental Valuation		(383,984,512)	
FY 2016-17 Adjusted City-Only Assessed Valuation		<u>\$ 9,126,502,971</u>	
			City's Estimated
	Percentage	Total	Share of
	Applicable <sup>1</sup>	Outstanding	Overlapping
		Debt 6/30/17	Debt 6/30/17
<b>Overlapping Tax and Assessment Debt:</b>			
Solano County Community College District	20.082%	\$ 297,379,164	\$ 59,719,684
Vallejo Unified School District	97.707%	63,440,000	61,985,321
Vallejo Unified School District CFD No. 2	100.000%	18,260,000	18,260,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	12,325,000	12,325,000
City of Vallejo 1915 Act Bonds	100.000%	5,355,000	5,355,000
Total overlapping debt repaid with property taxes		<u>396,759,164</u>	<u>157,645,005</u>
<b>Direct and Overlapping General Fund Debt:</b>			
Solano County Certificates of Participation	19.310%	93,260,000	\$ 18,008,506
Solano County Pension Obligations	19.310%	32,880,000	6,349,128
Solano County Board of Education Certificates of Participation	19.310%	715,000	138,067
Solano Community College District Certificates of Participation	20.082%	9,862,635	1,980,614
Vallejo Unified School District Certificates of Participation	97.707%	25,525,000	24,939,712
City of Vallejo General Fund Obligations	100.000%	37,938,840 <sup>3</sup>	37,938,840
Total Direct and Overlapping General Fund Debt		<u>200,181,475</u>	<u>89,354,867</u>
Overlapping Tax Increment Debt (Successor Agency):	100.000%	<u>\$ 5,690,000</u>	<u>5,690,000</u>
Total City Direct Debt			<u>\$37,938,840</u>
Total overlapping debt <sup>2</sup>			<u>\$ 214,751,032</u>
Combined Total Debt			<u>\$ 252,689,872</u>

## Notes:

<sup>1</sup> The percentage of overlapping debt applicable to the City is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.66%
Total Direct Debt (\$37,163,137)	0.39%
Combined Total Debt	2.65%

Ratios to Redevelopment Successor Agency Incremental Value:

Total Overlapping Tax Increment Debt	1.59%
--------------------------------------	-------

<sup>3</sup> Includes Governmental Activities debt, plus the UBOC Reimbursement Obligations of \$20,853,111 listed under the Business-type activity debt.

**Legal Debt Margin Information  
Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuation	\$ 10,053,796,343	\$ 9,533,570,286	\$ 7,729,190,511	\$ 7,250,291,889	\$ 7,001,569,926	\$ 7,315,827,913	\$ 7,238,200,879	\$ 8,016,526,529	\$ 8,561,720,721	\$ 9,126,502,971
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,513,449,086	2,383,392,572	1,932,297,628	1,812,572,972	1,750,392,482	1,828,956,978	1,809,550,220	2,004,131,632	2,140,430,180	2,281,625,743
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 377,017,363	\$ 357,508,886	\$ 289,844,644	\$ 271,885,946	\$ 262,558,872	\$ 274,343,547	\$ 271,432,533	\$ 300,619,745	\$ 321,064,527	\$ 342,243,861
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 377,017,363</u>	<u>\$ 357,508,886</u>	<u>\$ 289,844,644</u>	<u>\$ 271,885,946</u>	<u>\$ 262,558,872</u>	<u>\$ 274,343,547</u>	<u>\$ 271,432,533</u>	<u>\$ 300,619,745</u>	<u>\$ 321,064,527</u>	<u>\$ 342,243,861</u>
Total debt applicable to the limit as a percentage of debt limit <sup>1</sup>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department  
County Tax Assessor's Office

<sup>1</sup> Section 43605 of the California Government Code for General Obligation bonds.

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

Water Revenue Bonds (a)					
Fiscal Year Ended June 30	Gross Water Revenues (a)	Less Expenses (b)	Net Available Revenues	Total Debt Service (c)	City system Coverage
2008	\$ 37,066,802	\$ 22,961,893	\$ 14,104,909	\$ 4,574,731	3.08
2009	33,442,234	24,473,086	8,969,148	5,285,910	1.70
2010	32,555,633	25,393,647	7,161,986	5,819,158	1.23
2011	36,836,222	23,243,250	13,592,972	5,029,601	2.70
2012	35,443,045	24,069,547	11,373,498	5,027,461	2.26
2013	36,121,520	25,393,089	10,728,431	5,064,399	2.12
2014	39,167,233	25,860,570	13,306,663	4,672,819	2.85
2015	35,309,850	27,107,002	8,202,848	5,165,995	1.59
2016	36,286,112	26,855,253	9,430,859	5,165,821	1.83
2017	36,716,327	27,718,056	8,998,271	5,164,849	1.74

- a) Includes operating revenues, investment earnings, and contributions
- b) Excludes depreciation and debt service payments.
- c) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report  
Debt Service Schedules

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

Wastewater														
Fiscal Year Ended June 30	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)										Coverage Ratio
				2014 Rev Bonds	2011 Rev Bonds	2008 State Fund Loan	2006 COP	2004 State Fund Loan	2001 COP	1993 COP	State Revenue Fund Loans	Notes Payable	Total	
2008	\$ 24,379,225	\$ 13,136,914	\$ 11,242,311	-	-	-	\$ 2,501,698	-	\$ 240,565	\$ 2,762,964	\$ 926,556	-	\$6,431,783	1.75
2009	24,660,197	13,893,269	10,766,928	-	-	-	2,501,698	-	240,565	2,762,964	926,556	-	6,431,783	1.67
2010	25,384,971	15,812,036	9,572,935	-	-	-	2,521,221	-	248,426	2,760,344	1,219,675	-	6,749,666	1.42
2011	25,853,201	16,209,375	9,643,826	-	\$ 33,160	-	2,499,531	-	236,769	2,755,344	1,219,556	-	6,744,360	1.43
2012	26,639,300	15,838,616	10,800,684	-	313,742	-	2,490,967	-	664	2,767,704	1,219,433	-	6,792,510	1.59
2013	27,385,589	16,833,300	10,552,289	-	325,943	-	2,507,309	-	-	2,747,344	1,219,309	-	6,799,905	1.55
2014	28,628,926	18,297,585	10,331,341	\$ 82,728	327,693	\$ 315,062	2,231,956	\$ 904,119	-	2,743,844	-	-	6,605,402	1.56
2015	28,270,621	17,989,148	10,281,473	2,318,519	331,626	317,449	-	907,072	-	2,721,750	-	-	6,596,416	1.56
2016	29,530,993	16,901,393	12,629,600	2,314,475	324,475	317,450	-	907,072	-	2,661,500	-	-	6,524,971	1.94
2017	28,526,894	16,308,018	12,218,876	2,311,475	326,075	317,450	-	907,072	-	2,657,500	-	-	6,519,572	1.87

Data source - Vallejo Sanitation and Flood Control District Comprehensive Annual Financial Report

**Pledged Revenue Coverage****Last Ten Fiscal Years**

Tax Allocation Bonds				
Fiscal Year Ended June 30	Tax Increment / ROPS	Former Agency / Successor Agency (a)		Coverage
		Debt Service ( b )		
		Principal	Interest	
2008	\$ 3,756,553	\$ 350,000	\$ 803,498	3.26
2009	3,591,153	385,000	776,595	3.09
2010	3,280,996	430,000	747,078	2.79
2011	3,061,230	465,000	714,155	2.60
2012	1,833,660	510,000	678,430	1.54
2013	2,312,496	555,000	639,132	1.94
2014	1,695,726	610,000	596,657	1.41
2015	1,695,595	630,000	593,109	1.39
2016	2,005,037	685,000	489,311	1.71
2017	1,425,825	750,000	449,703	1.19

a) The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

b) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual  
Financial Report - Debt Service Schedules

**Demographic and Economic Statistics****Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2008	121,097	\$ 4,502,386	\$ 37,180	8.7%
2009	121,055	4,602,511	38,020	13.8%
2010	121,435	4,816,841	39,666	14.7%
2011	116,508	4,543,695	38,999	14.0%
2012	115,928	4,414,306	38,078	12.5%
2013	117,112	3,094,450	26,423	10.2%
2014	118,470	3,130,333	26,423	8.9%
2015	119,683	3,111,279	25,996	8.3%
2016	117,322	3,043,919	25,945	5.6%
2017	118,280	3,421,840	28,930	5.1%

**Sources:**

- (1) State Department of Finance (revised)
- (2) U.S. Bureau of Economic Analysis (2007 to 2012); U.S. Census Bureau (2013 and forward)
- (3) State of California Employment Development Department (data shown is for the City)

**Top 10 Principal Employers****Current Year and Nine Years Ago**

Employer	2017		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	7.09%	3,906	6.59%
Six Flags Discovery Kingdom	1,600	2.90%	1,600	2.70%
Vallejo Unified School District	1,508	2.74%	1,600	2.70%
Kaiser Permanente Call Center	950	1.72%	950	1.60%
Sutter Solano Medical Center	680	1.23%	690	1.16%
City of Vallejo	548	0.99%	574	0.97%
Touro University California	349	0.63%	385	0.65%
California Maritime Academy	347	0.63%	NA	NA
Costco	326	0.59%	NA	NA
U.S.D.A Forest Service	300	0.54%	300	0.51%
California Highway Patrol, Regional Office	-	0.00%	400	0.67%
Petrochem Corporate Headquarters	-	0.00%	225	0.38%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: City of Vallejo Finance Department



**Full-time and Part-time City Employees  
by Function  
Last Ten Fiscal Years**

<u>Function</u>	<u>Full-Time and Part-Time Employees as of June 30</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	46	45	41	40	49	60	61	66	61	61
Public safety	291	250	214	195	192	226	236	242	244	257
Public works	62	58	54	59	60	62	68	68	71	73
Mare Island Coop/CFD	2	2	2	2	2	2	2	2	2	2
Economic Development	29	26	21	22	20	18	18	21	21	24
Housing	18	17	17	17	17	17	15	14	14	15
Solid Waste Disp	-	-	-	-	-	-	-	-	-	-
Landscape District	8	8	7	4	4	4	5	5	5	5
Risk Management	2	2	2	2	2	2	2	2	2	4
Water	98	101	101	103	103	104	104	106	106	106
Transportation	5	5	5	5	5	2	-	-	-	-
Marina	3	3	3	4	4	4	4	4	4	4
Corp Yard	11	11	10	8	8	8	7	7	7	7
Fiber	-	-	-	-	-	-	-	-	-	1
Parking Structure	-	-	-	-	-	-	1	1	1	1
<b>Total</b>	<u>574</u>	<u>528</u>	<u>477</u>	<u>461</u>	<u>466</u>	<u>509</u>	<u>523</u>	<u>537</u>	<u>538</u>	<u>559</u>

Source: City of Vallejo Adopted Budget

**Operating Indicators  
by Function  
Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Arrests	7,589	7,300	4,273	3,133	3,643	3,522	3,738	4,182	4,103	3,775
Parking citations issued	12,864	5,178	3,676	4,532	4,385	1,163	3,778	3,679	3,131	2,984
Fire:										
Number of emergency calls	11,739	12,098	12,149	12,119	12,546	12,970	12,992	14,339	14,307	14,389
Inspections (Fire Prevention)	947	842	1,200	675	2,122	2,667	3,925	3,242	2,372	2,417
Inspections (Code Enforcement) <sup>1</sup>	157	2,776	8,000	5,567	2,623	7,074	9,586	9,055	11,334	11,822
Public works:										
Street resurfacing (miles)	16.47	18.47	46.50	55	5.6	6.6	3.2	9.0	3.87	7.0
Water:										
New connections	71	31	67	51	42	5	10	45	66	63
Average daily consumption (thousands of gallons)	20,658	19,402	17,975	17,698	16,976	17,806	17,371	15,637	14,216	14,801
Development Services:										
Building permits	2,000	1,837	2,175	1,791	1,797	2,176	2,444	2,816	3,244	3,221
Housing Rental units <sup>2</sup>	2,266	2,267	2,267	2,292	2,194	2,292	2,292	2,306	2,333	2,333
Housing Vouchers <sup>3</sup>	2,036	2,156	2,147	2,149	2,292	2,133	2,062	1,953	1,976	1,926
Golf course:										
Golf rounds played <sup>4</sup>	88,735	87,416	82,373	65,470	66,133	73,077	73,835	70,795	69,803	56,738

<sup>1</sup> Function transferred to Code Enforcement.

<sup>2</sup> Amounts listed represent the number of rental units contracted.

<sup>3</sup> Amounts listed represent actual vouchers issued.

<sup>4</sup> For 2007 amounts listed represent the combined total for the following three golf courses: Joe Mortara and Blue Rocks Springs East and West Golf Courses. For 2008 and forward, amounts listed represent the combined total for the following two golf courses: Blue Rock Springs East and West Golf Courses. Beginning in 2008 the City no longer operates the Joe Mortara Golf Course. Amounts for 2014 represent 10 months of actual results which were annualized for the 12 month period.

Source: City of Vallejo

**Capital Asset Statistics  
by Function  
Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police:										
Stations	3	3	3	3	3	3	4	4	5	5
Fire:										
Fire stations	6	6	6	6	6	6	6	6	6	6
Public works:										
Streets (miles)	351	351	351	351	351	351	351	351	351	351
Traffic signals	151	148	148	148	123	123	123	125	124	124
Water:										
Water mains (miles)	623	624	624	624	624	624	624	624	624	624
Maximum daily capacity (thousands of gallons) <sup>1</sup>	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Golf Course:										
Municipal golf courses	2	2	2	2	2	2	2	2	2	2

<sup>1</sup> Represents combined capacity for Fleming Hill WTP, Travis WTP and Green Valley WTP.

Source: City of Vallejo  
Vallejo Golf Club, Inc.



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