

San Luis Obispo, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

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CARLYN CHRISTIANSON, COUNCIL MEMBER
ANDY PEASE, COUNCIL MEMBER
ERICA A. STEWART, COUNCIL MEMBER**

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City of San Luis Obispo, California

www.slocity.org

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019
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INTRODUCTORY SECTION





Finance Department

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Date

TO: The Honorable Mayor and Members of the City Council and Citizens of the City of San Luis Obispo

FROM: Derek Johnson, City Manager
Brigitte Elke, Finance Director

SUBJECT: TRANSMITTAL MEMORANDUM FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2018-19

REPORT PURPOSE AND ORGANIZATION

We are pleased to submit the City of San Luis Obispo's 2018-19 Comprehensive Annual Financial Report (CAFR). Section 810 of the City's Charter requires that an audit of the City financial records be conducted each year by an independent certified public accountant. Such an audit has been performed and this report is being published as part of the requirement for the fiscal year ended June 30, 2019.

City management assumes full responsibility for the completeness and reliability of the information contained in this report. We attest that, to the best of our knowledge, the data presented is accurate in all material respects and all statements and disclosures needed for the reader to obtain a thorough understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient and reliable information for the preparation of the City's financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Historically, the City's audited financial statements have been completed within 180 days of the end of the fiscal year and posted by December 31st. During FY2018-19, the City implemented a new Enterprise Resource Planning (ERP) system, which included accounting and financial reporting functions as well as the implementation of a Human Capital Management module including payroll. The implementation was complex and encountered substantial issues, which delayed staff's ability to close the year and ensure all transactions were posted and reflected appropriately and accurately. The issues encountered during 2018-19 are not expected to recur as many have been rectified and staff does not anticipate delayed financial statements in the future.

TRANSMITTAL MEMORANDUM

Audited Financial Statements

This is the first year that the City's financial statements have been audited by Badawi and Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the overall accounting principles used and significant estimates¹ made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that the City's financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows therefor for the year then ended in accordance with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

“Single Audit” for Federal Grant Programs. The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls² and compliance with legal requirements, with special emphasis on the administration of Federal awards (such as Transit funding). This audit has been completed and will be filed and distributed to appropriate agencies to meet Federal requirements. Additionally, this separately prepared report will be presented to the City Council concurrent with the CAFR and is available from the Department of Finance upon request.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Organization of Report

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical.

SECTION ONE - The *Introductory* section includes this transmittal memorandum and other information to familiarize the reader with the City, including a directory of officials and advisory bodies, the City's mission statement and organizational values, and charts.

SECTION TWO - The *Financial* section consists of five parts: the independent auditors' report; 1) Management's Discussion and Analysis; 2) the basic financial statements including the government-wide financial statements, 3) fund financial statements, and 4) notes to the financial statements; 5) required supplementary information; and additional supplementary statements and schedules including the local half-percent sales tax, non-major governmental funds, and agency funds.

¹ Significant estimates included in the financial statements are made in conformity with GAAP.

² Internal controls are systematic measures instituted by an organization to conduct its business in an orderly and efficient manner; safeguard its assets and resources; deter and detect errors, fraud, and theft; ensure accuracy and completeness of its accounting data; produce reliable and timely financial and management information; and ensure adherence to its policies and plans.

TRANSMITTAL MEMORANDUM

SECTION THREE - The *Statistical* section includes selected unaudited financial and demographic information generally presented on a multi-year basis. This information includes financial trends, revenue capacity, debt capacity, demographics, and economic and operating information.

As required by GAAP, these financial statements present the City (the primary government) and its component units (entities for which the government is financially accountable). Blended component units (although legally separate entities) are in substance part of the government's operations, and so data from these units are combined with data of the primary government. The City has one component unit, the San Luis Obispo Capital Improvement Board, which provides financing for the construction and acquisition of City facilities. The Board is comprised solely of members of the City Council. Activities of the Board are accounted for in the applicable City governmental or enterprise funds.

PROFILE OF THE CITY OF SAN LUIS OBISPO

With a population of 46,802, the City is located eight miles from the Pacific Ocean and is midway between San Francisco and Los Angeles at the junction of Highway 101 and scenic Highway 1.

The City serves as the commercial, governmental, and cultural hub of California's Central Coast. San Luis Obispo is the seat of San Luis Obispo County and a number of Federal and State regional offices and facilities are located within the City along with California Polytechnic State University and Cuesta College.

One of California's oldest communities, the City began with the founding of Mission San Luis Obispo de Tolosa in 1772 by Father Junipero Serra as the fifth mission in the California chain of 21 missions. It was first incorporated in 1856 as a General Law City and became a Charter City in 1876. As a Charter City, San Luis Obispo has more local authority than cities that incorporate under the general laws of the State of California. The Charter is the City's governing document and any changes must be approved by the voters. The City's Charter has been amended several times since its adoption, most recently in August 2011.

Form of Government

As set forth in the City Charter, the City operates under the "Council-Mayor-City Manager" form of government. The City Council has the authority to make and enforce all laws and regulations with respect to municipal affairs, subject only to the limitations of the City Charter and the State Constitution. There are four Council members, who are elected at-large and serve overlapping, four-year terms. The Mayor is also elected at-large for a two-year term and serves as an equal member of the Council. The City Council appoints the City Manager and City Attorney. All other department heads are appointed by the City Manager.

City Services

The City provides a wide range of municipal services, including police and fire protection, water and sewer utilities, street and parks maintenance, public transportation, parking, parks and recreation, planning, building and safety, and other general government services. Financial data for all funds through which services are provided by the City have been included in this report. Several municipal services are provided through other governmental agencies or private utility companies, including:

TRANSMITTAL MEMORANDUM

Service	Agency
Courts, Health and Social Services	County of San Luis Obispo
Elementary and Secondary Schools	San Luis Coastal Unified School District
Community College	San Luis Obispo County Community College District
Solid Waste Collection and Disposal	San Luis Garbage Company
Gas, Electric and Telephone	Private Utility Companies

Budgetary Policy and Control

Budgets are legally adopted annually by the City Council by resolution and are prepared for each fund in accordance with its basis of accounting. As provided under City Charter, the City Manager is responsible for preparing the budget and for its implementation after adoption. Financial reports are posted on-line on a quarterly basis, and formal financial status updates are held with Council every six months (Mid-Year Review). With the FY2019-20 budget, staff implemented quarterly reports to the City Council with a more in-depth status report for the first six months of the fiscal year (Mid-Year).

Since the City uses a two-year Financial Plan and budget, operating appropriations not expended during the first year may be carried forward into the second year for specific purposes with the approval of the City Manager. (When applicable, these amounts are shown as assigned for subsequent year expenditures in the financial statements.) At the end of the final year of the two-year plan, operating appropriations lapse unless they are committed by contract or purchase order. Multi-year budgets are adopted for capital projects as necessary.

The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make administrative adjustments to the appropriated budget if those changes will have neither a significant policy impact nor affect budgeted year-end fund balances. The City's budgetary policies are more fully described in Note 1 of the financial statements.

Expenditure and budgeting details are maintained by the City for each fund and department by program area at the line item level. Budgetary control is exercised through a computerized system, which interfaces with the City's general ledger. The system maintains an ongoing record of budget balances throughout the year based on actual expenditures and unfilled purchase orders. Open purchase orders at year-end are reported as committed fund balance.

It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 20% of operating expenditures. This policy objective has been achieved for fiscal year 2018-19. The City maintains a similar policy for working capital balances in the water, sewer, and parking enterprise funds. The Fleet Replacement Fund reserve requirement is \$500,000 and the Information Technology (IT) Replacement Fund reserve requirement is \$400,000. The goal has been met for these funds in 2018-19.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

TRANSMITTAL MEMORANDUM

Local Economic Environment

Historically, the City has experienced a relatively stable economy, largely insulated from economic downturns in other parts of the State or the nation due to major State and federal employers such as the California Polytechnic State University (Cal Poly), California Men's Colony, California Department of Transportation (Cal Trans) District 5 offices, the Regional Water Control Board, and Camp San Luis.

Employment. Employment in the San Luis Obispo County region has historically been stabilized by a large government presence and diversity. As noted above, the State has a major university, correctional facility, and other regional offices located in the community. The County government and school districts are also major employers. Other major employers include two major hospital facilities, several engineering and software companies, and Pacific Gas and Electric. The recent announcement of the pending closure of the Diablo Canyon Nuclear Power Plant presents some uncertainties and adjustment for the region over the coming years as the process takes place. However, the passage of SB1090 and the monetary allocation for economic development from the measure will assist in the transition. The City received \$1.8 million which was allocated towards economic development and capital priorities.

As measured by the labor market, the local economic fared well in 2018-19. San Luis Obispo County continues to maintain solid employment levels and unemployment fell below national and state levels to a record low. For all of 2019 total nonfarm employment in San Luis Obispo County increased 1.2% with unemployment being near historic lows at 2.7%. The industry sectors leading the job gains in the region accounting for 95% of net nonfarm jobs were Leisure and Hospitality and Education and Health; sectors associated with an expanding economy, as well as a growing population and subsequent spending base.

Key Revenue Sources. As the commercial, governmental, and cultural hub of San Luis Obispo County, the City is fortunate to attract a diverse array of strong revenue sources. The top three revenue sources for the City are 1) Sales Tax, 2) Property Tax, and 3) Transient Occupancy Tax (TOT). Since 2006, the City's voters have also approved a transaction tax of half-a-percent (Local Revenue Measure) to provide for an array of City services. In November 2018, the City voters also approved Cannabis tax allowing this new industry to take hold in the City. The first delivery business opened in November 2019 and retail businesses are expected to open in the later part of 2020.

Long-Term Financial Planning.

The City engages in a number of activities focused on long-term financial planning, including:

Long-Term Fiscal Forecast. Before the two-year Financial Plan and budget process begins, the City Council reviews long-term fiscal forecasts for the General Fund and the Enterprise Funds to help set the stage for long-term decision-making. The purpose of the forecast is to facilitate long-term fiscal health and to identify the funds' ability – on an order of magnitude basis – to maintain current services and existing assets and look at the opportunity to fund new initiatives. The 2018-23 forecast was completed in April 2018, before the City Council considered the 2018-19 Financial Plan Supplement for adoption. Due to CalPERS policy changes and rapidly increasing payment requirements to pay down pension unfunded liabilities, a ten-year forecast was developed as part of the City's Fiscal Sustainability and Responsibility Major City Goal and in April 2018 the City Council adopted a three-year fiscal health response plan beginning in fiscal year 2018-19 to address long-term effects of the pension reform. This plan will be closely monitored, and should projections and assumptions hold, the City will avoid over \$19 million in interest costs.

TRANSMITTAL MEMORANDUM

Major City Goals and Other Important Objectives. The City Council adopts Major City Goals and Other Important Objectives as an integral part of the Financial Plan. These goals address the highest priority needs and community-wide interests. The Financial Plan is the City’s main tool for programming implementation of these goals, plans, work programs, and policies by allocating the resources necessary to achieve them.

The following is a brief summary of the four major City goals and one other important objective adopted by the Council as part of the 2017-19 Financial Plan and in effect for 2018-19. Detailed work programs were prepared for each of them and their status is updated three times each year through presentation to the Council.

Major City Goals:

- **Housing.** Facilitate increased production of all housing types designed to be economically accessible to the area workforce and low and very low-income residents, through increased density and proximity to transportation corridors in alignment with the Climate Action Plan.
- **Multi-Modal Transportation.** Prioritize implementation of the Bicycle Master Plan, pedestrian safety, and the Short-Range Transit Plan.
- **Climate Action.** Implement Climate Action Plan, assess requirements to achieve a “net-zero carbon City” target, and implement cost-effective measures, including implementation of a Sustainability Coordinator and formation of a Green Team.
- **Fiscal Sustainability & Responsibility.** Continue to implement the City’s Fiscal Responsibility Philosophy with a focus on economic development and responsiveness, unfunded liabilities, and infrastructure financing.

Other Important Objective:

- **Downtown Vitality.** Continue to improve safety, infrastructure investment, and maintenance in the Downtown and support Downtown Association’s proposal to consider a Downtown improvement district.

FISCAL HEALTH RESPONSE PLAN

FINANCIAL CONDITION OVERVIEW

Financial results, both for revenue and expenditures, for the fiscal year were higher when compared to the budget estimates in the areas of the City’s operations.

At June 30, 2019, the total General Fund balance was \$30.1 million; a modest increase of \$500,000 over 2017-18. Of this amount, \$51,636 are non-expendable and represent prepaid items; \$9.9 million is committed for General government programs; \$14 million is assigned and includes \$11 million for the 20% required operating reserve, \$1 million in revenue stabilization, \$1.4 million for the Section 115 Trust Fund, and \$531,000 for Development Services. Finally, \$6.1 million is classified as unassigned at fiscal year-end. Per City Council direction, and in conjunction with adopted Council policies, staff will provide a recommendation for the use of any available fund balance for one-time allocations during the review of the year-end financials. However, through the City’s adopted fiscal health response plan, the Council has given direction to aggressively pay down

TRANSMITTAL MEMORANDUM

CalPERS unfunded liabilities with available one-time funding which will be reflected in the recommended action.

General Fund - Fund Balance June 30, 2019	
Nonspendable	\$ 51,636
Assigned to:	
Contingency fund (20% Minimum reserve)	13,418,400
General Government	9,908,932
Development services	531,000
Unassigned	6,185,574
Total fund balance	\$ 30,095,542

Continue to Focus on Sustainability and Long-term Fiscal Health

As part of the fiscal health response plan, the City Council considered the formation of a Section 115 Pension Trust fund to further safeguard the City from changes by CalPERS related to unfunded liabilities and possible fluctuations in the economy and income streams to the City. For that purpose, the City has set aside \$1.4 million from one-time funding available at the end of 2017-18 to seed the trust fund in March 2020.

Revenue Base Growth. Since the Great Recession, the country has experienced an unprecedented long-term expansion that continued in 2018-19. Sales tax (including the Half Percent Sales Tax Measure), Property Tax and Transient Occupancy Tax (TOT) account for 50% of all funding sources in the General Fund. All of these revenues have shown slow but steady growth over the past several years with Property Tax seeing the largest increase. This growth is expected to continue into FY2019-20 as signs of a recession have subsided. However, the City took a cautious approach to its forecast due to the slowing of sales tax revenue to a growth factor of around 1.5%. Development related fee revenue continues to see significant growth as development activity is at unprecedented levels in the City with two Community Services Districts beginning construction and housing continuing as a major City goal and new State mandate. However, a cooling of the real estate market could trickle into private development slowing within the community and reflect in the revenue growth. By policy, the City of San Luis Obispo has set the cost recovery fees for development activity at 100%.

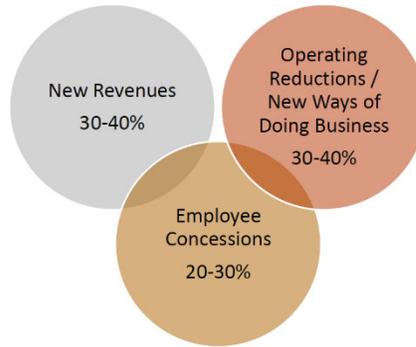
Containment of Operating Costs. The City’s efforts to control costs are ongoing. The City implemented 2nd and 3rd tier retirement benefit programs and now 59% of the workforce is enrolled in those tiers of the retirement plans. These actions have been instrumental in helping the City contain current costs and long-term liabilities related to retirement benefit programs. The City’s adopted Fiscal Health Response plan and the direction to pay down the unfunded liability as much as possible, in addition to negotiated additional CalPERS contributions from employees, will assist in managing the liability and pension cost over the long run.

Fiscal Health Response Plan

The purpose of the plan was to establish a three-year framework to respond to the long-term impacts of the significant increases in required pension contributions to the CalPERS retirement system. The plan is a specific deliverable and is structured in a manner to provide guidance for budgetary action in FY 2018-19 as well as the FY 2019-21 Financial Plan.

TRANSMITTAL MEMORANDUM

Through the plan, the City addresses a \$8.9 million (\$7.5 million from the General Fund and \$1.4 million from the Enterprise Funds) budget gap over the three-year period. There are three key components that have been identified to be accomplished:



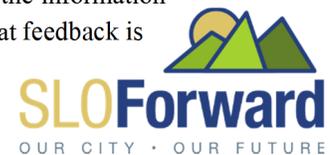
The FY2018-19 financials show that the City was able to implement the first-year plan deliverables and maintain within the allocated budget appropriations.

Infrastructure and Facilities Maintenance. The estimated cost of adequately maintaining, repairing, or replacing existing General Fund facilities, infrastructure and equipment exceeds \$10 million annually. This excludes any enhancements or “betterments.” As part of the Fiscal Sustainability and Responsibility Major City Goal, the City has established a ten-year Capital Improvement Program projection to prioritize limited investments. Capital Improvement Program allocations for the fiscal year were fully funded by the voter approved Local Revenue Measure half-cent sales tax. Approximately 70% of the Local Revenue Measure sales tax is committed to the Capital Improvement Program.

As part of the City of San Luis Obispo’s comprehensive, long-range review of city services and infrastructure needs, the City has identified a financial gap of approximately \$15 million annually. The city services and infrastructure needs have been identified through a number of adopted plans including the general plan, bicycle transportation plan, downtown concept plan, and mission plaza concept plan. Each plan represents hours of community input and a vision to maintain and improve the San Luis Obispo now and into the future.

The existing Local Revenue Measure (half-cent sales tax) is used to deliver basic city services and maintenance of existing infrastructure and is insufficient to implement the service and infrastructure identified by the community. The Local Revenue Measure will sunset in 2023 if not renewed by the residents.

The City launched SLO Forward as a conversation with the community to share the information and to collect their feedback on what their highest priorities are. The results of that feedback is anticipated to be shared with the City Council in June, 2020. The City Council will consider placing a ballot measure for the renewal of the Local Revenue Measure at a rate that aligns the financial resources needed to deliver the service and infrastructure the community prioritizes most.



TRANSMITTAL MEMORANDUM

Ongoing Commitment to Half Percent Sales Tax Measure Priorities (Essential Services Measure)

The City remains committed to the priorities for the use of the half percent sales tax measure as identified by the community. They include public safety, senior services, code enforcement, neighborhood street paving, open space preservation, traffic congestion relief and flood protection. The following table summarizes how the half percent sales tax measure funds were used during fiscal year 2018-19.

Total expenditures during 2018-19 amounted to \$12.9 million (including encumbrances and carryovers); the remaining balances of these resources are designated for future year expenditures. A more detailed schedule of half percent sales tax measure sources and uses is provided in the Financial Section of this report.

Half Percent Sales Tax Measure Expenditures 2018-19	Operating Programs	Capital Projects*	Total
Preservation of Essential Services			
<i>Public Safety</i>	575,310	25,901	601,211
<i>Community Development</i>	269,025	795,165	1,064,190
<i>Transportation</i>	1,085,216	3,366,119	4,450,335
<i>Leisure, cultural and social services</i>	187,245	492,825	680,070
<i>General Government</i>	-	1,368,994	1,368,994
Total	\$ 2,116,796	\$ 6,049,004	\$ 8,165,800
Half Percent Sale Tax Measure Revenues & Uses Summary			
Revenues:			
Sales and use tax - Measure G 1/2 Cent add-on tax			\$ 8,325,230
Use of money and property			102,933
		Total Revenues	8,428,163
Uses:			
Operating Programs			(2,116,796)
Capital Projects			(6,049,004)
		Total Uses	(8,165,800)
Excess of revenues over expenditures			262,363
Prior Sales Tax Measure Balance			6,067,359
Encumbered or designated for carryover for future year expenditures			(4,773,675)
Net available for future year appropriations			\$ 1,556,047

* Detail of Capital Projects is included with other supplementary information in the financial statements, which can be found on page 107.

TRANSMITTAL MEMORANDUM

RELEVANT FINANCIAL POLICIES

The City of San Luis Obispo has adopted a comprehensive set of budget and financial policies to provide guidance for all fiscal activities and resource allocations. Although the policies cover virtually every aspect of financial management, several of these policies are particularly relevant to the understanding of the City's financial performance in 2017-18.

Debt Administration Policies

The City's Capital Financing and Debt Management policies contain general guidelines for refinancing of outstanding debt. These guidelines call for periodic review of all outstanding debt to determine refinancing opportunities, particularly to create economic benefit such as lower debt service payment or reduction of principal.

Information on the City's outstanding debt issues and other long-term liabilities is provided in Note 6 in the notes to the financial statements.

In May 2018, the City received affirmation from the nationally recognized statistical rating organization *Standard & Poors Ratings (S&P)* that City bond ratings remain "AA" and the rating outlook is stable. *S&P's* long-term credit ratings are assigned on an alphabetic scale from AAA to C. The bond rating AA means that the City's investment grade is "quality". The City's 2018 Lease Revenue Bonds are rated AA, and the City's implied General Obligation bond rating is AA+. Currently, the City of San Luis Obispo has no general obligation debt.

In reaching its decision, *S&P's* analysts lauded the City's "excellent financial management." The analysis noted factors that led to their conclusion including (1) active budget monitoring by the City Council and staff, (2) comprehensive financial policies, and (3) the use of long-term budget planning to provide a solid framework for managing financial resources through unexpected budgetary challenges during the economic downturn. *S&P* analysts noted that the City has robust fiscal management and recovered quickly from the Great Recession.

Budgetary Policies

The City of San Luis Obispo has a policy that requires the adoption of a balanced budget over the two-year period of the Financial Plan. This means that operating revenues must fully cover operating expenditures, including debt service. Additionally, ending fund balance (or working capital in the enterprise funds) must meet minimum policy levels. Under this policy it is allowable for total expenditures to exceed revenues in a given year but only when fund balance is used to pay for capital improvement plan projects or other "one-time," non-recurring expenditures.

Fund Balance and Reserve Policies

The City's policies recognize the importance of long-range planning in managing the City's fiscal affairs in order to provide for stable operations, promote more orderly spending patterns, and assure the City's long-term fiscal health. The reserves contained in the General Fund and Enterprise Funds play a pivotal role in this strategy. The reserve policies call for a minimum fund balance of at least 20% of operating expenditures in the General Fund and a working capital level of 20% of operating expenses in the Water, Sewer, and Parking Enterprise Funds. The policies also require the Fleet Management Information Technology Replacement Funds to provide for the timely replacement of vehicles and equipment as well as IT equipment and software.

TRANSMITTAL MEMORANDUM

With 2018-19, the City also implemented a revenue stabilization reserve of \$1 million in order to counter-act potential swings in its major revenue sources that remains intact into 2019-20. Additionally, the City retains \$1.4 million for the Section 115 Pension Trust fund which will show in subsequent financial reports as a restricted fund balance.

Long-Term Liabilities and Maintenance of Infrastructure

In 2015, the City Council adopted a guidance to apply one-time funds above policy reserve to unfunded liabilities and infrastructure. This policy addresses long-term costs and prioritizes allocation of funds to reduce the liability. With the 2017-19 Financial Plan, the guidance was incorporated into the City's fiscal policies. Additionally, the City began addressing the long-term needs of its capital assets and categorizing asset maintenance, asset replacement, and new assets driven by new development. The City Council received a first presentation of the long-term need of its infrastructure in early 2018 and the assessment continued into FY 2018-19 with the beginning stages of the SLOForward effort.

Pension and Other Post-Employment Benefits

Pension Obligations. The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provision and all other requirements are established by State statute and City ordinance. The amount of the City's required annual contribution is determined actuarially and is reported to the City via the Annual Valuation Reports provided by CalPERS for each retirement plan.

It is the policy of the City to fully fund the annual contribution to ensure that the plan will fully meet its obligation to retired employees on a timely basis. Prepaying the City's unfunded liability should also reduce overall annual costs depending on whether approved actuarial assumptions are realized and are not adjusted by the CalPERS' Board.

As part of its cost reduction strategy, the City has implemented 2nd Tier and the state mandated 3rd Tier retirement benefit programs for new hires while also requiring all employees to pay at least the full amount of the member share of the annual retirement contribution. Beginning in 2018-19 and increasing in 2019-20, the City negotiated further concessions with employee groups to pay into CalPERS which will help to lessen pension impacts to the City's budget. The City continues to monitor legal developments and legislation that could positively or negatively impact the City's finances.

TRANSMITTAL MEMORANDUM

All employees currently pay the full employee contribution and the additional contributions agreed to are listed in the chart below:

Police (Sworn) Employee Contribution Levels to PERS Retirement (Percent of Salary)		
Safety PERS Tier	Current	Jul-20
Tier 1 (3% @ 50)	13.50%	15%
Tier 2 (2% @ 50)	13.50%	15%
Tier 3 (2.7% @ 57)	14.25%	15.75%
Police (Non-Sworn) Employee Contribution Levels to PERS Retirement (Percent of Salary)		
Miscellaneous PERS Tier	Current	Jul-20
Tier 1 (2.7% @ 55)	12.50%	14%
Tier 2 (2% @ 60)	12.50%	14%
Tier 3 (2% @ 62)	8.50%	10%
Fire (Sworn) Employee Contribution Levels to PERS Retirement		
Safety PERS Tier	Current	Jul-20
Tier 1 (3% @ 50)	10.50%	12%
Tier 2 (2% @ 50)	10.50%	12%
Tier 3 (2.7% @ 57)	14.25%	15.75%
Employee Contribution Levels (includes appointed officials, department heads, unrepresented management, unrepresented confidential and non-sworn fire employees) to PERS Retirement		
Miscellaneous PERS Tier	Current	Jul-20
Tier 1 (2.7% @ 55)	9.50%	11%
Tier 2 (2% @ 60)	8.50%	10%
Tier 3 (2% @ 62)	8.50%	10%

Other Post-Employment Benefits (OPEB). The City’s primary OPEB cost obligation is for retiree health benefits under its election to participate in the CalPERS Health Benefit Program under the “unequal contribution option.”

When the City joined the CalPERS health plan in 1993, it immediately experienced an increase in the plan choices available along with a significant reduction in rates. Due to CalPERS purchasing power, the City continues to experience competitive health care rates. However, as a condition of joining the CalPERS health program, the City agreed to contribute the minimum monthly amount required by law towards retiree health care coverage for both active and retired employees. This allows retired employees to purchase health insurance at the same rate offered to active employees.

Additionally, the City had established certain post-retirement health care benefits available to executive management employees appointed prior to August 2000. There is only one employee remaining who receives one-half of the retiree health insurance premiums paid by the City through the City's group health plan. This provision ceases upon the death of the retired employee or upon the retired employee reaching age 65.

TRANSMITTAL MEMORANDUM

These OPEB benefits were financed on a pay-as-you-go basis in the past. As directed by Council in May 2008, the City began fully pre-funding the OPEB obligation via an irrevocable trust in 2008-09. In 2018-19, the City paid \$300,000 towards the OPEB liability in addition to the annual required contribution.

Additional information on the City's retirement and post-employment benefits can be found in Note 6 and Note 7 in the notes to the financial statements.

MAJOR INITIATIVES

The City continued its efforts on a number of significant initiatives in 2018-19 which had a beneficial effect on fiscal health and quality of life.

Local Sales Tax Measure. The local half-percent sales tax revenue was approved by City voters with 70% of the vote in November 2014. As part of the local sales tax measure, the Revenue Enhancement Oversight Committee (REOC) was established to review, report, and makes recommendations to the City Council regarding the revenue and expenditures of the City's voter-approved general purpose, half-percent sales tax. The REOC consists of five members who must be residents and registered voters of the City.

Economic Development Strategic Plan.

The City's 2012 Economic Development Strategic Plan (EDSP) provides a prioritized list of strategic actions aimed at overcoming barriers to job creation and nurturing the conditions, relationships, and resources that enable and encourage the private sector to create head of household jobs on a consistent basis while continuing to support the broader economy of the City. To create and implement these efforts, the EDSP identified the City's fee program and the lack of infrastructure in key areas as barriers to overcome and is in the process of implementing strategies to improve the economic environment for job creation in the City. The EDSP builds on the San Luis Obispo County Economic Strategy, which identified five industry clusters with the greatest potential to drive local and regional economic prosperity, and job creation. The EDSP focuses on partnerships and collaborative efforts with community partners including the Economic Vitality Corporation, the Chamber of Commerce, the Small Business Development Center, California Polytechnic State University and Cuesta College.

The planned closure of Diablo Canyon Nuclear Power Plant catalyzed a study of the economic and fiscal impacts on the region and the City, an updated Economic Development Strategic Plan with identified strategies to address impacts of the closure, and a comprehensive plan of how to invest closure settlement funds to be received under SB1090, and informed by SB 968.

Downtown Development Projects

The Downtown Vitality Other Important Objective sets initiatives to be completed during the 2017-19 Financial Plan to 1) maintain and improve Downtown infrastructure, 2) maintain and improve public safety in the Downtown, 3) develop implementation plan for adopted Downtown Concept and Mission Plaza Master Plans, and 4) develop a policy framework to ensure the continued vitality and success of Downtown.

TRANSMITTAL MEMORANDUM

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for our CAFR for the fiscal year ended June 30, 2018.

The Award Program

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 government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement each year since 1984. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Value of Program Participation. There are benefits to participating in these programs beyond simply receiving recognition for the City's efforts. For example, by striving to meet program standards and goals, the City produces better reports. Additionally, as part of the review process, comments for improvement from other municipal finance professionals who review the reports from a "fresh" perspective are received. Staff believes that this results in continuous improvements in reporting the City's financial results to elected officials, staff, and other interested parties such as bondholders, credit agencies, and the public at-large.

ACKNOWLEDGMENTS

The preparation and development of this report would not have been possible without the year-round dedication of the Finance Division staff and their special efforts, working in conjunction with the City's independent auditors, to produce this document.

We would like to take this opportunity to compliment all those staff members within the Finance Department as well as in the other departments and our independent auditors who were associated with the preparation of this report. We would also like to thank the City Council for the continued support and dedication in planning and conducting the financial operations of the City in a fiscally responsible and progressive manner.

Derek Johnson, City Manager

Brigitte Elke, Finance Director

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Heidi Harmon	Mayor
Aaron Gomez	Vice Mayor
Carlyn Christianson	Council Member
Andy Pease	Council Member
Erica A. Stewart	Council Member

ADVISORY BODIES

Active Transportation Committee
Administrative Review Board
Architectural Review Commission
Construction Board of Appeals
Council Compensation Committee
Cultural Heritage Committee
Housing Authority
Human Relations Commission
Investment Oversight Committee
Jack House Committee
Mass Transportation Committee
Parks and Recreation Commission
Personnel Board
Planning Commission
Promotional Coordinating Committee
Revenue Enhancement Oversight Commission
Tourism Business Improvement District Board
Tree Committee

APPOINTED OFFICIALS AND DEPARTMENT HEADS

Appointed Officials

Derek Johnson	City Manager
J. Christine Dietrick	City Attorney

Department Heads

Shelly Stanwyck	Assistant City Manager/Acting Public Works Director
Greg Hermann	Deputy City Manager
Michael Codron	Director of Community Development
Brigitte Elke	Director of Finance
Keith Aggson	Fire Chief
Monica Irons	Director of Human Resources
Deanna Cantrell	Police Chief
Aaron Floyd	Director of Utilities
Greg Avakian	Director of Parks & Recreation

MISSION STATEMENT

SAN LUIS OBISPO STYLE

Quality with Vision WHO ARE WE?

People Serving People

- A team that puts high value on each citizen it serves.
- Providers of programs that meet basic service needs of each citizen.
- Enhancers of the quality of life for the community as a whole.

WHAT DO WE STAND FOR?

Quality in all Endeavors – Pride in Results

- Service to the community – the best – at all times.
- Respect – for each other and for those we serve.
- Value – ensuring delivery of service with value for cost.
- Community involvement – the opportunity to participate in attaining the goals of the City.

WHERE ARE WE GOING?

Into the Future with a Design

- Planning and managing for levels of service consistent with the needs of the citizens.
- Offering skills development and organizational direction for employees in order to improve the delivery of municipal services.
- Developing sources of funding and establishing a sound financial management program which will result in fiscal independence and flexibility in the delivery of City services.
- Providing the residents of the City with accurate and timely information on issues which affect them, and encouraging the full utilization of City services.
- Promoting the City as a regional trade, recreational and tourist center and improving the quality of life for residents and visitor.

ORGANIZATIONAL VALUES

We, as an organization, embrace opportunities to improve our services and the quality and effectiveness of our relationships with the community and our teams. The following values guide and inspire our efforts.

Shared Vision, Mission and Goals

We have a sense of common purpose and direction pursued with passion and translated into concrete actions.

Service

We are dedicated to the best use of resources to fulfill identified community goals and needs.

Leadership and Support

We recognize that the ability to lead can be found at all levels and that to create an environment to succeed requires leading by example.

Communication

We foster open and clear discussion that encourages the willingness to speak up and to listen, within a framework of respect and understanding.

Team Players

We encourage effective working relationships within and between departments and the public to address issues and achieve valuable results.

Honesty, Respect and Trust

We honor commitments, acknowledge legitimate differences of opinion and accept decisions reached with integrity.

Initiative and Accountability

We take personal responsibility to do what needs to be done and report the results in a straightforward manner.

Innovation and Flexibility

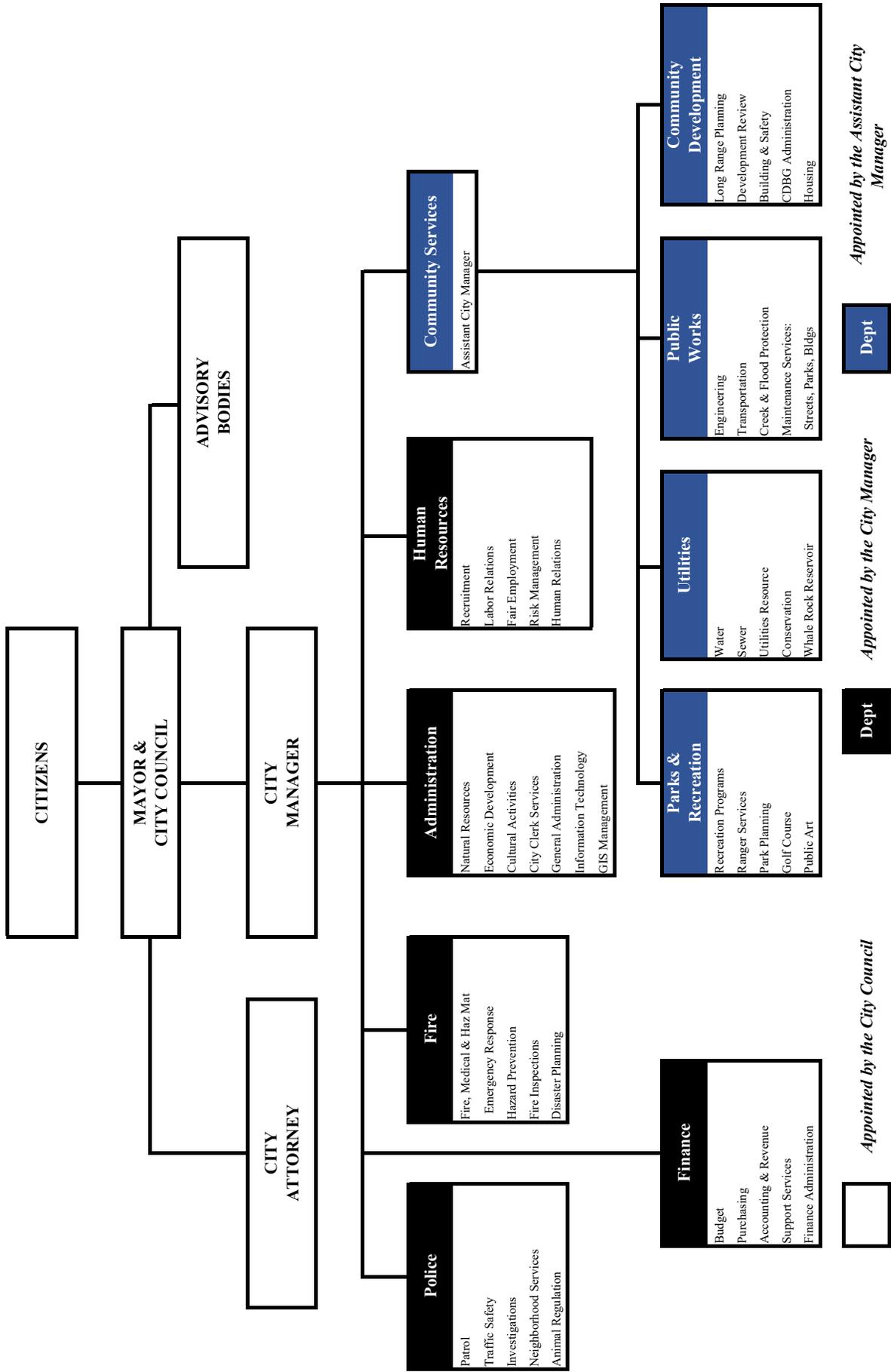
We are open to change and willing to try new ways to fulfill the organization's vision, mission, and goals more effectively.

Employee Development and Recognition

We encourage and support each employee to improve relevant job skills and celebrate personal and team accomplishments.

Stewardship and Ethics

We promote public trust by using City resources wisely, and through consistent fulfillment of these values.





Government Finance Officers Association

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

Presented to

**City of San Luis Obispo
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of San Luis Obispo
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Luis Obispo, California (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan and OPEB plan information on pages 5-22 and 92-104 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, half percent sales tax measure funding schedule, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

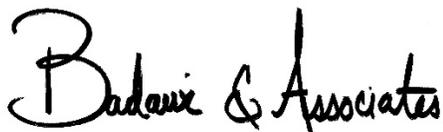
The half percent sales tax measure funding schedule, the combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 107-140 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the half percent sales tax measure funding schedule, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of San Luis Obispo
San Luis Obispo, California
Page 3

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 March 31, 2020, 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Berkeley, California
March 31, 2020



Management's Discussion and Analysis

Overview of the Financial Statements

The discussion and incorporated analysis in this document are intended to serve as an introduction to the City's basic financial statements, which include the following components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains required supplementary information (RSI) as well as other supplemental financial information.

Government-wide Financial Statements. This set of statements is designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The *Statement of Net Position* presents financial information on all the City's assets/deferred outflows of sources and liabilities/deferred inflows of sources, with the difference reported as net position. Over time, increases or decreases in net financial position may serve as a useful indicator of whether the financial position of the City is improving or declining. According to GASB 68, the Statement of Net Position reported for fiscal year 2018-19 considers the City's long-term pension liabilities, effectively decreasing the City's net financial position.

The *Statement of Activities* presents changes in the government's net position during the most recent fiscal year. All changes in net position are reported during the period when the underlying events giving rise to the change occur, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenue pertaining to uncollected taxes.

The City's government-wide financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their cost through user fees or that are required by grantor agencies or City policies to be accounted for in this fashion (*business-type activities*).

The governmental activities include: (1) public safety, (2) transportation, (3) leisure, cultural and social services, (4) community development and (5) general government support services such as legal services, elections, human resources, risk management, finance, and information technology. The business-type activities of the City include: (1) water, (2) sewer, (3) parking operations and the (4) transit program.

As required by U.S. Generally Accepted Accounting Principles (GAAP), these financial statements present the City (the primary government) and its component units (entities for which the government is considered to be financially accountable). Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government.

The San Luis Obispo Capital Improvement Board (Board) is reported as a blended component unit in these statements. The Board provides financing for the construction and acquisition of City facilities. The Board consists of members of the City Council. Activities of the Board are accounted for in the applicable City governmental or enterprise funds. Separate financial statements are not prepared for the San Luis Obispo Capital Improvement Board. The City has no component units that require discrete presentation in accordance with Governmental Accounting Standards Board (GASB) standards.

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their purpose (general, special revenue, debt services, and capital projects). Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The General Fund and Capital Outlay Fund are both considered major funds. Data from the major governmental funds are combined into one aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the supplementary information section in this report.

Of the major funds, the City adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with the budget. Budgetary information for non-major governmental funds with annual budgets has been provided with the fund financial statements in the supplementary information section in this report.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers; either outside customers or internal units/divisions of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

The only type of proprietary fund the City maintains is enterprise funds. The Water, Sewer, Parking, and Transit Funds are presented as business-type activities in the government-wide financial statements. The City considers all four of its enterprise funds to be major funds.

Fiduciary Funds. Custodial funds are the only type of fiduciary funds maintained by the City. These are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. An example of a custodial fund may include donations provided to the City to be utilized for specific purposes as well as other funds held in trust of another entity to be utilized for a specific purpose. A specific example is the Hazardous Materials Task Force Fund, created to provide special fire services around the County, which is funded by multiple county and city agencies.

Management's Discussion and Analysis

The accounting used for fiduciary funds is much like that used for proprietary funds. The Custodial Funds are presented with the fund financial statements in the supplementary information section.

Notes to the Financial Statements. The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including budgetary comparison schedules, reporting of the half-percent sales tax measure and more detailed information concerning the City's net pension liability, schedule of contributions to the pension plan and progress in funding its obligation to provide other post-employment benefits (OPEB).

Statistical Information. The statistical section presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information indicates about the City's overall financial health.

Financial Highlights

The following information provides a narrative overview and analysis of the financial activities of the City of San Luis Obispo (City) for the fiscal year that ended June 30, 2019. It should be read in conjunction with the accompanying transmittal memorandum and the basic financial statements.

In fiscal year (FY) 2018-19, the City continued to experience slow but steady economic growth. Actual revenues received were slightly higher than budgeted and, with the implementation of its Fiscal Health Response Plan, the City's expenditures ended slightly above budgeted amounts considering the permitted carry-over from fiscal year 2017-18.

Following CalPERS' announcement regarding policy changes lowering the expected rate of return from 7.5% to 7%, the City adopted a Fiscal Health Response Plan (FHRP) on April 17, 2018. The three-year plan, spanning fiscal years 2019 through 2021, is designed to align the City's budget with a long-term fiscal outlook to address the payment of the unfunded liabilities over the 30-year schedule beginning in 2015 through 2045. The FHRP will assist the City in containing expenses while finding new ways to accomplish goals and work programs, working with employee groups regarding compensation agreements, and pursue new revenue sources. In November 2018, the City's voters approved the taxation of cannabis, thus allowing the industry to begin business in San Luis Obispo. The first operator opened in November 2019 and two retailers are expected to begin business in the second half of 2020. A third retailer has been issued an operating permit and has yet to announce an opening date.

Pursuant to GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, the City's reports on the unfunded pension liability on the full accrual basis of accounting in the government-wide financial statements. The reports also include note disclosure requirements and supplementary schedules as required by GASB 68. The measurement date for fiscal year 2018-19 pension liabilities is as of the fiscal year ended June 30, 2018. This date reflects a one-year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e. contributions made by the City) occurring during fiscal year 2018-19 are reported as deferred outflows of resources in accordance with GASB Statement No. 71.

The following outlines financial highlights for the year, which are detailed in the table on page 8 of the Management Discussion and Analysis.

Management's Discussion and Analysis

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2019 by \$320 million (net position). The City's unrestricted net position was negatively impacted beginning in fiscal year 2014-15 with the implementation of GASB 68 that requires the disclosure of the City's unfunded pension liability.¹
- In FY2018-19 the City reclassified the OPEB and Pension liability from its Whale Rock Agency Fund to the City's Water Fund with a prior period adjustment.
- Per the City's Statement of Net Position, total City-wide assets increased by approximately \$14.2 million or 2.8%. In governmental activities, amounts received from various sources decreased by \$749,000; cash and investment balances increased by \$10.6 million; prepaid expenses decreased by \$3.1 million and cash held with fiscal agent increased slightly from 2017-18.

In business-type activities which include Water, Sewer, Parking and Transit, amounts receivable, including dues from other governments, increased by \$1.9 million while cash and investment balances increased by \$6.9 million. Prepaid items increased by \$278,500 and cash held with fiscal agents and investments in joint ventures decreased by \$400,000.

- City-wide liabilities increased slightly by \$322,000 the fiscal year. The increase of \$2.7 million in governmental funds, largely driven by accrued salaries, was offset by a decrease of \$2.4 million in the business-type activities. The Water Fund's revenue refunding bond in July 2019 contributed to this decrease.
- The City's governmental funds altogether reported combined ending fund balances of \$56.7 million. Approximately \$19.7 million or 35% of this total amount is not available for new spending as it is either restricted for (1) debt service, (2) grant obligations, (3) prepaid insurance obligations, or (4) specific programs like impact fee programs and general capital outlay. Another \$31 million is assigned as of June 30, 2019 to meet expenditures in subsequent years in the form of purchase orders, encumbrances, and unspent appropriations that have been rolled over into fiscal year 2019-20 in accordance with the City's budget policies. Per the City's policy, \$14.3 million of the fund balance is assigned to the governmental funds' 20% operating reserve, the Revenue Stabilization reserve and the Pension 115 Trust Fund as well as minimum levels in the Fleet and IT Replacement Funds.

It has to be noted that fund balances have been recharacterized from previous reports in accordance of GASB 54. For the reporting period ending June 30, 2019, the City had only restricted, assigned, and unassigned fund balances in the governmental funds.

The total General Fund balance increased by \$519,000 to \$30 million. After the adjustments to reflect amounts non-spendable (\$52,000), assigned to general government programs (\$10.4 million), and designated reserves including the 20% operating reserve, \$6.1 million remain as unassigned balance at June 30, 2019. However, through the Fiscal Health Response Plan, the City Council has provided direction to aggressively pay-down the City's unfunded pension liability and \$4.2 million are earmarked for this purpose.

¹ More information on the City's pension plans and obligations. can be found in Note 6 beginning on page 64.

Management's Discussion and Analysis

Government-wide Overall Financial Analysis

Statement of Net Position Net position may serve over time as useful indicator of a government's financial position.

The following is the condensed statement of net position for the fiscal years ended June 30, 2019 and 2018

CONDENSED STATEMENT OF NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Current and other assets	\$ 65,812,068	\$ 59,246,957	\$ 87,631,990	\$ 80,111,101	\$ 153,444,058	\$ 139,358,058
Capital assets	197,783,076	196,556,470	179,868,667	180,901,769	377,651,743	377,458,239
Total assets	263,595,144	255,803,427	267,500,657	261,012,870	531,095,801	516,816,297
Total Deferred Outflows of Resources	29,972,832	32,103,779	5,043,027	5,091,026	35,015,859	37,194,805
Current liabilities	12,155,127	8,794,714	6,670,255	6,945,644	18,825,382	15,740,358
Noncurrent liabilities	154,336,567	154,947,663	67,718,890	69,870,322	222,055,457	224,817,985
Total liabilities	166,491,694	163,742,377	74,389,145	76,815,966	240,880,839	240,558,343
Total Deferred Inflows of Resources	4,349,455	2,180,281	446,972	168,586	4,796,427	2,348,867
Net position:						
Net investment in capital assets	174,431,254	171,472,251	139,659,544	136,694,402	314,090,798	308,166,653
Restricted	20,530,627	421,954	2,511,544	1,558,795	23,042,171	1,980,749
Unrestricted	(72,235,054)	(49,909,657)	55,536,479	50,866,147	(16,698,575)	956,490
Total Net Position	\$ 122,726,827	\$ 121,984,548	\$ 197,707,567	\$ 189,119,344	\$ 320,434,394	\$ 311,103,892

For the Fiscal Year ending on June 30, 2019, the City's combined total assets and deferred outflows of resources were greater than its liabilities and deferred inflows of resources by \$320 million. The largest portion of the City's net position reflects its investment in capital assets in the amount of \$314 million (e.g. land, buildings infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$23 million, is subject to restrictions imposed by external parties and its use is determined by those restrictions and contractual obligations. This is the fifth year of the GASB 68 Statement implementation by the City requiring the disclosure of the City's long-term pension liability. The governmental activities and business-type activities contributed a \$742,000 and \$8.6 million increase to the combined net position. In addition, a prior year restatement totaling \$186,000 also increased the governmental net position resulting in a total net position of \$320.4 million at June 30, 2019.

Management's Discussion and Analysis

Information about changes in net position for fiscal years 2018-19 and 2017-18 is summarized below. Reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

SUMMARY OF CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Revenues:						
Program Revenues:						
Charges for services	\$ 19,323,413	\$ 15,506,511	\$ 48,920,778	\$ 44,885,394	\$ 68,244,191	\$ 60,391,905
Operating grants and contributions*	2,990,211	4,116,552	3,633,033	3,099,618	6,623,244	7,216,170
Capital grants and contributions	47,234	39,781			47,234	39,781
General Revenues:						
Sales taxes (Including 1/2 percent local Sales Tax)	26,444,775	24,559,570			26,444,775	24,559,570
Property taxes	12,238,357	11,425,510			12,238,357	11,425,510
Transient occupancy tax	8,061,087	7,514,289			8,061,087	7,514,289
Utility users tax	4,919,892	5,627,356			4,919,892	5,627,356
Property tax in lieu of VLF	4,961,080	4,637,253			4,961,080	4,637,253
Other taxes and fees	4,332,557	4,261,341			4,332,557	4,261,341
Investment earnings	1,618,354	164,434	2,516,216	320,471	4,134,570	484,905
Miscellaneous and other	146,579	745,253	(230,838)	209,300	(84,259)	954,553
Total revenues	85,083,539	78,597,850	54,839,189	48,514,783	139,922,728	127,112,633
Program expenses:						
Public safety	34,320,108	42,097,557			34,320,108	42,097,557
Public utilities			34,954,147	33,682,348	34,954,147	33,682,348
Transportation	7,546,278	9,229,042	8,409,657	8,453,943	15,955,935	17,682,985
Culture and recreation	9,469,520	11,125,792			9,469,520	11,125,792
Community development	12,573,953	13,457,993			12,573,953	13,457,993
General Government	22,429,785	1,213,217			22,429,785	1,213,217
Interest on long-term debt	702,885	1,488,183			702,885	1,488,183
Total expenses	87,042,529	78,611,784	43,363,804	42,136,291	130,406,333	120,748,075
Increase (decrease) in net position before transfers	(1,958,990)	(13,934)	11,475,385	6,378,492	9,516,395	6,364,558
Transfers	2,456,035	1,198,027	(2,456,035)	(1,198,027)	-	-
Change in net position	497,045	1,184,093	9,019,350	5,180,465	9,516,395	6,364,558
Net position - beginning of year	121,984,548	125,854,624	189,119,344	186,140,499	311,103,892	311,995,123
Prior year restatement	245,234	(5,054,169)	(431,127)	(2,201,620)	(185,893)	(7,255,789)
Net position - end of year	\$ 122,726,827	\$ 121,984,548	\$ 197,707,567	\$ 189,119,344	\$ 320,434,394	\$ 311,103,892

*Operating grants and contributions in the current year represent the net amount after deducting general government grants and contributions as this activity nets to zero.

Governmental Activities. The City's net position in the Governmental activities increased by \$742,000 to \$122.7 million on June 30, 2019 due to a current year increase of \$497,000 and a prior year restatement of \$245,000. However, the City is continuing to see growth in its revenue base and realized savings in the General Fund compared to the level anticipated in the fiscal year 2018-19 appropriated budget. Contributing to the growth trend is the hospitality and tourism sector and a healthy real estate market. In 2018-19, private development remained strong and generated development related permit revenues, as well as development-related impact and in-lieu fees which are held until needed for planned capital outlay.

The governmental activities and business-type activities contributed a \$742,000 and \$8.6 million increase to the combined net position.

Management’s Discussion and Analysis

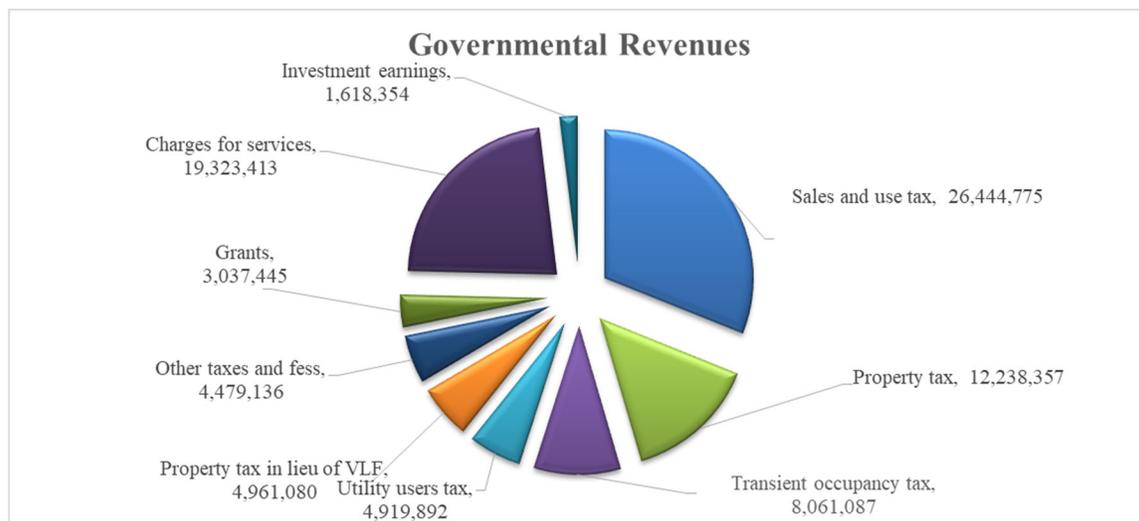
Management’s Discussion and Analysis

Governmental Revenues: Revenues are divided into charges for services and general revenues including applicable taxes as listed in the following table. Charges for services are revenues directly related to service activity while operating and capital grants and contributions, and related investment earnings are a mechanism of cost recovery. The total governmental revenue increased from fiscal year 2018-19 by \$6.4 million or 8% which was largely due to fees related to development services and a favorable year in investment earnings.

General revenues represent 74% of the total revenue and are used to pay costs of providing program services such as Public Safety.

GOVERNMENTAL ACTIVITY CHANGE IN REVENUE				
Revenues	2018-19	2017-18	Inc / (Dec)	%
Charges for services	\$ 19,323,413	\$ 15,506,511	\$ 3,816,902	25%
Operating grants and contributions	2,990,211	4,116,552	(1,126,341)	-27%
Capital grants and contributions	47,234	39,781	7,453	19%
General Revenues:				
Sales taxes (Including 1/2 percent local Sale Tax)	26,444,775	24,559,570	1,885,205	8%
Property taxes	12,238,357	11,425,510	812,847	7%
Transient occupancy tax	8,061,087	7,514,289	546,798	7%
Utility users tax	4,919,892	5,627,356	(707,464)	-13%
Property tax in lieu of VLF	4,961,080	4,637,253	323,827	7%
Other taxes and fees	4,332,557	4,261,341	71,216	2%
Investment earnings	1,618,354	164,434	1,453,920	884%
Miscellaneous and other	146,579	745,253	(598,674)	-80%
Total governmental revenues	\$ 85,083,539	\$ 78,597,850	\$ 6,485,689	8%

Top Governmental Activity Revenue Sources. As shown in the graph below, the City’s top five tax revenues accounted for almost 70% of total revenues, with service charges accounting for another 20% and ancillary revenue making up the remainder. Generally, the main revenue sources for fiscal year 2018-19 increased from those of the prior fiscal year. Operating grants can vary from year to year depending on availability and applicable work programs that can benefit from available grant opportunities.

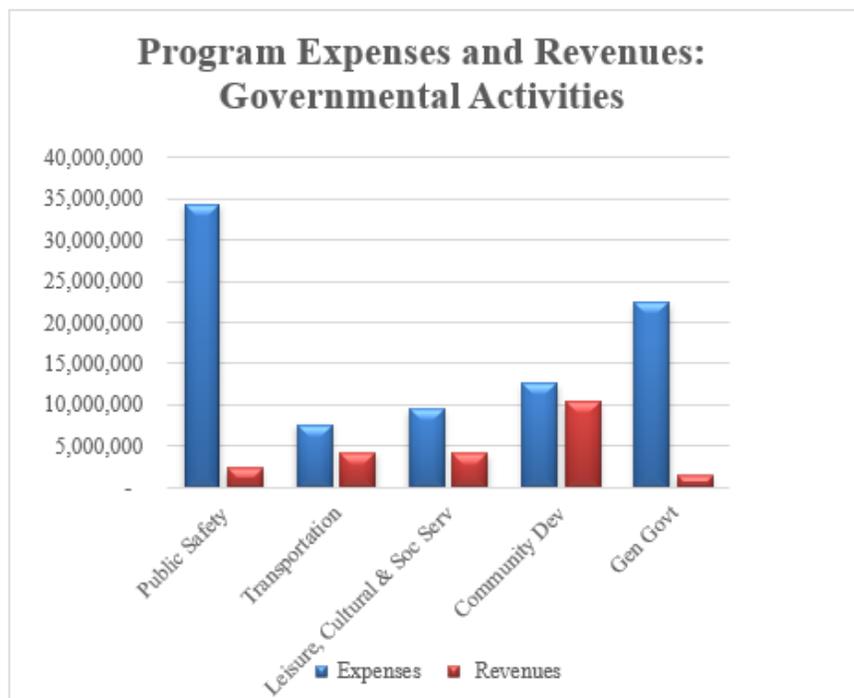


Management's Discussion and Analysis

The following narrative addresses the significant variances in key revenues from the prior fiscal year:

- **Sales Tax.** Sales Tax increased by \$1.9 million over the prior year. This includes the City's half-cent transaction tax, commonly referred to as the Local Revenue Measure.
 - **Property Tax.** Property tax revenue including the portion in-lieu of VLF increased by \$812,000 with the real estate market continuing strong in the City.
 - **Transient Occupancy Tax (TOT).** Increased by \$547,000 largely due to a new hotel opening during the fiscal year and increased room rents.
 - **Charges for Services.** These revenues increased by approximately \$3.8 million over 2017-18. This increase is largely based on very strong private development activity and related development review fees.
- **Governmental Activities Program Expenses:** Program expenses saw a slight increase from budgeted amounts ending 2018-19 at \$72.4 million. Fiscal Year 2018-19 was the first year of the Fiscal Health Response Plan (FHRP) that reduced expenditure budgets in all City programs in order to address the City's pension liability. The plan has a three-part approach with expenditure reductions or doing business differently being one part. For 2018-19, most City services lead the effort with adjusting operating expenditures thus ending the fiscal year with only a slight increase is pointing to a successful first year of the FHRP. In April 2019, the City will send an additional payment above the annual contribution to CalPERS in the amount of \$4.2 million.

The following chart compares program revenues and expenses which is useful when reviewing the costs of government cost centers:



Management's Discussion and Analysis

Business-Type Activities. The City's business-type activities are financed through rates for services and have to be self-sufficient in covering their expenses with their sales and services revenue.

Revenue Sources: Operating revenues for services increased by \$1.1 million largely due to growth in service charges in the Parking fund and increased rates in the Water and Sewer funds as follows:

1. **Water revenues.** Total operating revenues increased by \$1.8 million largely due to water impact fees that increased by \$1.6 million compared to the prior year as a result of an active development environment. The change in rate methodology and the shift to collecting a larger portion of the cost through the applicable base fee seemed to have stabilized sales revenue that increased by \$460,000.
2. **Sewer revenues.** Total operating revenue increased by \$1.9 million over the prior year with charges from sales and services contributing \$1.4 million. Like in the Water Fund, this is due to the change in rate methodology and a larger portion of the rate being collected through the base fee. Sewer also saw an increase in development related fees during 2018-19, ending the year with almost \$1.6 million in collected fees. based on an increase in rates in FY2018-19.
3. **Parking Fees.** In fiscal year 2018-19 the Parking Fund also saw an increase in revenue though rather modest at \$141,000. The City Council had approved a multi-year rate increase to prepare the fund for the construction of its fourth Parking structure.
4. **Transit Fund.** This fund is heavily supported by Federal and State grants that make up most of the funding for the City's Transit system. However, 20% of the services are funded by rider fares. In 2018-19, the revenue for sales increased by \$86,000, a 13% increase.

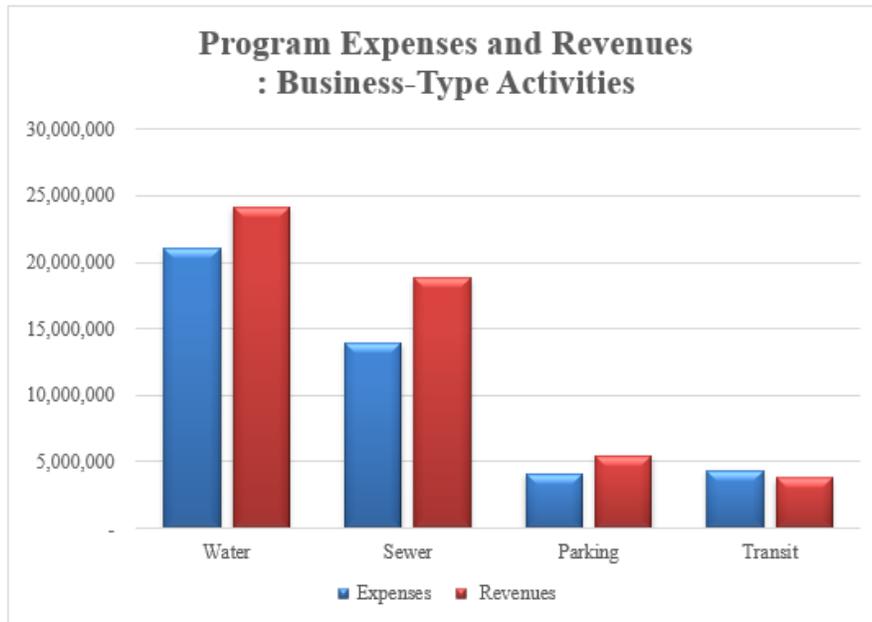
Overall, the change in net position over for the business-type activities amounted to \$8.6 million and all funds also benefited from a strong investment year, yielding net interest allocations.

Program Expenses: Overall, the program expenses for the proprietary funds increased by \$1.2 million with most of the increase attributable to the Water Fund with a \$1.3 million increase offset by a \$380,000 decrease in Sewer, a \$102,000 increase in Parking and a \$34,000 decrease in Transit. All four funds combined ended 2018-19 with an operating income of \$7.2 million.

A significant change can also be seen in the Water Funds pension liability as reported under GASB 68. The financial statements for FY2018-19 include a prior period adjustment related to recognizing the pension and OPEB liabilities connected to the Whale Rock Fund. The key issue in determining whether these items are liabilities of the City or of the Whale Rock Commission centers around the contractual obligations of the Whale Rock Commission partners and the actuarially determined liability. Fundamentally, the Whale Rock reservoir is operated and maintained by employees of the City assigned to this function. These employees participate in the City's CalPERS retirement program and are included in the actuarial valuation of the pension liability for all City employees. The Whale Rock Commission does not have its own contract with CalPERS, nor do the other two partners in the commission, California Polytechnic State University (Cal Poly) and the California Men's Colony, directly pay into the City's plan. As the Whale Rock Commission was formed in 1959 based on agreements between the partners, no other structure such as a JPA was formed that could hire the employees directly and be a contributing CalPERS agency. The City has previously assigned pension costs and share of unfunded liability based on a reasonable allocation methodology; however, this methodology does not meet the requirements under GASB Statement Nos. 68 and 75 for recording these liabilities in the Whale Rock Fund. The financials were therefore

Management's Discussion and Analysis

restated, and the liability is now reflected in the City's Water Fund. Staff intends on addressing this issue with the Commission and amend the agreement to reflect the liability for the two outside member agencies.



Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following funds have been classified as either governmental or proprietary fund types.

Governmental Funds. The focus of the City's governmental funds is on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$56.7 million, or an increase of \$3.2 million compared to the prior fiscal year. The total fund balance of the governmental funds consists of the following:
 - Non-spendable fund balance of \$344,277 represents prepaid items.
 - Restricted fund balance of \$19.4 million, which have reserves for capital outlay, impact fees programs, general government programs, housing and the net balance of the Half Percent Local Sales Tax.
 - Assigned fund balance of \$31.1 million, which includes the amounts to be used for specific purposes of the City but do not meet the criteria to be classified as restricted or committed. Funds in this category included Contingency funds (20% minimum reserve) and funds to be used for Development Services.
 - Unassigned fund balance of \$5.7 million as of June 30, 2019

Management's Discussion and Analysis

Major Governmental Funds. In the fiscal year 2018-19 the City maintained on one major fund: the General Fund. Changes in the General Fund are highlighted in the Financial Highlights section above.

Non-Major Governmental Funds. Non-major funds include 1) the Downtown Business Improvement District Fund, 2) the Transportation Development Act Fund, 3) the Tourism Business Improvement Fund, 4) the Gas Tax Fund, 5) the Community Development Block Grant Fund, 6) the Law Enforcement Grants Fund, 7) the Public Art Contributions Fund, 8) the Insurance Fund, 9) the SB1 Road Repair Fund, 10) the SB1186 CASP Certify Fund, 11) the Capital Outlay Fund, 12) the Parkland Development Fund, 13) the Open Space Protection Fund, 14) the Airport Area Impact Fee Fund, 15) the LOVR Sub-Area Fee Fund, 16) the Waste Water Impact Fee Fund, 17) the Fleet Replacement Fund, 18) the Info Tech Replacement Fund, 19) the Affordable Housing Fund, 20) the Transportation Impact Fee Fund, 21) the Infrastructure Fund, 22) the Public Safety Development Impact Fee Fund, 23) the Debt Service Fund. These funds are presented in the basic financial statements in the aggregate.

A significant number of these funds represent activity for capital projects. At June 30, 2019, these funds had an aggregate fund balance of \$28 million. Of this total, \$19.4 million is restricted for payment of debt service or specific future capital projects and related funding needs.

The remaining balance of \$6 million is assigned for contingency reserves and expenditures in subsequent years. More information about these aggregated non-major funds can be found in the combining and individual fund statements and schedules immediately following the required supplementary information.

Proprietary Funds. The City's four enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Highlights of the annual activity for these funds have already been presented in the discussion of the business-type activities.

General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the year ended June 30, 2019, is presented as required supplementary information following the notes to the financial statements. The final budget amounts include changes that were approved by the City Council through June 30, 2019.

The following summarizes the original budget compared with the adjusted final budget for fiscal year 2018-19. The adjusted final budget includes Council approved adjustments as well as administrative budget adjustments in accordance with the City's adopted fiscal policies and procedures.

Management’s Discussion and Analysis

BUDGETARY HIGHLIGHTS			
General Fund	Original Budget	Final Budget	Positive (Negative) Variance
Revenues	\$ 70,360,277	\$ 71,332,510	\$ 972,233
Expenditures	67,055,126	74,031,470	(6,976,344)
Other sources (uses)	(2,319,511)	(2,319,511)	-
Beginning fund balance	29,576,440	29,576,440	-
Ending fund balance	\$ 30,562,080	\$ 24,557,969	\$ (6,004,111)

As discussed below, differences between the original budget and the final amended budget reflect the following key changes:

Key revenue source estimates including sales tax, property tax, transient occupancy tax (TOT) and subventions and grants were estimated within a five-year fiscal forecast and updated for each fiscal year through the mid-year review.

The following table compares the actual results for revenues, expenditures, and fund balance with the final budget for the General Fund. As the table shows, revenues exceeded the final budget by nearly \$3.0 million, and expenditures ended below the final budget by approximately \$1.6 million. The net amount other sources also ended below the budgeted amount by \$777,000. The net result of these variances resulted in the ending fund balance exceeding the amount anticipated in the budget by \$5.3 million.

BUDGET - ACTUAL COMPARISON			
General Fund	Final Budget	Actual	Positive (Negative) Variance
Revenues	\$ 71,332,510	\$ 74,330,913	\$ 2,998,403
Expenditures	74,031,470	72,462,957	(1,568,513)
Other sources (uses)	(2,319,511)	(1,542,736)	776,775
Beginning fund balance	29,576,440	29,576,440	-
Ending fund balance	\$ 24,557,969	\$ 29,901,660	\$ 5,343,691
Ending fund balance			
Nonspendable		51,636	51,636
Restricted		-	-
Committed		-	-
Assigned		23,858,332	23,858,332
Unassigned		5,991,692	5,991,692
Total ending fund balance	\$ 24,557,969	\$ 29,901,660	\$ 5,343,691

The City’s Local Revenue Measure (half percent sales tax) is a sub-fund of the General Fund. The activities reflected in the Financial Statements of this report are provided for information regarding the use of the measure according to the community’s priorities and the City Council’s advisory body overseeing the allocations. For FY 2018-19, the following revenues and expenditures were recorded:

Management's Discussion and Analysis

2018-19 Local Revenue Measure Budget to Actual				
	Budget	Actual		
Revenue				
Transaction Tax	\$7,373,084	\$8,325,230		
Investment Income		\$102,933		
Total	\$7,373,084	\$8,428,163		
Expenditures	Budget	Actual	Encumbrances	Carryover
Operating Programs	\$2,624,935	\$2,116,796		
Capital Programs				
Open Space Preservation	\$720,507	\$634,918	\$14,781	\$70,808
Bike & Pedestrian Impr.	\$1,326,077	\$468,517	\$43,488	\$814,070
Traffic Congestion Relief	\$325,842	\$65,320	\$3,578	\$256,944
Public Safety	\$1,720,301	\$357,891	\$328,765	\$1,033,643
Neighborhood Street Paving	\$3,973,648	\$3,043,303	\$1,451	\$955,415
Flood Protection	\$682,711	\$597,634	\$3,686	\$81,390
P&R / Senior Programs	\$1,642,977	\$679,604	\$20,692	\$942,683
Other Vital Services	\$430,619	\$201,817	\$12,648	\$216,154
Total Expenditures	\$13,447,617	\$8,165,800	\$429,089	\$4,344,586

Capital Assets and Debt Administration

Capital Assets. Capital assets, including infrastructure, are those assets that are used in the performance of the City's functions. As of June 30, 2019, the City's investment in capital assets for its governmental and business type activities amounts increased to \$377.6 million (net of accumulated depreciation).

The investment in capital assets includes open space, park improvements, buildings and improvements, vehicles and equipment, streets, bikeways, water, wastewater, and storm drain systems.

Capital Assets (Net of Depreciation)	Governmental Activities		Business-Type Activities		Total	
	2019-18	2018-17	2019-18	2018-17	2019-18	2018-17
Nondepreciable capital assets	\$ 40,241,768	\$ 42,787,165	\$ 29,090,402	\$ 27,060,991	\$ 69,332,170	\$ 69,848,156
Depreciable capital assets (net of accumulated depreciation)	157,541,308	153,769,305	150,778,265	153,840,778	308,319,573	307,610,083
Total Capital Assets	\$ 197,783,076	\$ 196,556,470	\$ 179,868,667	\$ 180,901,769	\$ 377,651,743	\$ 377,458,239

Major capital asset² expenditures during the fiscal year included the following:

- \$2.9 million for roadway improvements
- \$185,000 for the preservation of the Octagon barn facility
- \$2.1 million for waterline replacements
- \$630,000 for upgrades to parking structure
- \$146,000 for City/County library improvements

² Additional information on the City's capital assets can be found in Note 4 on page 55 to the basic financial statements.

Management’s Discussion and Analysis

- \$208,00 for initial work on the Orcutt & Tank Roundabout
- \$1.2 million for the Margarita sewer lift station
- \$56,000 for improvements to City Fire stations
- \$673,000 to purchase a fire pumper for Fire Station 3
- \$1.7 million for the acquisition and implementation of the City’s new ERP system

Long-Term Debt. At June 30, 2019, the City’s long-term debt had decreased by \$5.3 million with \$67.7 million still outstanding. Part of the decrease is the refinancing of three lease revenue bonds into a combined 2018 Revenue Refunding Bond that will yield an annual debt payment savings of \$370,00. Additionally, in July 2018, the City refinanced the 2006 Water Revenue Bond, yielding savings for the Water Fund and reducing its long-term debt.

Long- Term Debt	Governmental Activities		Business-Type Activities		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Lease-revenue bonds	\$ 22,171,441	\$ 23,484,450	\$ 19,542,657	\$ 21,815,204	\$ 41,714,098	\$ 45,299,654
Lease-purchase financing	1,413,937	1,599,769			1,413,937	1,599,769
Installment sale agreement			6,181,902	6,783,114	6,181,902	6,783,114
Loans	413,667	503,101	14,750,783	15,743,808	15,164,450	16,246,909
Compensated absences	2,728,422	2,468,124	545,228	637,526	3,273,650	3,105,650
	\$ 26,727,467	\$ 28,055,444	\$ 41,020,570	\$ 44,979,652	\$ 67,748,037	\$ 73,035,096

The California Government Code provides for a limit on debt secured by real property of 3.75% based on market value. The City’s debt management policy, however, sets a lower debt limit of 2% of assessed valuation. As of June 30, 2019, 2% of the assessed valuation was \$181,047,237. At June 30, 2019, the City did not have any general obligation debt subject to the limit. Additional information about the City’s long-term debt can be found in Note 6 to the basic financial statements.

Economic Factors

Overall, the economic outlook for San Luis Obispo continues to be stable for 2020, but staff continues to monitor economic trends closely. Though recessionary trends have somewhat abated, continued influences on the markets and consumer confidence might be early indicators of a further slowing in the economy that could affect the City’s major revenue sources.

Employment: Employment continues to be strong into 2020 with an unemployment rate close to history lows at 2.7%. Continued diversification in the job market with new businesses opening will continuingly offer a strong job market. This is especially true for the two dominating employment sectors of Leisure & Hospitality and Education & Health. With two new hotels in the heart of San Luis Obispo and several hotels in the planning and building phase, this sector will continue to attract job growth. The new French Hospital campus will equally offer opportunity for health-related employment opportunities.

Sales Tax: Sales tax continues at very modest growth but is beginning to see larger discrepancies between the various sales tax elements. With the Wayfair decision, use tax is experiencing growth which in turn increases the City’s County pool allocation. The City’s half-cent measure provides for a strong transaction tax base slightly ahead of the Bradley-Burns sales tax.

Tourism: Tourism and hospitality continue to play a large part of the economy in San Luis Obispo as is seen with the County airport reaching two years of record-breaking passenger levels and new flight being added constantly. Two new luxury hotels provide additional lodging in Downtown, providing a new segment to the City’s lodging industry.

Management's Discussion and Analysis

With low snow levels in the Sierras and worldwide health concerns lingering, this income sector might experience a strong summer and fall season.

Real Estate: The housing market has begun to show signs of slowing throughout California, it has remained strong in San Luis Obispo and inventory remains tight despite historically high construction activity. The upcoming years will show the influence of recent State legislation that make housing construction a major goal of the governor.

Construction Activity: Continuing the trend from 2019, construction activity and with it the City's development related services have reached all-time highs. Two community facility districts will go underway in 2020 and the Orcutt annexation area enters the final build-out phases.

Overall, the economic forecast indicates modest growth relative to the local economy and should be beneficial for the City's tax revenue projections in 2019-20. Continued vigilance is still warranted as uncertainties continue to develop with various influences on the economy, the stock markets, and consumer confidence.

Additionally, along with its regional partners, the City continues to address the closure of the Diablo Canyon Power Plant and prepare for the impacts to the region due to significant loss of jobs and property taxes. This has nurtured stronger regional efforts with continued efforts into the future.

Management’s Discussion and Analysis

Next Year’s Budgets and Rates

On June 2, 2019, the City Council adopted the 2019-21 Financial plan and 2019-20 budget with an appropriation of \$199 million. The appropriated budgets remain high throughout the next financial plan due to the capital investments and related debt issuances for the Water Resource Recovery Facility upgrade and the new Palm-Nipomo parking structure.

Sales Tax. The local half-percent transaction tax was reauthorized by City voters in November 2014 with over 70% of the vote. The local half-percent sales tax measure is projected to generate over \$7.8 Million in 2019-20. With the approval of Measure G and the establishment of the Citizen’s Revenue Enhancement Oversight Commission (REOC), the Council is further supported through the advisory body. The REOC reviews, reports, and makes recommendations directly to the City Council regarding revenues and expenditures of half-percent local sale tax.

With the 2019-21 Financial Plan, the following budget allocations were approved for the nine priority categories:

Local Revenue Measure Categories	2019-20	2020-21	2-Year Total
1. Open Space Preservation	\$ 436,474	\$ 692,922	\$ 1,129,396
2. Bicycles and Pedestrian Improvements	\$ 1,062,475	\$ 813,923	\$ 1,876,398
3. Traffic Congestion Relief (Safety Improvements)	\$ 119,598	\$ 428,237	\$ 547,835
4. Public Safety	\$ 2,036,141	\$ 1,905,440	\$ 3,941,581
5. Neighborhood Street Paving	\$ 2,083,017	\$ 1,614,581	\$ 3,697,598
6. Code Enforcement	\$ 324,863	\$ 302,046	\$ 626,909
7. Flood Protection	\$ 841,534	\$ 847,282	\$ 1,688,816
8. Parks and Recreation/Senior Programs and Facilities	\$ 835,834	\$ 1,105,954	\$ 1,941,788
9. Other Vital Services and Capital Projects	\$ 72,920	\$ 204,943	\$ 277,863
TOTAL	\$ 7,812,856	\$ 7,915,328	\$ 15,728,184

Based upon the recommendation by the REOC, expenditures were budgeted 70% for capital and 30% for operating. The balance of capital and operating costs for the 2019-21 Financial Plan are listed below:

	Capital Expenditure Percentage	Operating Expenditure Percentage
FY 2019-20	71% - \$5,574,867	29% - \$2,237,989
FY 2020-21	70% - \$5,545,397	30% - \$2,369,931

General Fund Revenue. Based on the economic outlook, the City’s General Fund five-year forecast assumes slow, but steady growth in all of the revenue streams as recessionary trends have abated some. In November 2018, the City’s voters approved a Cannabis tax and the City is in the process of establishing businesses related to this revenue source. However, the required due-diligence process delayed the opening of the three retail businesses to mid- to late 2020. Staff will track revenue assumptions closely and has adjusted the 2019-20 budget during its mid-year review before Council on February 17, 2020.

Management’s Discussion and Analysis

Utility Rates. On June 19, 2019, the City Council approved a new rate methodology for both the water and sewer utilities after a multitude of study sessions and public presentations to the City Council. The rate adoption followed all necessary notifications and public hearings as dictated by Proposition 2018.

The following rates and rate components were adopted:

Water Rates for 2019-20

Single Family Residential Rate Description	Cost
Water Base Fee	\$21.74 per month
Water Usage	
Water Usage Tier 1 (1-5 Units)	\$6.22per Unit
Water Usage Tier 2 (6-12 Units)	\$7.25 per Unit
Water Usage Tier 3 (13+ Units)	\$13.28 per Unit
Multi-Family, Non-Residential, Irrigation Water Rate Description	Cost
Base Fee by Water Meter Size	Monthly Base Fee
3/4 inch or less	\$21.74
1-inch meter	\$36.29
1.5-inch meter	\$72.43
2-inch meter	\$115.89
3-inch meter	\$217.44
4-inch meter	\$362.45
6-inch meter	\$724.73
8-inch meter	\$1,159.60
Water Usage	
Water Usage	Per Unit Cost
Multi-Family	\$7.10
Non-Residential	\$8.62
Landscape Irrigation	\$10.57

Management’s Discussion and Analysis

Sewer Rates for 2019-20

Single Family Residential Rate Description	Cost
Sewer Base Fee	\$19.72 per month
All use up to Sewer Cap	\$8.28 per Unit
Multi-Family, Non-Residential, Irrigation Sewer Rate Description	Cost
Base Fee by Water Meter Size	Monthly Base Fee
3/4 inch or less	\$19.72
1-inch meter	\$32.93
1.5-inch meter	\$65.66
2-inch meter	\$105.10
3-inch meter	\$197.18
4-inch meter	\$328.70
6-inch meter	\$657.19
8-inch meter	\$1,051.54
10-inch meter	\$1,511.75
All use up to Sewer Cap	\$8.28 per Unit

Parking Fund. On June 20, 2017, the City Council approved a multi-year plan, through 2020, to modify the rate structures for fines, forfeitures, as well as the parking rates for meters, structures and most permit types. During FY 2018-19, the parking structures were equipped with new pay stations to ultimately implement a 24/7 payment structure. The fund is also preparing for the construction of its fourth structure located on Palm and Nipomo that should begin late 2020 and will be funded through working capital and debt financing.

Requests for Additional Information

This financial report is designed to provide a general overview of the City’s finances for all those interested. The City also prepares a Popular Annual Financial Report that can be found on the City’s website under the Finance Department’s online documents. Questions concerning any of the information provided in this report should be addressed to the Department of Finance, 990 Palm Street, San Luis Obispo, CA 93401.



BASIC FINANCIAL STATEMENTS



City of San Luis Obispo, California
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 56,330,139	\$ 71,894,810	\$ 128,224,949
Taxes receivable	5,764,254	-	5,764,254
Accounts receivable	1,965,606	5,818,295	7,783,901
Accrued interest receivable	235,063	345,463	580,526
Due from other governments	-	1,484,870	1,484,870
Prepaid items and other assets	1,095,340	6,079,845	7,175,185
Noncurrent assets:			
Cash and investments held by fiscal agent	421,666	500,645	922,311
Investment in joint venture	-	1,508,062	1,508,062
Nondepreciable capital assets	40,241,768	29,090,402	69,332,170
Depreciable capital assets (net of accumulated depreciation)	157,541,308	150,778,265	308,319,573
Total assets	<u>263,595,144</u>	<u>267,500,657</u>	<u>531,095,801</u>
Deferred Outflows of Resources			
Other post-employment benefits related	453,667	224,157	677,824
Pension related	29,285,609	4,552,651	33,838,260
Unamortized loss on refunding of debt	233,556	266,219	499,775
Total deferred outflows of resources	<u>29,972,832</u>	<u>5,043,027</u>	<u>35,015,859</u>
Liabilities			
Current liabilities:			
Accounts payable	3,731,603	2,886,797	6,618,400
Accrued salaries	2,507,161	365,691	2,872,852
Unearned revenue	1,853,794	-	1,853,794
Interest payable	92,740	231,407	324,147
Other liabilities	374,988	-	374,988
Compensated absence - due within one year	1,909,895	381,659	2,291,554
Long-term debt - due within one year	1,684,946	2,804,701	4,489,647
Noncurrent liabilities:			
Compensated absence - due in more than one year	818,527	163,569	982,096
Long-term debt - due in more than one year	22,314,099	37,670,641	59,984,740
Net OPEB liability	4,923,155	2,432,523	7,355,678
Net pension liability	126,280,786	27,452,157	153,732,943
Total liabilities	<u>166,491,694</u>	<u>74,389,145</u>	<u>240,880,839</u>
Deferred Inflows of Resources			
Other post-employment benefits related	112,732	55,701	168,433
Pension related	4,236,723	391,271	4,627,994
Total deferred inflows of resources	<u>4,349,455</u>	<u>446,972</u>	<u>4,796,427</u>
Net Position			
Net investment in capital assets	174,431,254	139,659,544	314,090,798
Restricted	20,530,627	2,511,544	23,042,171
Unrestricted	(72,235,054)	55,536,479	(16,698,575)
Total net position	<u>\$ 122,726,827</u>	<u>\$ 197,707,567</u>	<u>\$ 320,434,394</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 34,320,108	\$ 1,633,223	\$ 732,500	\$ -
Transportation	7,546,278	2,399,692	1,731,418	47,234
Culture and recreation	9,469,520	4,078,539	-	-
Community development	12,573,953	9,820,019	467,222	-
General government	22,429,785	1,391,940	59,071	-
Interest on long-term debt	702,885	-	-	-
Total governmental activities	87,042,529	19,323,413	2,990,211	47,234
Business-type activities:				
Water	20,986,430	24,026,385	136,367	-
Sewer	13,967,717	18,674,547	121,189	-
Parking	4,088,681	5,443,038	-	-
Transit	4,320,976	776,808	3,375,477	-
Total business-type activities	43,363,804	48,920,778	3,633,033	-
General revenues and transfers:				
General sales and use taxes				
Half Percent Sales Tax and use tax				
Property taxes				
Transient occupancy tax (TOT)				
Utility users tax				
Property tax-in-lieu of vehicle license fees				
Franchise taxes				
Business tax				
Other taxes				
Total taxes				
Unrestricted investment earnings				
Other revenue				
Income from investment in joint venture				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Prior year restatements				
Net position, beginning of year, as restated				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

**Net Revenues (Expenses) and
Changes in Net Position**

5226780	Business-type Activities	Total
\$ (31,954,385)	\$ -	\$ (31,954,385)
(3,367,934)	-	(3,367,934)
(5,390,981)	-	(5,390,981)
(2,286,712)	-	(2,286,712)
(20,978,774)	-	(20,978,774)
(702,885)	-	(702,885)
<u>(64,681,671)</u>	<u>-</u>	<u>(64,681,671)</u>
-	3,176,322	3,176,322
-	4,828,019	4,828,019
-	1,354,357	1,354,357
-	(168,691)	(168,691)
<u>-</u>	<u>9,190,007</u>	<u>9,190,007</u>
18,119,545	-	18,119,545
8,325,230	-	8,325,230
12,238,357	-	12,238,357
8,061,087	-	8,061,087
4,919,892	-	4,919,892
4,961,080	-	4,961,080
1,428,296	-	1,428,296
2,630,499	-	2,630,499
273,762	-	273,762
<u>60,957,748</u>	<u>-</u>	<u>60,957,748</u>
1,618,354	2,516,216	4,134,570
146,579	-	146,579
-	(230,838)	(230,838)
2,456,035	(2,456,035)	-
<u>65,178,716</u>	<u>(170,657)</u>	<u>65,008,059</u>
<u>497,045</u>	<u>9,019,350</u>	<u>9,516,395</u>
<u>121,984,548</u>	<u>189,119,344</u>	<u>311,103,892</u>
<u>245,234</u>	<u>(431,127)</u>	<u>(185,893)</u>
<u>122,229,782</u>	<u>188,688,217</u>	<u>310,917,999</u>
<u>\$ 122,726,827</u>	<u>\$ 197,707,567</u>	<u>\$ 320,434,394</u>

City of San Luis Obispo, California
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investment	\$ 29,001,273	\$ 27,328,866	\$ 56,330,139
Taxes receivable	5,764,254	-	5,764,254
Accounts receivable	774,200	550,641	1,324,841
Other receivables	640,766	-	640,766
Due from other funds	311,583	-	311,583
Accrued interest receivable	116,581	118,482	235,063
Prepaid items	51,636	292,641	344,277
Cash and investments held by fiscal agent	-	421,666	421,666
Total assets	<u>\$ 36,660,293</u>	<u>\$ 28,712,296</u>	<u>\$ 65,372,589</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 2,327,573	\$ 1,404,030	\$ 3,731,603
Accrued liabilities	2,497,151	10,010	2,507,161
Due to other funds	-	311,583	311,583
Unearned revenue	1,738,827	114,967	1,853,794
Other liabilities	195,082	179,906	374,988
Total liabilities	<u>6,758,633</u>	<u>2,020,496</u>	<u>8,779,129</u>
Fund balance:			
Nonspendable	51,636	292,641	344,277
Restricted for:			
Debt service	-	1,791,026	1,791,026
Transportation projects	-	8,223,437	8,223,437
Affordable housing programs	-	2,944,549	2,944,549
Impact fee programs	-	1,870,656	1,870,656
Parkland development programs	-	3,528,662	3,528,662
Public art programs	-	620,934	620,934
Tourism programs	-	456,023	456,023
Assigned to:			
Contingency fund	13,418,400	900,000	14,318,400
Development services	531,000	6,382,294	6,913,294
General government programs	9,908,932	-	9,908,932
Unassigned	5,991,692	(318,422)	5,673,270
Total fund balance	<u>29,901,660</u>	<u>26,691,800</u>	<u>56,593,460</u>
Total liabilities and fund balance	<u>\$ 36,660,293</u>	<u>\$ 28,712,296</u>	<u>\$ 65,372,589</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2019

Total fund balance - governmental funds		\$ 56,593,460
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets at estimated historical cost	\$ 300,461,645	
Accumulated depreciation	<u>(102,678,569)</u>	197,783,076
Deferred outflows of resources, OPEB related, are not current asset or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		453,667
Deferred outflows of resources, pension related, are not current asset or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		29,285,609
Deferred amounts related to the refunding of long-term debt were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.		
		233,556
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the governmental funds.		
		751,064
Long-term liabilities, including related interest payable, are not due and payable in the current period and therefore are not reported in the funds.		
Lease revenue bonds	\$ 20,704,025	
Lease purchase financing	1,413,939	
Compensated absences	2,728,422	
Conservation loan	413,667	
Bond premium	1,467,414	
Accrued interest payable	<u>92,740</u>	(26,820,207)
Net pension liability is not a current financial obligation and, therefore, is not reported in the governmental funds.		
		(126,280,786)
Net OPEB liability is not a current financial obligation and, therefore, is not reported in the governmental funds.		
		(4,923,155)
Deferred inflow of resources, OPEB related, are not current assets or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		(112,732)
Deferred inflow of resources, pension related, are not current assets or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		<u>(4,236,723)</u>
Total net position - governmental activities		<u><u>\$ 122,726,827</u></u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Sales and use tax - general	\$ 18,119,545	\$ -	\$ 18,119,545
Sales and use tax - Half Percent Sales Tax	8,325,230	-	8,325,230
Property tax	12,238,357	-	12,238,357
Transient occupancy tax	8,061,087	-	8,061,087
Utility users tax	4,919,892	-	4,919,892
Property tax in lieu of VLF	4,961,080	-	4,961,080
Franchise taxes	1,428,296	-	1,428,296
Business tax	2,630,499	-	2,630,499
Real property transfer tax	273,762	-	273,762
Use of money and property	1,186,670	809,712	1,996,382
Subventions and grants	918,662	2,192,027	3,110,689
Charges for services	10,836,117	7,591,808	18,427,925
Miscellaneous	431,716	159,078	590,794
Total revenues	<u>74,330,913</u>	<u>10,752,625</u>	<u>85,083,538</u>
Expenditures:			
Current:			
General government	13,766,803	2,975	13,769,778
Public safety	31,634,183	80,037	31,714,220
Transportation	3,495,909	-	3,495,909
Leisure, cultural and social services	8,636,582	-	8,636,582
Community development	8,880,475	1,796,859	10,677,334
Debt service:			
Principal	-	1,974,050	1,974,050
Interest and fiscal charges	-	809,977	809,977
Capital outlay:			
Public safety	25,901	681,017	706,918
Transportation	3,368,647	3,072,582	6,441,229
Leisure, cultural and social services	490,298	106,889	597,187
Community development	795,165	772,982	1,568,147
General government	1,368,994	3,326,984	4,695,978
Total expenditures	<u>72,462,957</u>	<u>12,624,352</u>	<u>85,087,309</u>
Revenues over (under) expenditures	<u>1,867,956</u>	<u>(1,871,727)</u>	<u>(3,771)</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019
Page 2

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):			
Transfers in	\$ 3,639,483	\$ 5,424,773	\$ 9,064,256
Transfers out	(5,182,219)	(1,426,002)	(6,608,221)
Capital lease financing		673,095	673,095
Total other financing sources (uses)	<u>(1,542,736)</u>	<u>4,671,866</u>	<u>3,129,130</u>
Net change in fund balance	325,220	2,800,139	3,125,359
Fund balance, beginning of year	<u>29,576,440</u>	<u>23,891,661</u>	<u>53,468,101</u>
Fund balance, end of year	<u>\$ 29,901,660</u>	<u>\$ 26,691,800</u>	<u>\$ 56,593,460</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Total net change in fund balance - governmental funds		\$ 3,125,359
Capital outlay net of depreciation expense and disposal.		
Expenditures for capital outlay - governmental funds	\$ 8,438,894	
Deletion of construction in progress	(598,624)	
Depreciation expense	<u>(6,613,666)</u>	
		1,226,604
Repayments of long-term debt are recognized as expenditures in the governmental funds. In the government-wide statements, repayments of long-term liabilities are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		2,172,109
The issuance of long-term debt provides current financial resources to governmental funds. This transaction, however, has no effect on net position. Proceeds from the issuance of lease-purchase financing was:		(673,095)
Deferred amounts related to the refunding of long-term debt were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. This amount is to be amortized over the life of the long-term debt. This amount is the current year net amortization expense.		(11,678)
Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between interest expense paid and interest accrued was:		29,509
Change in unamortized discount/premium (netted with debt)		89,261
Changes in actuarially determined claim liabilities for uninsured claims do not provide current financial resources and are not reported in the governmental funds.		50,005
Compensated absences are measured by the amounts paid during the period in the governmental funds. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(260,298)
Current year employer pension contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position		11,729,180
Current year employer OPEB contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position		453,668
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(16,624,194)
OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		<u>(809,385)</u>
Total change in net position - governmental activities		<u>\$ 497,045</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo
Statement of Net Position
Business-Type Activities - Enterprise Funds
June 30, 2019

	Enterprise Funds				Totals
	Water	Sewer	Parking	Transit	
Assets					
Current assets:					
Cash and investment	\$ 21,951,952	\$ 32,182,774	\$ 16,509,609	\$ 1,250,475	\$ 71,894,810
Accounts receivable	2,754,861	2,796,999	100,335	166,100	5,818,295
Accrued interest receivable	122,080	141,313	75,679	6,391	345,463
Prepayments	6,079,845	-	-	-	6,079,845
Due from other governments	-	-	-	1,484,870	1,484,870
Total current assets	<u>30,908,738</u>	<u>35,121,086</u>	<u>16,685,623</u>	<u>2,907,836</u>	<u>85,623,283</u>
Noncurrent assets:					
Cash and investments held by fiscal agent	496,326	278	4,041	-	500,645
Investment in joint venture	1,508,062	-	-	-	1,508,062
Capital assets:					
Land	945,926	2,176,114	5,947,455	-	9,069,495
Public art	-	-	74,100	-	74,100
Infrastructure	101,245,431	89,183,094	29,149,949	221,744	219,800,218
Buildings and improvements	19,134,912	5,024,388	888,420	5,101,506	30,149,226
Equipment	4,781,006	6,143,153	397,551	9,688,534	21,010,244
Construction in progress	2,152,704	16,286,925	1,479,578	27,600	19,946,807
Total capital assets	<u>128,259,979</u>	<u>118,813,674</u>	<u>37,937,053</u>	<u>15,039,384</u>	<u>300,050,090</u>
Less accumulated depreciation	<u>(56,001,745)</u>	<u>(41,985,835)</u>	<u>(13,563,805)</u>	<u>(8,630,038)</u>	<u>(120,181,423)</u>
Capital assets, net of accumulated depreciation	<u>72,258,234</u>	<u>76,827,839</u>	<u>24,373,248</u>	<u>6,409,346</u>	<u>179,868,667</u>
Total noncurrent assets	<u>74,262,622</u>	<u>76,828,117</u>	<u>24,377,289</u>	<u>6,409,346</u>	<u>181,877,374</u>
Total assets	<u>105,171,360</u>	<u>111,949,203</u>	<u>41,062,912</u>	<u>9,317,182</u>	<u>267,500,657</u>
Deferred Outflows of Resources					
Pension related	2,089,805	1,880,830	453,973	128,043	4,552,651
Other post-employment benefits related	99,030	95,031	24,334	5,762	224,157
Unamortized loss on refunding of debt	149,976	7,488	108,755	-	266,219
Total deferred outflow of resources	<u>2,338,811</u>	<u>1,983,349</u>	<u>587,062</u>	<u>133,805</u>	<u>5,043,027</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo
Statement of Net Position
Business-Type Activities - Enterprise Funds
June 30, 2019
Page 2

	Enterprise Funds				Totals
	Water	Sewer	Parking	Transit	
Liabilities					
Current liabilities:					
Accounts payable	\$ 1,377,482	\$ 943,086	\$ 330,189	\$ 236,040	\$ 2,886,797
Accrued liabilities	156,068	148,471	47,534	13,618	365,691
Compensated absences	177,597	168,922	21,402	13,738	381,659
Interest payable	107,321	41,162	82,924	-	231,407
Current portion of long-term debt	1,367,920	928,672	508,109	-	2,804,701
Total current liabilities	3,186,388	2,230,313	990,158	263,396	6,670,255
Noncurrent liabilities:					
Compensated absences	76,114	72,395	9,172	5,888	163,569
Lease revenue bonds	13,014,416	345,045	5,014,096	-	18,373,557
Installment sale agreement	-	5,562,432	-	-	5,562,432
State loan/note payable	2,441,183	7,240,918	4,052,551	-	13,734,652
Net pension liability	12,139,000	11,609,332	3,013,875	689,950	27,452,157
Net other post-employment benefits liability	1,074,665	1,031,266	264,069	62,523	2,432,523
Total noncurrent liabilities	28,745,378	25,861,388	12,353,763	758,361	67,718,890
Total liabilities	31,931,766	28,091,701	13,343,921	1,021,757	74,389,145
Deferred Inflows of Resources					
Pension related	227,258	124,564	31,896	7,553	391,271
Other post-employment benefits related	24,608	23,614	6,047	1,432	55,701
Total deferred inflow of resources	251,866	148,178	37,943	8,985	446,972
Net Position					
Net investment in capital assets	55,584,691	62,758,260	14,907,247	6,409,346	139,659,544
Restricted:					
Debt service	496,326	278	4,041	-	500,645
Transportation projects	-	-	-	2,010,899	2,010,899
Unrestricted	19,245,522	22,934,135	13,356,822	-	55,536,479
Total net position	\$ 75,326,539	\$ 85,692,673	\$ 28,268,110	\$ 8,420,245	\$ 197,707,567

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Business-Type Activities - Enterprise Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds				Total
	Water	Sewer	Parking	Transit	
Operating revenues:					
Charges for sales and service	\$ 20,247,092	\$ 16,969,246	\$ 4,634,209	\$ 759,450	\$ 42,609,997
Impact fees	3,745,666	1,589,771	-	-	5,335,437
Fines and forfeitures	-	-	783,116	-	783,116
Other revenues	33,627	115,530	25,713	17,358	192,228
Total operating revenues	<u>24,026,385</u>	<u>18,674,547</u>	<u>5,443,038</u>	<u>776,808</u>	<u>48,920,778</u>
Operating expenses:					
Salaries and benefits	4,260,738	4,322,289	1,328,661	358,188	10,269,876
Supplies and maintenance	10,120,072	2,422,702	459,312	3,001,375	16,003,461
Contract services	1,509,174	245,300	648,048	-	2,402,522
General government	1,455,958	1,768,405	664,092	391,958	4,280,413
Depreciation	2,810,842	4,725,546	650,244	569,455	8,756,087
Total operating expenses	<u>20,156,784</u>	<u>13,484,242</u>	<u>3,750,357</u>	<u>4,320,976</u>	<u>41,712,359</u>
Operating income (loss)	<u>3,869,601</u>	<u>5,190,305</u>	<u>1,692,681</u>	<u>(3,544,168)</u>	<u>7,208,419</u>
Nonoperating revenues (expenses)					
Interest on investments, net	914,697	1,023,930	533,289	44,300	2,516,216
Grants	136,367	121,189	-	3,375,477	3,633,033
Interest expense and fiscal charges	(829,646)	(483,475)	(338,324)	-	(1,651,445)
Income(loss) from investment in joint venture	(230,838)	-	-	-	(230,838)
Total nonoperating revenues (expenses)	<u>(9,420)</u>	<u>661,644</u>	<u>194,965</u>	<u>3,419,777</u>	<u>4,266,966</u>
Income (loss) before transfers and capital contributions	<u>3,860,181</u>	<u>5,851,949</u>	<u>1,887,646</u>	<u>(124,391)</u>	<u>11,475,385</u>
Transfers out	(1,114,703)	(993,756)	(211,905)	(135,671)	(2,456,035)
Total transfers	<u>(1,114,703)</u>	<u>(993,756)</u>	<u>(211,905)</u>	<u>(135,671)</u>	<u>(2,456,035)</u>
Change in net position	2,745,478	4,858,193	1,675,741	(260,062)	9,019,350
Net position, beginning of year	<u>73,134,243</u>	<u>80,826,618</u>	<u>26,478,176</u>	<u>8,680,307</u>	<u>189,119,344</u>
Prior year restatements	<u>(553,182)</u>	<u>7,862</u>	<u>114,193</u>	<u>-</u>	<u>(431,127)</u>
Net position, beginning of year, as restated	<u>72,581,061</u>	<u>80,834,480</u>	<u>26,592,369</u>	<u>8,680,307</u>	<u>188,688,217</u>
Net position, end of year	<u>\$ 75,326,539</u>	<u>\$ 85,692,673</u>	<u>\$ 28,268,110</u>	<u>\$ 8,420,245</u>	<u>\$ 197,707,567</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Cash Flows
Business-Type Activities - Enterprise Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds				
	Water	Sewer	Parking	Transit	Total
Cash flows from operating activities:					
Cash received from customers	\$ 23,983,975	\$ 18,398,038	\$ 5,433,218	\$ 686,866	\$ 48,502,097
Cash payments to suppliers for goods and services	(11,053,663)	(4,030,095)	(852,657)	(3,035,960)	(18,972,375)
Cash payments to General Fund for interfund services	(1,455,958)	(1,768,405)	(664,092)	(391,958)	(4,280,413)
Cash payments to employees for services	(3,804,616)	(3,932,475)	(1,220,723)	(321,546)	(9,279,360)
Net cash provided by (used in) operating activities	<u>7,669,738</u>	<u>8,667,063</u>	<u>2,695,746</u>	<u>(3,062,598)</u>	<u>15,969,949</u>
Cash flows from noncapital financing activities:					
Operating grants received	136,367	121,189	-	3,332,227	3,589,783
Transfers to other funds	(1,114,703)	(993,756)	(211,905)	(135,671)	(2,456,035)
Net cash provided by (used in) noncapital financing activities	<u>(978,336)</u>	<u>(872,567)</u>	<u>(211,905)</u>	<u>3,196,556</u>	<u>1,133,748</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,655,136)	(3,781,933)	(912,858)	(373,058)	(7,722,985)
Principal paid on debt financing	(14,091,254)	(912,698)	(672,346)	-	(15,676,298)
Interest paid on debt financing	(858,471)	(486,562)	(353,790)	-	(1,698,823)
Proceeds from issuance of debt	11,809,515	-	-	-	11,809,515
Net cash used in capital and related financing activities	<u>(5,795,346)</u>	<u>(5,181,193)</u>	<u>(1,938,994)</u>	<u>(373,058)</u>	<u>(13,288,591)</u>
Cash flows from investing activities:					
Interest on investments, net	884,964	1,000,648	517,199	44,476	2,447,287
Net cash provided by investing activities	<u>884,964</u>	<u>1,000,648</u>	<u>517,199</u>	<u>44,476</u>	<u>2,447,287</u>
Net change in cash and cash equivalents	1,781,020	3,613,951	1,062,046	(194,624)	6,262,393
Cash and cash equivalents, beginning of year	<u>20,667,258</u>	<u>28,569,101</u>	<u>15,451,604</u>	<u>1,445,099</u>	<u>66,133,062</u>
Cash and cash equivalents, end of year	<u><u>\$ 22,448,278</u></u>	<u><u>\$ 32,183,052</u></u>	<u><u>\$ 16,513,650</u></u>	<u><u>\$ 1,250,475</u></u>	<u><u>\$ 72,395,455</u></u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Cash Flows
Business-Type Activities - Enterprise Funds
For the Fiscal Year Ended June 30, 2019
Page 2

	Enterprise Funds				Total
	Water	Sewer	Parking	Transit	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 3,869,601	\$ 5,190,305	\$ 1,692,681	\$ (3,544,168)	\$ 7,208,419
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,810,842	4,725,546	650,244	569,455	8,756,087
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Accounts receivable	(36,170)	(276,509)	(9,820)	(89,942)	(412,441)
Prepaid expense	(285,714)	7,200	-	-	(278,514)
Accounts payable	861,297	(1,369,293)	254,703	(34,585)	(287,878)
Deposits payable	(6,240)	-	-	-	(6,240)
Accrued salaries and compensated absences	104,136	57,844	27,029	14,806	203,815
Deferred pensions and net pension liability	386,996	371,368	95,094	22,516	875,974
Deferred OPEB and net OPEB liability	(35,010)	(39,398)	(14,185)	(680)	(89,273)
Net cash provided by (used in) operating activities	<u>\$ 7,669,738</u>	<u>\$ 8,667,063</u>	<u>\$ 2,695,746</u>	<u>\$ (3,062,598)</u>	<u>\$ 15,969,949</u>
Reconciliation of cash and investments to the balance sheet:					
Cash and cash equivalents	\$ 21,951,952	\$ 32,182,774	\$ 16,509,609	\$ 1,250,475	\$ 71,894,810
Cash and investments held by fiscal agent	496,326	278	4,041	-	500,645
Total cash and investments	<u>\$ 22,448,278</u>	<u>\$ 32,183,052</u>	<u>\$ 16,513,650</u>	<u>\$ 1,250,475</u>	<u>\$ 72,395,455</u>

Noncash investing, capital, and financing activities:

None

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Net Position
Fiduciary Funds - Agency Funds
June 30, 2019

Assets

Current assets:

Cash and investment	\$ 4,339,927
Cash and investment held by fiscal agent	30,864
Accounts receivable	45,237
Accrued interest receivable	13,898
Capital assets, net of accumulated depreciation	<u>1,221,044</u>

Total assets	<u><u>\$ 5,650,970</u></u>
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Liabilities

Current liabilities:

Accounts payable	\$ 173,078
Accrued liabilities	21,577
Other liabilities	2,573,557
Due to agency participants	<u>2,882,758</u>

Total liabilities	<u><u>\$ 5,650,970</u></u>
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The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2019

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City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of San Luis Obispo (City) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP), as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

Description of the Reporting Entity

The City is a California charter city. It was incorporated on February 19, 1856 and chartered on May 1, 1876. It is organized in accordance with the Council-Mayor-City Manager form of government. With a population of approximately 46,802, the City provides a broad range of municipal services, including police and fire protection, parks and recreation, water and sewer utilities, street maintenance, public transportation, parking, planning, and building and safety.

As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations which creates the need to include their financial information with that of the primary government. The City has no component units that require discrete presentation in accordance with GASB standards.

Blended Component Unit. The City has identified The San Luis Obispo Capital Improvement Board (the Board) as a blended component unit in accordance with GASB standards. The Board provides financing for the construction and acquisition of City facilities. The Board consists of members of the City Council. Activities of the Board are accounted for in the applicable City governmental fund and consist of the issuance of debt secured by the lease of property. Separate financial statements are not prepared for the San Luis Obispo Capital Improvement Board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. The indirect expense allocation transfers general support services to operating programs based on the most current Cost Allocation Plan. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this timeframe is made to allow for the recognition of the final property tax distributions received from the County, if necessary, as well as for sales tax revenues received in September. This later provision is made in order for the City's revenue stream to match that recognized by the State of California. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Major Funds and Other Funds. GASB Standards define major funds and require that the City's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and at least five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental funds:

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

The only proprietary funds the City reports are the Enterprise Funds, all of which are major funds. Proprietary funds are accounted for on the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following major enterprise funds:

Water Fund. This fund accounts for the provision of water services to the residents of the City as well as some customers in the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital improvements and debt service.

Note 1: Summary of Significant Accounting Policies (Continued)

Sewer Fund. This accounts for the provision of wastewater collection and treatment services to the residents of the City as well as some customers in the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital improvements and debt service.

Parking Fund. This fund accounts for activities related to the implementation of the Access and Parking Management Plan, including the operation of municipal parking lots, parking structures, parking meters and residential parking districts. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital improvements and debt service.

Transit Fund. This fund accounts for the operation and maintenance of the City's transit system. Although user fees are not the primary funding source for the operation of the system, the State of California and the Federal government, which provide the major funding sources for the system, require that local transit systems be accounted for on an enterprise fund basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has established nine Agency Funds, which are used to account for funds held by the City as an agent for private individuals, organizations or other governmental agencies. Agency funds are accounted for using the accrual basis of accounting. See page 137 for a complete list of Agency Funds.

Assets, Liabilities, and Net Position or Fund Balance

Cash, Cash Equivalents and Investments. The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and investments held by fiscal agents are treated as cash equivalents for purposes of the statement of cash flows.

Money markets and non-negotiable certificates of deposit are reported at amortized cost. All other investments are stated at fair value.

Receivables and Payables. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All receivables are shown net of any allowance for uncollectible accounts if material. Charges for utility services rendered but unbilled as of June 30 are accrued and are recognized as revenues.

Prepays and Inventories. The City has no significant inventories. The cost of any inventoriable item has been recorded as an expenditure or expense at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments in the governmental funds are accounted for using the consumption method.

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Assets. Certain proceeds of debt financings, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate trust bank accounts and their use is limited by applicable debt covenants. Notes 2 and 5 have additional information on funds held by fiscal agents.

Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (such as streets, sidewalks and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary funds statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement would be reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business- type activities is included as part of the capitalized value of the assets constructed. Detailed information on the City's capital assets can be found in Note 4.

Property, plant and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-100
Buildings and structures	20-50
Improvements other than buildings	10-100
Equipment	3-21

Deferred Outflows and Inflows of Resources. The City recognizes deferred outflows and inflows of resources in the Statement of Net Position. A deferred outflow of resources is defined as a consumption of net position by the City that is applicable to a future reporting period. The City has deferred outflows of resources related to pensions, other post- employment benefits (OPEB), and unamortized loss on refundings of debt. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has deferred inflows of resources related to pensions and OPEB.

Compensated Absences. City employees are granted vacation and sick leave in varying amounts. In the event of termination, employees are reimbursed for the total value of their accumulated vacation days. Employees are reimbursed for 10% to 30% of the accumulated sick leave only upon retirement and only after at least 10 years of service. In selected cases, similar accumulated sick leave reimbursements may be available after 20 years of continuous employment. An employee's estate is reimbursed for 30% of the employee's accumulated sick leave in the event of death while in the City's employ. A liability for compensated absences is accrued in the government-wide and proprietary funds financial statements.

Long-Term Obligations. In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts and deferred amounts on refunding are deferred and amortized over the life of the bonds. Deferred amounts on refunding are reported separately from assets and liabilities in the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Net Pension Liability. The City recognizes a net pension liability, which represents the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by the California Public Employees' Retirement System (CalPERS) plans (Plans). The net pension liability is measured as of the City's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in the net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's CalPERS Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense.

Other Post-Employment Benefits (OPEB) Liability. For purposes of measuring net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), and additions to or deductions from the OPEB Plan's fiduciary net position, have been determined on the same basis as they are reported by the California Employer's Retiree Benefit Trust Program (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported OPEB results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Fund Equity. In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components in accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* – nonspendable, restricted, committed, assigned and unassigned. The City Council may take action via minute order to add, delete or amend a fund balance commitment that is not required as a condition of a bond covenant or other external, legal requirement.

Nonspendable. This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes legally enforceable requirements (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Note 1: Summary of Significant Accounting Policies (Continued)

Committed. This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by minute order authorized by the City Council. Those committed amounts established by minute order cannot be used for any other purpose unless the City Council adopts a new minute order so directing. With respect to encumbered amounts, the City may take steps to cancel the order for goods or services and thereby terminate the obligation.

Assigned. This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager or Director of Finance are authorized by City Council, via formal action at regular public meetings, to assign amounts to a specific purpose. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions.

Unassigned. This component is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds may report negative unassigned fund balance, which occurs when a fund has a residual deficit after allocation of fund balance to the nonspendable, restricted, or committed categories.

Fund Balance Spending Practice. The City follows a practice in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for a specific purpose. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Reconciliation of Government-wide and Fund Financial Statements

A reconciliation between total fund balance of the governmental funds and total net position of the governmental activities as reported in the government-wide statement of net position is presented in the basic financial statements.

A reconciliation between total net change in fund balance of the governmental funds and total change in net position of governmental activities as reported in the government-wide statement of activities is presented in the basic financial statements.

There are no differences between total net position of the proprietary funds and total net position of the business-type activities as reported in the government-wide statement of net position.

Budgets and Budgetary Accounting

Overview. The City has received national recognition for its use of a two-year Financial Plan and budgetary process that emphasizes long-range planning and effective program management. Significant features of the City's two-year Financial Plan include the integration of Council goal-setting into the budgetary process and the extensive use of formal policies and measurable objectives. The Financial Plan includes operating budgets for two years and a capital improvement plan (CIP) covering five years.

Under this multi-year approach, appropriations continue to be made annually; however, the Financial Plan is the foundation for preparing the budget for the second year. Additionally, unexpended operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the City Manager.

Note 1: Summary of Significant Accounting Policies (Continued)

Management Policies. The overall goal of the City's Financial Plan is to link what the City wants to accomplish over the next two years with the resources required to do so. Formal statements of budgetary policies and major objectives provide the foundation for achieving this goal. Key budget principles include: maintaining fund balances at levels which will protect the City from future uncertainties; estimating revenues at realistic levels; making current expenditures with current revenues; maintaining the City's traditional commitment to a strong General Fund; and complying with provisions of the State constitution, City charter, municipal code, and sound fiscal policy. Key revenue policies include: maintaining a diversified and stable revenue base; setting enterprise fund rates at levels that fully recover the total cost of providing services in the Water, Sewer and Parking Funds; and at policy levels for cost recovery in the Transit Fund; charging fees for General Fund programs in accordance with adopted user fee cost recovery goals; and ensuring that new development pays its fair share of the cost of constructing necessary community facilities.

- **Budget Process.** The City Manager is responsible for preparing the budget and submitting it to the Council for approval. Although specific steps will vary from year to year, the following is an overview of the general approach used under the City's two-year budgetary process:
 - **First Year.** The Financial Plan process begins with City Council goal-setting to determine major objectives to be accomplished over the next two years. As part of this process, community groups, interested individuals, and Council advisory bodies present their recommendations to the Council. Goals approved by the City Council are incorporated into the budget instructions issued to the operating departments, who are responsible for submitting initial budget proposals. After these proposals are comprehensively reviewed and a detailed financial forecast is prepared, the City Manager issues the Preliminary Financial Plan for public comment. A series of study sessions and public hearings are then held leading to Council adoption of the Financial Plan and Budget prior to the start of the fiscal year.
 - **Second Year.** Before the beginning of the second year of the two-year cycle, the Council reviews the progress during the first year, makes adjustments as necessary and approves appropriations for the second fiscal year. Unspent operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the City Manager. Unspent and unencumbered operating appropriations lapse at the end of the second year. The fiscal year which ended June 30, 2019 was the second year of the 2017-19 two-year cycle.
 - **Mid-Year Reviews.** The Council formally reviews the City's financial condition and amends appropriations, if necessary, each February.
 - **Status Reports.** Financial reports are prepared monthly to monitor the City's fiscal condition; more formal reports are posted to the City's website on a quarterly basis. Additionally, more focused reports are issued on key revenues, such as sales tax, transient occupancy tax and quarterly reports on investments. The status of major goals and program objectives, including Construction in Progress (CIP) projects, are also formally reported to the Council on an ongoing basis.

Accounting and Budget Administration. Budgets are prepared for each fund in accordance with its respective basis of accounting consistent with U.S. Generally Accepted Accounting Principles (GAAP). All governmental funds have legally adopted budgets annually. While budgets are prepared for the City's capital projects funds, the capital projects generally span more than one year and are effectively controlled at the project level; accordingly, budgetary comparisons are not presented for capital projects funds in the accompanying other supplementary information following the basic financial statements.

As provided under the City Charter, the Council may amend or supplement the budget at any time after its adoption by majority vote of the Council members. The legal level of budgetary control – the level at which expenditures are not to exceed appropriations – is the fund level.

Note 1: Summary of Significant Accounting Policies (Continued)

For management control purposes, the City Manager has the authority to make or approve administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. Department heads have the authority to transfer line-item budgets within the department within a fund. During fiscal year 2019 several supplemental budget appropriations were made to reflect the inclusion of costs related to prior year encumbered amounts as well as the rollover of unspent capital appropriations. Additional appropriations were added to fund a prepayment made to the retirement system as well as to provide additional resources for the Community Development Department to ensure that it maintained a development review process that complied with State law in light of the increased demand for services. These adjustments were material when compared to the original appropriations. Both the original and final amended budgets of the general fund are presented as required supplementary information following the notes to the financial statements. Budget information for non-major governmental funds with annual budgets is presented in other supplementary information following the notes to the financial statements.

Encumbrances. The City uses an encumbrance system as an extension of normal budgetary accounting for the other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed, or assigned fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

Indirect Cost Reimbursement. All of the City's general government and engineering programs are accounted and budgeted for in the General Fund. However, some of these support service programs also benefit the City's enterprise and agency fund operations, and accordingly, payments are made from these funds to reimburse the General Fund for these services. The payments are based on a Central Service Cost Allocation Plan prepared for this purpose, which distributes these shared costs in a uniform, consistent manner in accordance with GAAP.

Fair Value Measurements

As defined in GASB Statements, fair value is 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 uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statements establish a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;
- Level 3 — Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2019, the application of valuation techniques applied to the City's financial statements has been consistent.

Note 2: Cash and Investments

The City follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of bond indentures are maintained separately.

Interest earned on pooled cash and investments is allocated quarterly to the various funds based on the respective fund's average quarterly cash balance. Interest earned from cash and investments with fiscal agents is credited directly to such funds.

Note 2: Cash and Investments (Continued)

Funds with Fiscal Agent

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, or indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized which are not permitted by the City's investment policy.

Investments

The City is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Treasury bills and notes
- Government Sponsored Enterprises
- Commercial paper
- Repurchase agreements
- Bankers' acceptances
- Corporate medium-term notes
- Negotiable certificates of deposit
- Collateralized bank deposits
- Money market mutual funds
- State Local Agency Investment Fund (LAIF)

Investments are stated at fair value, based on quoted market prices, in accordance with GASB standards. Investment income has been adjusted to reflect any unrealized gains and losses resulting from the fair value adjustment annually. While U.S. generally accepted accounting principles require recording any increases or decreases in the market value of the City's investments, it is the City's policy to make all investment decisions based on holding them through maturity, and therefore the City may not realize the gains or losses resulting from the fair value adjustment. As such, changes in market value generally do not affect the long-term results of the portfolio, but they can result in significant fluctuations from year-to-year.

The fair value of the City's position in the State LAIF pool is the same as the value of the pool shares. The State LAIF pool credit quality is unrated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually.

Note 2: Cash and Investments (Continued)

At June 30, 2019, cash and investments consisted of the following:

	Fair Value	Percent of Portfolio
Cash and cash equivalents	\$ 27,901,572	20.90%
Investments:		
State Local Agency Investment Fund	23,339,125	17.48%
U.S. Treasury Bond / Note	33,762,592	25.29%
Federal Agency Bond / Note	19,339,493	14.48%
Corporate Note	14,829,220	11.11%
Commercial Paper	1,483,937	1.11%
Asset-Backed Securities	2,537,880	1.90%
Negotiable Certificates of Deposit	7,863,350	5.89%
Non-Negotiable Certificates of Deposit	1,000,000	0.75%
Money Market Funds	1,460,882	1.09%
Total investments	105,616,479	79.10%
Total cash and investments	\$ 133,518,051	100.00%

At June 30, 2019, cash and investments are reflected in the financial statements as following:

	Government-Wide Statement of Net Position			
	Governmental Funds	Business-Type Funds	Fiduciary Funds	Total
	Cash and investments	\$ 56,330,139	\$ 71,894,810	\$ 4,339,927
Cash and investments held by fiscal agent	421,666	500,645	30,864	953,175
Total cash and investments	\$ 56,751,805	\$ 72,395,455	\$ 4,370,791	\$ 133,518,051

Investment Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investment securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investment securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing or market corroborated pricing. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 2: Cash and Investments (Continued)

The following is a summary of the fair value measurements as of June 30, 2019:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value hierarchy				
U.S. Treasury Bond / Note	\$ 33,762,592	\$ 33,762,592	\$	\$
Federal Agency Bond / Note	19,339,493		19,339,493	
Corporate Note	14,829,220		14,829,220	
Commercial Paper	1,483,937		1,483,937	
Asset-Backed Securities	2,537,880		2,537,880	
Negotiable Certificates of Deposit	7,863,350		7,863,350	
Total investments by fair value hierarchy	<u>79,816,472</u>	<u>\$ 33,762,592</u>	<u>\$ 46,053,880</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy				
State Local Agency Investment Fund	23,339,125			
Non-Negotiable Certificates of Deposit	1,000,000			
Money market funds	<u>1,460,882</u>			
Total investments not subject to fair value hierarchy	<u>25,800,007</u>			
Total investments measured at fair value	<u>\$ 105,616,479</u>			

Custodial Credit Risk – Deposits with Financial Institutions. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits. Deposits with financial institutions, including non-negotiable certificates of deposit, totaled \$27,994,949 at June 30, 2019 and were insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

The California Government Code requires California financial institutions to secure the City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits or letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% in excess of the total amount of deposits.

Custodial Credit Risk - Investments. This is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments in securities are insured or registered and held by a counterparty in the City's name in accordance with the City's policies.

Note 2: Cash and Investments (Continued)

Interest Rate Risk. This is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. In accordance with its policies in the Investment Management Plan, the City mitigates interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market before maturity.
- Investing operating funds primarily in shorter-term securities.

The City's investment policy also includes portfolio maturity targets. A minimum of 20% of the portfolio will be invested in securities maturing in one year or less. Up to 80% of the portfolio can be invested in securities with a maturity over one year, with no more than 10% of the portfolio invested in securities with a maturity over five years.

Maturities using the segmented time distribution method for those investments requiring this disclosure are as follows:

	Fair Value	Less Than One Month	One Month to One Year	One to Five Years
State Local Agency Investment Fund	\$ 23,339,125	\$	\$ 23,339,125	\$
U.S. Treasury Bond / Note	33,762,592		1,730,724	32,031,868
Federal Agency Bond / Note	19,339,493	274,778	7,641,209	11,423,506
Corporate Note	14,829,220	639,934	3,354,429	10,834,857
Commercial Paper	1,483,937		1,483,937	
Asset-Backed Securities	2,537,880			2,537,880
Negotiable Certificates of Deposit	7,863,350		3,640,337	4,223,013
Non-Negotiable Certificates of Deposit	1,000,000		1,000,000	
Money Market Funds	1,460,882	1,460,882		
Total maturities	\$ 105,616,479	\$ 2,375,594	\$ 42,189,761	\$ 61,051,124
Cash in banks and on hand	27,901,572			
	\$ 133,518,051			

Investments held by fiscal agents are structured with maturity dates that correspond to the payment of final debt service of the respective bond indenture.

Credit Risk. This is the risk of loss due to the failure of the security issuer or backer. The City's policies to mitigate credit risk include:

- Limiting investments to the safest types of securities. As noted above, the California Government Code limits the investment vehicles available to local agencies. The credit risk of these securities is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below presents the rating for each investment type as provided by Standard & Poor's except as noted.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Note 2: Cash and Investments (Continued)

The following table identifies the Standard & Poor’s credit quality ratings for those investments requiring this disclosure as of June 30, 2019:

<u>Type of Investment</u>	<u>Rating</u>	<u>Total</u>
Federal Agency Bonds / Notes	AA+	\$ 19,339,493
Corporate Notes	AAA	998,041
	AA+	1,062,618
	AA	2,871,049
	AA-	2,183,279
	A+	607,155
	A	4,799,367
	A-	977,733
	BBB+	<u>1,329,978</u>
Total Corporate Notes		14,829,220
Commercial Paper	A-1	1,483,937
Asset-Backed Securities	AAA	2,537,880
Negotiable Certificates of Deposit	A-1+	1,149,114
	AA-	2,863,625
	A+	1,359,388
	A-1	<u>2,491,223</u>
Total Negotiable Certificates of Deposit		7,863,350
Not Applicable:		
U.S. Treasury Bonds / Notes		33,762,592
Not Rated:		
State Local Agency Investment Fund		23,339,125
Non-Negotiable Certificates of Deposit		1,000,000
Money Market Mutual Funds		<u>1,460,882</u>
Total Investments		<u>\$ 105,616,479</u>

Concentration Credit Risk. The City’s policies contained in the Investment Management Plan provide guidelines (by type of investment that limits either the dollar amount, the percent of the portfolio or the maturity term) for diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City’s Investment Management Plan outlines the following criteria related to portfolio diversification:

- No more than 5% of the City’s portfolio (exclusive of government agency issues or LAIF) shall be placed with any financial institution.

Note 2: Cash and Investments (Continued)

- No more than 25% of the City's portfolio shall be invested in collateralized certificates of deposit issued by financial institutions.
- Certificates of deposit (negotiable and collateralized) placed by the City shall not constitute more than 15% of the total assets of the institution; and negotiable certificates of deposit will only be placed with institutions with total assets in excess of \$200 million and that maintain a ratio of equity to total assets of at least 5%.

Foreign Currency Risk. The City does not hold any investment that is based on foreign currency exchange rates.

Note 3: Property Taxes

Property taxes in the State of California (State) are administered for all local agencies at the county level, and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- **Property Valuation.** Valuations are established by the Assessor of the County of San Luis Obispo (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of taxable real property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- **Tax Levies.** Under the provisions of Proposition 13, the County wide tax levy for general revenue purposes is limited to 1% of full market value, which results in a tax rate of \$1.00 per \$100 assessed valuation. Tax rates for voter approved indebtedness are excluded from this limitation.
- **Tax Levy Dates.** All lien dates attach annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. The lien against real estate as well as the tax on personal property is not relieved by subsequent renewal or change in ownership.
- **Tax Collections.** The County Treasurer/Tax Collector is responsible for all property tax collections. Taxes and assessments on the secured and utility rolls, which constitute a lien against the property, may be paid in two installments: the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second installment is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property. However, if the taxes become delinquent the lien is attached against anything the individual owns, which could include real property.

Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Note 3: Property Taxes (Continued)

- **Teeter Plan.** In 1993-94 the City elected to receive property tax revenue in accordance with the alternative method of distribution prescribed by Sections 4701-4717 of the California Revenue and Taxation Code, which is commonly known as the “Teeter Plan” whereby the County remits 100% of taxes levied without regard to delinquencies. The County then pursues collection, retaining any delinquent taxes and related penalties and interest.
- **Tax Levy Apportionments.** Due to the nature of the County wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor Controller based primarily on two factors: the ratio that each agency represented of the total County wide levy for the three years prior to fiscal 1979; and subsequent adjustments to these apportionments and transfers to the “Educational Revenue Augmentation Fund” (ERAF) as determined by the State.
- **City Property Tax Distribution Policy.** Property taxes are recorded in the General Fund as general purpose revenue. Transfers are made from the General Fund as needed to support expenditures in the Capital Outlay, Open Space Protection, Fleet Replacement, Information Technology Replacement, Major Facility Replacement and Debt Service Funds. Property taxes receivable at June 30, 2019 have been accrued since they will be collected within 60 days subsequent to year-end.

Note 4: Capital Assets

GASB standards require that the City report in the government-wide statements the value of all capital assets net of accumulated depreciation, including infrastructure assets, in accordance with GAAP. Infrastructure assets are defined as long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The minimum requirement for compliance with GASB standards is to provide infrastructure valuations for all assets constructed, acquired, or placed into service on or after July 1, 1980. Relevant assets for the City were valued at one of two dates: 1) the original date of construction, if available, or 2) the incorporation date of the City. Each asset was reviewed to determine the adequacy of the data to value the asset prior to July 1, 1980 using historical cost or estimated historical cost.

Note 4: Capital Assets (Continued)

Capital assets activity for the fiscal year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 32,020,193	\$	\$	\$	\$ 32,020,193
Construction in progress	10,120,342	7,765,801	(598,624)	(9,712,574)	7,574,945
Public art	646,630				646,630
Total capital assets not being depreciated	<u>42,787,165</u>	<u>7,765,801</u>	<u>(598,624)</u>	<u>(9,712,574)</u>	<u>40,241,768</u>
Capital assets being depreciated:					
Infrastructure	182,328,513			5,346,068	187,674,581
Accumulated Depreciation	(58,307,345)	(3,011,582)			(61,318,927)
Buildings and improvements	37,074,841			2,285,127	39,359,968
Accumulated Depreciation	(19,596,157)	(1,704,539)			(21,300,696)
Equipment	30,767,595	673,095	(336,740)	2,081,379	33,185,329
Accumulated Depreciation	<u>(18,498,142)</u>	<u>(1,897,545)</u>	<u>336,740</u>		<u>(20,058,947)</u>
Total capital assets being depreciated, net	<u>153,769,305</u>	<u>(5,940,571)</u>	<u>-</u>	<u>9,712,574</u>	<u>157,541,308</u>
Governmental activities, capital assets, net	<u>196,556,470</u>	<u>1,825,230</u>	<u>(598,624)</u>	<u>-</u>	<u>197,783,076</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 9,069,495	\$	\$	\$	\$ 9,069,495
Construction in progress	17,917,396	7,801,221	(78,236)	(5,693,574)	19,946,807
Public art	74,100				74,100
Total capital assets not being depreciated	<u>27,060,991</u>	<u>7,801,221</u>	<u>(78,236)</u>	<u>(5,693,574)</u>	<u>29,090,402</u>
Capital assets being depreciated:					
Infrastructure	215,159,295			4,640,922	219,800,217
Accumulated Depreciation	(79,355,401)	(6,454,224)			(85,809,625)
Buildings and improvements	30,149,226				30,149,226
Accumulated Depreciation	(13,579,744)	(648,860)			(14,228,604)
Equipment	20,098,881		(141,289)	1,052,652	21,010,244
Accumulated Depreciation	<u>(18,631,479)</u>	<u>(1,653,003)</u>	<u>141,289</u>		<u>(20,143,193)</u>
Total capital assets being depreciated, net	<u>153,840,778</u>	<u>(8,756,087)</u>	<u>-</u>	<u>5,693,574</u>	<u>150,778,265</u>
Business-type activities, capital assets, net	<u>180,901,769</u>	<u>(954,866)</u>	<u>(78,236)</u>	<u>-</u>	<u>179,868,667</u>
Total Government-wide	<u>\$ 377,458,239</u>	<u>\$ 870,364</u>	<u>\$ (676,860)</u>	<u>\$ -</u>	<u>\$ 377,651,743</u>

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Public safety	\$ 535,707
Transportation	2,519,807
Culture and recreation	244,706
Community development	112,432
General government	<u>3,201,014</u>
Total depreciation - governmental activities	<u>\$ 6,613,666</u>
Business-type activities:	
Water	2,810,842
Sewer	4,725,546
Parking	650,244
Transit	<u>569,455</u>
Total depreciation - business-type activities	<u>8,756,087</u>
Total Government-wide	<u><u>\$ 15,369,753</u></u>

Note 5: Long Term Debt

Summary of Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Governmental activities:					
2012 Lease revenue refunding bonds	\$ 3,725,000		\$ (245,000)	\$ 3,480,000	\$ 250,000
2014 Lease revenue bonds	7,130,000		(160,000)	6,970,000	165,000
2018 Lease revenue refunding bonds	11,072,775		(818,750)	10,254,025	510,900
	<u>21,927,775</u>	<u>-</u>	<u>(1,223,750)</u>	<u>20,704,025</u>	<u>925,900</u>
Add: Unamortized bond premium	1,556,675		(89,261)	1,467,414	
Total revenue bonds	<u>23,484,450</u>	<u>-</u>	<u>(1,313,011)</u>	<u>22,171,439</u>	<u>925,900</u>
Lease-purchase financing	1,599,769	673,095	(858,925)	1,413,939	668,726
Compensated absences	2,468,124	260,298		2,728,422	1,909,895
Conservation Loan	503,101		(89,434)	413,667	90,320
Total long-term debt, governmental activities	<u>\$ 28,055,444</u>	<u>\$ 933,393</u>	<u>\$ (2,261,370)</u>	<u>\$ 26,727,467</u>	<u>\$ 3,594,841</u>
Business-type activities:					
2006 Water revenue bonds	\$ 12,520,000		\$ (12,520,000)	\$ -	
2012 Water revenue refunding bonds	2,540,000		(470,000)	2,070,000	485,000
2018 Lease revenue refunding bonds	5,832,225		(431,250)	5,400,975	269,100
2018 Water revenue refunding bonds	-	10,095,000	(455,000)	9,640,000	415,000
	<u>20,892,225</u>	<u>10,095,000</u>	<u>(13,876,250)</u>	<u>17,110,975</u>	<u>1,169,100</u>
Add: Unamortized bond premium	922,979	1,714,515	(205,812)	2,431,682	
Total revenue bonds	<u>21,815,204</u>	<u>11,809,515</u>	<u>(14,082,062)</u>	<u>19,542,657</u>	<u>1,169,100</u>
Loans	15,743,808		(993,025)	14,750,783	1,016,131
Installment sale agreements	6,783,114		(601,212)	6,181,902	619,470
Compensated absences	637,526		(92,298)	545,228	381,659
Total long-term debt, business-type activities	<u>44,979,652</u>	<u>11,809,515</u>	<u>(15,768,597)</u>	<u>41,020,570</u>	<u>3,186,360</u>
Total Government-wide	<u>\$ 73,035,096</u>	<u>\$ 12,742,908</u>	<u>\$ (18,029,967)</u>	<u>\$ 67,748,037</u>	<u>\$ 6,781,201</u>

Compensated absences in the governmental funds are generally liquidated by the General Fund on a pay as you go basis. For detail of estimated claims and liabilities, see Note 10.

The San Luis Obispo Capital Improvement Board (Board) has entered into a number of lease agreements with the City of San Luis Obispo wherein the City is obligated to make all debt service payments. The transactions between the Board and the City have been eliminated from these financial statements.

Note 5: Long Term Debt (Continued)

Governmental Activities Summary:

Revenue Bonds

2012 Refunding Lease Revenue Bonds. In 2012, the Board issued refunding lease revenue bonds in the amount of \$5,050,000 to refinance the outstanding 2001 lease revenue bonds, Series C. The purpose of these bonds was to purchase property and build athletic fields, purchase property for police station expansion, and purchase Downtown Plan properties. The bonds bear interest from 2.0% to 4.0% and are due in annual installments on December 1 through December 1, 2029 that range from \$210,000 to \$390,000. At June 30, 2019, the principal amount outstanding on the bonds was \$3,480,000. The bond indenture agreement specifies reserve requirements equal to the maximum debt service in any particular year to be held in the Trustee's reserve funds. The reserve requirement has been met for the year ended June 30, 2019.

In the Statement of Net Position, the 2012 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2012 bonds. At June 30, 2019, the unamortized premium was \$200,525.

2014 Lease Revenue Bonds. In 2014, the Board issued lease revenue bonds in the amount of \$7,580,000 to finance the expansion of the Los Osos Valley Road interchange at U.S. 101. The bonds bear interest from 3.00% to 4.00% and are due in annual installments on November 1 through November 1, 2044 that range from \$145,000 to \$410,000. At June 30, 2019, the principal amount outstanding on the bonds was \$6,970,000.

In the Statement of Net Position, the 2014 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2014 bonds. At June 30, 2019, the unamortized premium was \$172,602.

2018 Lease Revenue Refunding Bonds. In 2018, the Board issued lease revenue bonds in the amount of \$16,905,000 to advance refund the outstanding 2005 revenue refunding bonds and the 2006 and 2009 lease revenue bonds, which were originally issued to construct several high priority capital improvement projects and to finance the costs of acquisition and construction of public parking facilities, and the public safety communications and emergency operations center project. Of the original bond issuance, \$11,072,775 was used for financing governmental activities related to the original bonds and the remainder was used for business-type activities. The bonds bear interest from 3.00% to 5.00% and are due in annual installments on June 1, through June 1, 2039 that range from \$255,000 to \$1,250,000. At June 30, 2019, the principal amount outstanding that pertains to governmental activities was \$10,254,025 of the total \$16,905,000 outstanding.

In the Statement of Net Position, the 2018 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2018 bonds. At June 30, 2019, the unamortized premium for governmental activities was \$1,018,974.

The refunding resulted in a difference of \$374,404 between the reacquisition price and the net carrying value of the old debt and is being amortized to expense through 2039. The City completed the refunding to reduce its total debt service payments over the following 21 years by \$3,838,338 and to obtain an economic gain of \$2,960,278 (difference between the present values of the old and the new debt service payments).

Note 5: Long Term Debt (Continued)

At June 30, 2019, the aggregate maturities of the aforementioned governmental activities revenue bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 925,900	\$ 830,723	\$ 1,756,623
2021	960,550	794,412	1,754,962
2022	998,475	755,890	1,754,365
2023	1,039,850	715,750	1,755,600
2024	1,091,050	674,056	1,765,106
2025-2029	5,513,250	2,648,587	8,161,837
2030-2034	4,591,125	1,523,246	6,114,371
2035-2039	3,348,825	734,137	4,082,962
2040-2044	1,825,000	348,294	2,173,294
2045	410,000	8,200	418,200
	<u>\$20,704,025</u>	<u>\$ 9,033,295</u>	<u>\$29,737,320</u>

Lease-Purchase Financing

Fire Apparatus. In 2010 the Board obtained lease-purchase financing in the amount of \$1,080,000 to purchase a fire truck. The gross amount of assets under this lease is \$1,047,927 million with accumulated depreciation of \$423,494 included in equipment at June 30, 2018. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 2.99% due in annual installments on February 1 through February 1, 2020 that range from \$80,000 to \$125,100. At June 30, 2019 the principal amount outstanding is \$125,000.

Fire Engine. In 2013 the City obtained lease-purchase financing in the amount of \$548,351 to purchase a fire truck. The gross amount of assets under this lease is \$550,738 with accumulated depreciation of \$183,579 included in equipment at June 30, 2019. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 6.00% due in annual installments on July 11 through July 11, 2018 that range from \$106,000 to \$114,000. The City completed the payments of this lease in the fiscal year ending June 30, 2019.

Computers. In 2016 the City obtained lease-purchase financing in the amount of \$688,500 to purchase mobile data computers, hardware to install the computers in City vehicles, installation costs, and wireless network components. The gross amount of assets under this lease is \$714,611 with accumulated depreciation of \$142,922 included in equipment at June 30, 2019. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 1.55% due in quarterly installments beginning December 1, 2015 through September 1, 2019 in the amount of \$44,000. At June 30, 2019 the principal amount outstanding is \$44,291.

Fire Engine and Street Sweeper. In 2017 the City obtained lease-purchase financing in the amount of \$1,141,468 to purchase a fire truck and street sweeper. The gross amount of assets under this lease is \$1,142,712 with accumulated depreciation of \$171,439 included in equipment at June 30, 2019. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 1.69% due in annual installments on April 28 through April 28, 2021 of \$240,067. At June 30, 2019 the principal amount outstanding is \$468,163.

Street Sweeper. In 2018 the City obtained lease-purchase financing in the amount of \$330,000 to purchase a street sweeper. The gross amount of assets under this lease is \$303,400 with accumulated depreciation of \$19,838 included in equipment at June 30, 2019. The lease agreement bears an interest rate of 1.94% due in annual installments on June 1 through December 1, 2020 of \$70,614. At June 30, 2019 the principal amount outstanding is \$197,688.

Note 5: Long Term Debt (Continued)

Fire Truck. In 2018 the City obtained lease-purchase financing in the amount of \$673,095 to purchase a fire truck. The gross amount of assets under this lease is \$673,095 with no accumulated depreciation as it was placed in service at the end of the year. The lease agreement bears an interest rate of 3.178% due in quarterly installments of \$36,533 beginning December 5, 2018 through September 5, 2023. At June 30, 2019 the principal amount outstanding is \$578,795.

At June 30, 2019, the aggregate maturities of the aforementioned governmental activities lease-purchase financing were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 668,726	\$ 31,798	\$ 700,524
2021	429,108	17,297	446,405
2022	137,715	8,415	146,130
2023	142,144	3,986	146,130
2024	36,246	289	36,535
	<u>\$ 1,413,939</u>	<u>\$ 61,785</u>	<u>\$ 1,146,929</u>

2014 Energy Sources Conservation State Loan

In 2014, the City obtained a note in the amount of \$850,775 for the purchase of streetlights. The note bears an interest rate of 1% due in semi-annual installments on December 22 and June 22 through December 22, 2023 in the amount of \$92,242. At June 30, 2019 the principal amount outstanding is \$413,667.

At June 30, 2019, the aggregate maturities of the aforementioned governmental activities conservation loan is as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,320	\$ 3,922	\$ 94,242
2021	91,236	3,007	94,243
2022	92,150	2,092	94,242
2023	93,074	1,168	94,242
2024	46,887	234	47,121
	<u>\$ 413,667</u>	<u>\$ 10,423</u>	<u>\$ 424,090</u>

Business-Type Activities Summary:

Revenue Bonds

2012 Water Revenue Refunding Bonds. In 2012, the City issued water revenue refunding bonds in the amount of \$4,960,000 to refund the 2002 water revenue bonds, which were originally issued to fund water system improvements. The bonds bear interest from 2.0% to 4.0% and are due in annual installments on June 1 through June 1, 2023 that range from \$340,000 to \$550,000. At June 30, 2019, the principal amount outstanding on the bonds was \$2,070,000. The bond indenture agreement specifies reserve requirements equal to the maximum debt service in any particular year to be held in the Trustee’s reserve funds. The reserve requirement has been met for the year ended June 30, 2019.

In the Statement of Net Position, the 2012 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2012 bonds. At June 30, 2019, the unamortized premium was \$278,573.

Note 5: Long Term Debt (Continued)

The City has pledged future water system revenues, net of specific operating expenses, to repay the bonds on parity with a pledge that services all parity obligations. The bonds are payable solely from water customer net revenues and any moneys in the bond service fund and the reserve fund. For the year ended June 30, 2019, principal and interest paid and total customer net revenues were \$571,600 and \$4,285,260, respectively.

2018 Lease Revenue Refunding Bonds. In 2018, the Board issued lease revenue bonds in the amount of \$16,905,000 to advance refund the outstanding 2005 revenue refunding bonds and the 2006 and 2009 lease revenue bonds, which were originally issued to construct several high priority capital improvement projects and to finance the costs of acquisition and construction of public parking facilities, and the public safety communications and emergency operations center project. Of the original bond issuance, \$5,832,225 was used for financing business-type activities related to the original bonds and the remainder was used for governmental activities. The bonds bear interest from 3.00% to 5.00% and are due in annual installments on June 1, through June 1, 2039 that range from \$255,000 to \$1,250,000. At June 30, 2019, the principal amount outstanding that pertains to business-type activities was \$5,400,975 of the total \$15,655,000 outstanding.

In the Statement of Net Position, the 2018 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2018 bonds. At June 30, 2019, the unamortized premium that pertains to business-type activities was \$536,712.

The refunding resulted in a difference of \$374,404 between the reacquisition price and the net carrying value of the old debt and is being amortized to expense through 2039. The City completed the refunding to reduce its total debt service payments over the next 21 years by \$3,838,338 and to obtain an economic gain of \$2,960,278 (difference between the present values of the old and the new debt service payments).

2018 Water Revenue Refunding Bonds. In 2018, the City issued water revenue refunding bonds the in the amount of \$10,095,000 to refund the 2006 water revenue bonds, which were originally issued to fund improvements to the water treatment plant. The bonds bear interest from 4% to 5% and are due in annual installments on June 1 through June 1, 2035 that range from \$455,000 to \$845,000. At June 30, 2019, the principal amount outstanding on the bonds was \$9,640,000.

The City has pledged future water system revenues, net of specific operating expenses, to repay the bonds on parity with a pledge that services all parity obligations. The bonds are payable solely from water customer net revenues and any moneys in the bond service fund and the reserve fund. For the year ended June 30, 2019, principal and interest paid and total customer net revenues were \$898,082 and \$4,285,260, respectively. In the Statement of Net Position, the bonds include the related unamortized premium which is being amortized and charged to expense over the term of the bonds. At June 30, 2019, the unamortized premium was \$1,613,661.

At June 30, 2019, the aggregate maturities of the business-type revenue bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,169,100	\$ 780,040	\$ 1,949,140
2021	1,224,450	733,276	1,957,726
2022	1,276,525	684,298	1,960,823
2023	1,320,150	633,238	1,953,388
2024	808,950	575,732	1,384,682
2025-2029	4,296,750	2,265,928	6,562,678
2030-2034	5,198,875	1,125,860	6,324,735
2035-2039	1,816,175	115,254	1,931,429
	<u>\$ 17,110,975</u>	<u>\$ 6,913,626</u>	<u>\$ 24,024,601</u>

Note 5: Long Term Debt (Continued)

Loans

2001 CIEDB State Loan. In 2001, the City obtained a note in the amount of \$7,765,900 to go towards expanding the March Street parking structure. The note bears an interest rate of 3.37% due in semi-annual installments on February 1 and August 1 through August 31, 2031 that range from \$169,000 to \$396,000. At June 30, 2019, the principal amount outstanding on the loan was \$4,322,760.

2004 State Water Control Board Loan. In 2004, the City obtained a note in the amount of \$8,883,231 to go towards the water reuse project. The note bears an interest rate of 2.5% due in annual installments on August 31 through August 31, 2024 that range from \$296,000 to \$512,600. At June 30, 2019, the principal amount outstanding on the loan was \$2,894,283.

2009 Infrastructure and Economic Development Bank Loan– Tank Farm Lift Station. In 2009, the City obtained a note in the amount of \$10,000,000 to go towards the Tank Farm lift station and main sewer project. The note bears an interest rate of 3.25% due in annual installments on December 1 through December 1, 2037 that range from \$212,600 to \$520,744. At June 30, 2019, the principal amount outstanding on the loan was \$7,533,740.

The City has pledged future sewer system revenues, net of specific operating expenses, to repay the loan. The loan is payable solely from sewer customer net revenues. For the year ended June 30, 2019, principal and interest paid and total customer net revenues were \$533,060 and \$9,908,662, respectively.

2018 Clean Water State Revolving Fund Loan. In 2018, the City Council approved the Clean Water State Revolving Fund loan agreement between the City of San Luis Obispo and the California State Water Resources Control Board for a \$140 million loan for the Water Resource Recovery Facility Project. The City will receive \$4 million in principal forgiveness and the remaining \$136 million will be repaid over 30 years. The applicable interest rate was set at 1%. As of June 30, 2019, the City had not drawn down any of the loan funds.

At June 30, 2019, the aggregate maturities of the aforementioned business-type loans were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,016,131	\$ 368,567	\$ 1,384,698
2021	1,050,806	350,305	1,401,111
2022	1,080,963	331,466	1,412,429
2023	1,111,897	312,030	1,423,927
2024	1,143,934	291,979	1,435,913
2025-2029	4,050,280	1,136,190	5,186,470
2030-2034	3,304,624	555,921	3,860,545
2035-2038	1,992,148	131,613	2,123,761
	<u>\$ 14,750,783</u>	<u>\$ 3,478,071</u>	<u>\$ 18,228,854</u>

Installment Sale Agreements

2008 Suntrust Bond. In 2008, the Board entered into an installment sale contract financing \$2,050,000 to finance the Tank Farm lift station. The terms state an interest rate of 4.2% due in annual installments through 2023 that range from \$372,900 to \$607,200. At June 30, 2019, the principal amount outstanding on the loan was \$825,000.

Note 5: Long Term Debt (Continued)

US Bancorp 2014 Wastewater Lease. In 2013, the Board entered into an installment sale contract financing \$7,479,000 to finance the acquisition and installation of improvements to its water reclamation facility. The note bears an interest rate of 2.8994% due in annual installments on June 1 and December 1 through December 1, 2028 that range from \$372,900 to \$607,200. At June 30, 2019, the principal amount outstanding on the loan was \$5,356,902.

At June 30, 2019, the aggregate maturities of the aforementioned business-type installment sale agreements were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 619,470	\$ 179,994	\$ 799,464
2021	643,055	292,673	935,728
2022	662,064	138,685	800,749
2023	681,479	117,026	798,505
2024	706,312	94,628	800,940
2025-2029	2,869,522	212,766	3,082,288
	<u>\$ 6,181,902</u>	<u>\$ 1,035,772</u>	<u>\$ 7,217,674</u>

There are a number of limitations and restrictions contained in the various bond indentures. City management believes that the City has complied with the indenture requirements. Security for revenue bonds is paid from receipts or net income and amounts in funds or accounts established under bond indentures.

Note 6: Pension Plans

The City contributes to the California Public Employees' Retirement System (CalPERS) for its employees. The City participates in one agent multiple-employer plan for its miscellaneous employees (Miscellaneous Plan) and one cost-sharing multiple-employer plan for its safety employees (Safety Plan). The Miscellaneous Plan is described in the first section of the footnote under Agent-Multiple Employer Plan and the Safety Plan follows and is described in the second section of the footnote under Cost-Sharing Employer Plan. A summary of the government-wide balances for all Plans at June 30, 2019 are as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
Miscellaneous Plan	\$ 81,792,409	\$ 14,631,641	\$ 888,474	\$11,998,851
Safety Plan	71,940,534	19,206,619	3,739,520	11,470,923
Total Government-Wide	<u>\$ 153,732,943</u>	<u>\$ 33,838,260</u>	<u>\$ 4,627,994</u>	<u>\$23,469,774</u>

Agent-Multiple Employer Plan

General Information about the Pension Plan

Plan Descriptions. As noted above, the City contributes to CalPERS for a defined benefit pension plan for all qualified permanent and probationary employees. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Note 6: Pension Plans (Continued)

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 for Tier 1 employees. Tier 2 and PEPRAs employees are based on a three-year average 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 Miscellaneous Plan's provisions and benefits by tier in effect at June 30, 2019, are summarized as follows:

	Tiers within the Miscellaneous Plan		
	Prior to	On or after	On or after
	<u>December 6, 2012</u>	<u>December 6, 2012</u>	<u>January 1, 2013</u>
Hire date			
Benefit formula	2.7% @ 55	2% @ 60	2% @ 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% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.515%	7.515%	6.25%
Required employer contribution rates	10.497%	10.497%	10.497%
Required unfunded accrued liability payment	-	-	\$ 4,919,847

(1) -Combined with on or after January 1, 2013

While the City's Miscellaneous Plan is not closed to new entrants, the component option of 2.7% @ 55 is closed to new entrants. Classic Members as defined by CalPERS entering the City's Miscellaneous Plan would enter the 2% @ 60 option while New Members as defined by CalPERS entering the City Miscellaneous Plan would enter the 2% @ 62 option.

Employees Covered. As of the measurement date June 30, 2018, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous Plan</u>
Inactive employees or beneficiaries currently receiving benefits	399
Inactive employees entitled to but not yet receiving benefits	230
Active employees	312
Total	<u>941</u>

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 July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Note 6: Pension Plans (Continued)

Net Pension Liability

The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate. The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

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

Note 6: Pension Plans (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 PERF. 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class.

<u>Asset Class (a)</u>	<u>Miscellaneous Plan</u>		
	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%

- (a) In the CalPERS's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

Note 6: Pension Plans (Continued)

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
Balance at June 30, 2017	\$ 209,751,766	\$ 128,465,063	\$ 81,286,703
Changes during the year:			
Service cost	4,328,129		4,328,129
Interest on the total pension liability	14,778,918		14,778,918
Changes in assumptions	(1,292,326)		(1,292,326)
Differences between expected and actual experience	1,445,049		1,445,049
Net plan to plan resource movement		(316)	316
Contribution - employer		6,693,987	(6,693,987)
Contribution - employee		1,820,697	(1,820,697)
Net investment income		10,820,033	(10,820,033)
Benefit payments, including refunds of employee contributions	(10,740,816)	(10,740,816)	-
Administrative expense		(200,184)	200,184
Other Miscellaneous Income/(Expense)		(380,153)	380,153
Net changes	<u>8,518,954</u>	<u>8,013,248</u>	<u>505,706</u>
Balance at June 30, 2018	<u>\$ 218,270,720</u>	<u>\$ 136,478,311</u>	<u>\$ 81,792,409</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City for the 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 Plan
1% Decrease	6.15%
Net Pension Liability	\$ 109,534,233
Current Discount Rate	7.15%
Net Pension Liability	\$ 81,792,409
1% Increase	8.15%
Net Pension Liability	\$ 58,718,302

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

Note 6: Pension Plans (Continued)

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

For the year ended June 30, 2019, the City’s pension expense for the Miscellaneous Plan was \$11,998,851. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,354,287	\$
Changes in assumptions	3,739,867	888,474
Differences between expected and actual experiences	1,225,086	
Net differences between projected and actual earnings on plan investments	312,401	
Total	\$ 14,631,641	\$ 888,474

The deferred outflows of resources related to contributions subsequent to the measurement date of \$9,354,287 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Measurement Period Ended June 30	Amount
2019	\$ 5,624,511
2020	404,652
2021	(1,290,466)
2022	(349,817)
	\$ 4,388,880

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Note 6: Pension Plans (Continued)

Cost-Sharing Employer Plan

General Information about the Pension Plan

Plan Descriptions. As noted above, the City contributes to CalPERS for a defined benefit pension plan for all qualified permanent and probationary employees. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City participates in five tiers of the safety cost-sharing multiple-employer plan. The Safety Plan tiers consist of Safety Tier 1 (police and fire), Police Tier 2, Fire Tier 2, Police PEPRA and Fire PEPRA.

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 Plan's provisions and benefits within each tier in effect at June 30, 2019, are summarized as follows:

	Safety Tier 1		Safety Tier 2	
	Police	Fire	Police	Fire
	Prior to December 6, 2012	Prior to August 30, 2012	On or after December 6, 2012	On or after August 30, 2012
Hire date				
Benefit formula	3.0% @ 50	3.0% @ 50	2.0% @ 50	3.0% @ 55
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50-55	50 - 55
Monthly benefits, as a % of eligible compensation	3.00%	3.00%	2.0% to 2.7%	2.4% to 3%
Required employee contribution rates	8.989%	8.989%	8.936%	8.984%
Required employer contribution rates	22.346%	22.346%	17.334%	19.353%
Required unfunded accrued liability payment	\$ 4,322,392	\$ - ⁽¹⁾	\$ 767	\$ 1,317
	Police PEPRA	Fire PEPRA		
	On or after January 1, 2013	On or after January 1, 2013		
Hire date				
Benefit formula	2.7% @ 57	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50-57	50-57		
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%		
Required employee contribution rates	12.750%	12.750%		
Required employer contribution rates	12.965%	12.965%		
Required unfunded accrued liability payment	\$ 1,156	\$ -		

(1) - Combined with Police Tier 1

Note 6: Pension Plans (Continued)

The Safety Tier 1 is closed to new entrants.

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 July 1st following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30th 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. Members of the Police Officers Association contribute 3% of pay toward the cost of the City’s share of the annual required contribution.

For the year ended June 30, 2019, the contributions recognized as part of pension expense were \$5,910,345.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the Plan’s net pension liability of \$71,940,534.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability as of the measurement dates of June 30, 2017 and 2018 was as follows:

	<u>Proportionate Share</u>
Percentage share at 6/30/2017	1.19434%
Percentage share at 6/30/2018	<u>1.22607%</u>
Change - Increase/(Decrease)	<u><u>0.03173%</u></u>

Note 6: Pension Plans (Continued)

For the year ended June 30, 2019, the City recognized pension expense of \$11,470,923 for the Safety Plan. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,348,780	\$
Changes in assumptions	7,058,621	952,334
Differences between expected and actual experiences	1,545,759	5,864
Differences between projected and actual investment earnings	487,071	
Difference between employer's contributions and proportionate share of contributions		2,781,322
Change in employer's proportion	1,766,388	
Total	\$ 19,206,619	\$ 3,739,520

Pension contributions subsequent to the measurement date of \$8,348,780 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety Plan	
Measurement Period	
Ended June 30	Amount
2019	\$ 6,483,319
2020	3,520,357
2021	(2,387,060)
2022	(498,297)
	\$ 7,118,319

Note 6: Pension Plans (Continued)

Actuarial Assumptions. The total pension liabilities in the June 30, 2017 actuarial valuations for the Safety Plan was determined using the following actuarial assumptions:

	Safety Plan
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality (1)	Derived using CalPERS' membership data for all funds

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate. The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 in the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent 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.

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.

Note 6: Pension Plans (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class (a)	Safety Plan		
	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%

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

1% Decrease	6.15%
Net Pension Liability	\$ 99,483,321
Current Discount Rate	7.15%
Net Pension Liability	\$ 71,940,534
1% Increase	8.15%
Net Pension Liability	\$ 49,374,150

Note 6: Pension Plans (Continued)

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

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Note 7: Other Post-Employment Benefits (OPEB)

General Information about OPEB

Plan Description. The City's primary other post-employment benefits (OPEB) cost obligation is for retiree health benefits under its election to participate in the CalPERS Health Benefit Program, an agent multiple-employer defined benefit OPEB plan, under the "unequal contribution option." The City entered the CalPERS medical insurance program in 1993 under the Public Employees' Medical and Hospital Care Act (PEMHCA). During the fiscal year ended June 30, 2009, the City entered into an agreement to participate in an irrevocable trust to provide a funding mechanism for retiree health benefits. The Trust, California Employers' Retiree Benefit Trust (CERBT), is administered by CalPERS and managed by a separately appointed board, which is not under control of the City Council. This Trust is not considered a component unit of the City.

Benefits Provided. The City provides post-employment health care insurance, in accordance with Memorandums of Understanding, to all employees who retire from the City upon or after attaining age 50 with at least 5 years of service or disability retirement. Miscellaneous retirees who are PEPRA new hires are eligible at age 52. For each retiree enrolled in a CalPERS medical plan, the employer will pay the required statutory PEMHCA minimum, which is \$133 per month per retiree in calendar year 2018 and \$136 per month per retiree in calendar year 2019. This amount will increase with the health care component of CPI, as announced by the CalPERS Board each year. The retiree must pay the difference between the premium amount, which depends upon the medical plan benefits selected, and the employer-paid minimum. In addition, the City pays 50% of the premium up to the retiree's age of 65 for three grandfathered executive management retirees hired prior to August 2000.

There is no OPEB provided to terminated vested employees. The employer-paid amount will continue to a surviving spouse if the retiree elects a CalPERS survivor annuity. There are no required employee contributions, although the retiree must pay the difference between the premium and the employer-paid amount. The employer is contributing the full Actuarially Determined Contribution.

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Employees Covered. At June 30, 2018, the measurement date, the following number of employees were covered by the benefit terms:

	<u>OPEB Plan</u>
Inactive employees or beneficiaries	
currently receiving benefits	179
Inactive employees entitled to but	
not yet receiving benefit payments	185
Active employees	<u>418</u>
Total	<u>782</u>

Contributions. The contribution requirements of the plan members and the City are established and may be amended by the City. The City prefunds the plan through CERBT by contributing at least 100% of the annual required contribution. For the year ended June 30, 2019, the City's contributions totaled \$677,824.

Net OPEB Liability

The City's net OPEB liability for the Plan is measured as the total OPEB liability less the Plan's fiduciary net position. The net OPEB liability of the Plan is measured as of June 30, 2018 using an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The principal assumptions and methods used to determine the net liability are described below.

	OPEB Plan
Actuarial Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Contribution Policy	Contributes full ADC
Actuarial Assumptions:	
Discount Rate and	6.75% at June 30, 2018 and June 30, 2017
expected Long-Term Rate of	Expected City contributions projected to keep
Return on Assets	sufficient plan assets to pay all benefits from trust
General Inflation	2.75% annually
Mortality, Retirement, Disability,	Rates from CalPERS 1997-2015 Experience Study
Termination	
Mortality Improvement	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2017
Salary Increases	Aggregate - 3%
	Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
	Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Participation at Retirement	Currently covered: 70% Currently waived: 15%
ACA Excise Tax	Estimated by 2% load on Cash benefit payments.

Change in Assumptions. There were no changes in assumptions for the measurement date June 30, 2018.

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the actuary performed a stress-test on the Plan that would most likely result in a discount rate that would be different from the actuarially-assumed discount rate. Based on the test, the Plan will not run out of assets. Therefore, the current 6.75% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.75% is applied to the Plan. The stress-test results are presented in the detailed actuarial report, which can be obtained from the City.

Investments. The following table reflects the long-term expected real rate of return of the Plan’s investments by asset class. The rates of return are presented as geometric means developed over a twenty year period. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>OPEB Plan</u>	
	<u>Current Target Allocation (1)</u>	<u>Expected Real Rate of Return (2)</u>
Public Equity	57.0%	4.82%
Fixed Income	27.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
REITs	8.0%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Assumed Long-Term Investment Expenses		n/a
Expected Long-Term Net Rate of Return, Rounded		6.75%
Discount Rate (3)		6.75%

(1) Provided by CalPERS' Strategic Asset Allocation Analysis Overview in August 2014 - Strategy 1.

(2) Geometric Average

(3) The fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using the strategy to achieve the expected return.

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the June 30, 2018 measurement date are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 13,130,633	\$ 5,479,720	\$ 7,650,913
Changes during the year:			
Service cost	463,629		463,629
Interest on the total pension liability	891,794		891,794
Contribution - employer		1,221,000	(1,221,000)
Net investment income		439,828	(439,828)
Benefit payments, including refunds of employee contributions	(765,000)	(765,000)	-
Administrative expense		(10,170)	10,170
Net changes	590,423	885,658	(295,235)
Balance at June 30, 2018	\$ 13,721,056	\$ 6,365,378	\$ 7,355,678

Sensitivity of Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability at the current discount rate, as well as what the net OPEB liability would be if it were calculated using a hypothetical discount rate that is one percentage point lower or one percentage point higher than the current rate.

	OPEB Plan
1% Decrease	5.75%
Net OPEB Liability	\$ 9,214,711
Current Discount Rate	6.75%
Net OPEB Liability	\$ 7,355,678
1% Increase	7.75%
Net OPEB Liability	\$ 5,825,382

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates. The following presents the net OPEB liability at current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using hypothetical healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate.

	<u>OPEB Plan</u>
1% Decrease Net OPEB Liability	\$ 5,559,777
Current Trend Net OPEB Liability	\$ 7,355,678
1% Increase Net OPEB Liability	\$ 9,577,917

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan’s fiduciary net position is available in the separately issued CalPERS financial reports on the CERBT.

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

For the year ended June 30, 2019, the City’s OPEB expense was \$944,269. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 677,824	\$
Net differences between projected and actual earnings on plan investments		168,433
Total	<u>\$ 677,824</u>	<u>\$ 168,433</u>

OPEB contributions subsequent to the measurement date of \$677,824 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2020	\$ (51,478)
2021	(51,478)
2022	(51,479)
2023	(13,998)
	<u>\$ (168,433)</u>

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Payable to the OPEB Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

Note 8: Interfund Transactions

Interfund receivable and payable balances as of June 30, 2019 consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 311,583	\$
Nonmajor Governmental Funds:		311,583
Total	<u>\$ 311,583</u>	<u>\$ 311,583</u>

Interfund receivables and payables include temporary negative cash balances that result from the timing of cash flows at year end and the time lag between the dates that transactions are recorded in the accounting system and payment between funds are made. Liquidation of interfund receivables and payables typically occurs in the first quarter of the subsequent fiscal year. Interfund balances between governmental funds are not included in the government-wide Statement of Net Position.

Interfund transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due or to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. This may include amounts provided as matching funds for various grant programs.

Interfund transfers for the year ended June 30, 2019 consist of the following:

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 5,182,219	\$ 5,182,219
Non-Major	1,426,002	-	1,426,002
Water	1,040,953	73,750	1,114,703
Sewer	900,376	93,380	993,756
Parking	193,051	18,854	211,905
Transit	79,101	56,570	135,671
Total	<u>\$ 3,639,483</u>	<u>\$ 5,424,773</u>	<u>\$ 9,064,256</u>

Note 9: Joint Ventures, Jointly Governed Organizations and Operating Agreements

The City participates in three multi-governmental organizations: the Whale Rock Commission, the San Luis Obispo Regional Transit Authority, and the San Luis Obispo Council of Governments. The City also has an operating agreement related to Nacimiento Water Supply Project. The following provides a general description of each of these agencies and operating agreements along with a summary of financial information and indebtedness:

Whale Rock Commission

General Description. The Whale Rock Commission (Commission) was established on December 12, 1960 to govern the operations of the Whale Rock Reservoir. The Commission is composed of six voting members and two non-voting members: three voting members are appointed by the City; one is appointed by California Polytechnic State University; one by California Men's Colony; and one by the Director of Finance, State of California. The two non-voting members are position appointments: the Director of Water Resources, State of California; and the Water Superintendent, City of San Luis Obispo. The Commission is authorized by its respective agencies to establish policies for the operation of the Reservoir, to contract for the sale of excess water, and to approve the annual budget.

The City, in accordance with established policies of the Commission, operates and maintains the Reservoir; prepares and recommends the annual budget; and maintains the fiscal records and funds of the Commission. The Whale Rock Agency Fund is used to account for the Commission's ongoing operating activities. Ownership in the Reservoir is as follows: 55.05%, City of San Luis Obispo; 33.71%, California Polytechnic State University; and 11.24%, California Men's Colony. The City's share of the Commission's expenses are recorded as expenses of the Water Fund. All receipts and disbursements of the Commission are included in an Agency Fund.

Financial Information and Indebtedness. In 1959, the City issued general obligation bonds to secure a future water supply to City residents. Some of the proceeds from the bonds were used to participate with the State of California in the development of the Reservoir. Participation, which is in proportion to the original investment, includes continued operation and maintenance of the facilities. Such indebtedness was directly attributable to provision of water service, and as such, all related indebtedness was recorded in the City's Water Enterprise Fund. These bonds matured in August 1999.

The City's original investment in the Reservoir project aggregates \$3,900,000, and was amortized on a straight-line basis over thirty-five years. Separate financial statements are available from the Whale Rock Commission, 879 Morro Street, San Luis Obispo, CA 93401.

The following segment financial information for the Whale Rock Commission and the Water Fund's related investment in the joint venture is presented as of and for the year ended June 30, 2019:

	<u>Joint Venture</u>	<u>City's Investment in Joint Venture</u>
Total assets	\$2,837,427	\$ 1,562,004
Total liabilities	<u>97,987</u>	<u>53,942</u>
Fund balance	<u>\$2,739,440</u>	<u>\$ 1,508,062</u>
Total revenues	\$1,789,312	\$ 985,016
Total expenditures	<u>2,208,636</u>	<u>1,215,854</u>
Excess of revenues over expenditures	<u>\$ (419,324)</u>	<u>\$ (230,838)</u>

Note 9: Joint Ventures, Jointly Governed Organizations and Operating Agreements (Continued)

San Luis Obispo Regional Transit Authority

General Description. The City is a member of the San Luis Obispo Regional Transit Authority (Authority), which was established on February 27, 1990, to operate a joint public transportation system. The Authority is composed of the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo, as well as the County of San Luis Obispo. The Authority is governed by a Board of Directors comprised of representatives of each of the seven cities, in addition to the five members of the Board of Supervisors. Each member of the Board has one vote. The Board has the authority to establish policies for the operation of the transit system and to adopt an annual budget. Each member makes an annual contribution to the agency for funding the adopted budget.

Financial Information. The City allocates a portion of its Transportation Development Act funds directly to the Authority. During 2018-19 the City contributed approximately \$789,588 of these funds to the Authority. The City's share of assets, liabilities, and fund equity has not been calculated by the Authority and therefore is not known to the City; however, based on the City's limited financial participation in the Authority, any such assets, liabilities, or equity are not believed to be significant to the basic financial statements taken as a whole. Separate financial statements are available from the Authority, 179 Cross Street, Suite A, San Luis Obispo, CA 93401.

San Luis Obispo Council of Governments

General Description. The San Luis Obispo Council of Governments (SLOCOG) was formed in 1968 through a joint powers agreement among the incorporated cities and the County of San Luis Obispo. It acts as the regional transportation planning agency for the county and is the metropolitan planning organization and the congestion management agency for the region. The governing board consists of twelve delegates, each with one vote that includes the five members of the County Board of Supervisors and one representative from each of the seven cities in the County.

Financial Information. A portion of the City's Transportation Development Act funds are directly allocated to the SLOCOG. The City's share of assets, liabilities, and fund equity has not been calculated by SLOCOG and therefore is not known to the City; however, based on the City's limited financial participation in SLOCOG, any such assets, liabilities, or equity are not believed to be significant to the basic financial statements taken as a whole. Separate financial statements are available from SLOCOG, 1114 Marsh Street, San Luis Obispo, CA 93401.

Nacimiento Water Supply Project

General Description. In 2004, the Council adopted a resolution approving an agreement with the San Luis Obispo County Flood Control and Water Conservation District (District) for the design, construction, and operations of the facilities required for the delivery of 5,482 acre-feet of water per year to the City of San Luis Obispo from the Nacimiento Water Supply Project (Project). The agreement includes conditions relative to the costs associated with the project and how these costs will be shared and paid by the participants in the project.

Each project participant, including the City, has entered into an agreement in order to provide for the development, financing, construction, operation and maintenance of the Project. The agreement is a "take-or-pay" obligation: the City is obligated to pay amounts specified in the agreement whether or not water is delivered. The City is required to pay an amount equal to its share of various capital expenses relating to the funding of design costs, engineering, planning, environmental mitigation, equipping new facilities and/or construction efforts, accounting services, project administration and management, installation, grading, razing and building the Project. The City is also required to pay for its share of operating and maintenance costs. The City records these payments as operating expenses in its water enterprise fund.

Note 9: Joint Ventures, Jointly Governed Organizations and Operating Agreements (Continued)

The City is required to make payments under its agreement solely from the revenues of its water system. The City agreed to establish and collect rates and charges from the customers of the City’s water enterprise fund at levels sufficient to produce revenues equal to: (1) the costs of operating and maintaining the City’s water enterprise; plus (2) the contract payments, calculated in accordance with the delivery contract including the amounts allocated as the City’s share of capital projects installment debt service; plus (3) the coverage factor for the amounts allocated as the City’s share of capital projects installment debt service; and (4) under certain circumstances, that the City understands and agrees that the delivery contract may impose a surcharge following the occurrence of any payment default.

Financial Information. In September 2007, the District sold water revenue bonds in the amount of \$196 million for the construction of the Project. These bonds were refinanced in August 2015. In addition, the District sold water revenue bonds in the amount of \$182 million. Based on the City’s share of construction costs, debt service and operating and maintenance, the following summarizes the City’s Project obligations for 2018-19 and five-year projections for the 2015 bonds and the 2007 bonds that will remaining outstanding following the refunding.

Nacimiento Water Supply Obligations		
Actual 2019	\$	6,235,537
Projected:		
2020		4,945,455
2021		4,948,523
2022		4,945,814
2023		4,948,105
2024		4,950,993
2025-29		24,732,945
2030-34		24,736,939
2035-39		24,732,709
2040-41		10,737,705

Separate financial statements are available from the San Luis Obispo County Flood Control and Water Conservation District, 1050 Monterey Street, San Luis Obispo, CA 93401.

Note 10: Risk Management

California Joint Powers Insurance Authority

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost reallocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

Note 10: Risk Management (Continued)

The total funding requirement for self-insurance programs is estimated using actuarial models and prefunded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Self-Insurance Programs of the Authority

General Liability and Workers' Compensation. The City is a member of the California Joint Powers Insurance Authority (CJPIA), which provides joint protection programs and group purchased insurance for public entities covering liability, errors and omission losses, auto liability, employment practices liability, crime, pollution, workers' compensation injuries and coverage for city-owned property. The City has a retained limit of \$500,000 per occurrence for liability and no retained limit for workers' compensation.

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

During the past three fiscal years, none of the protection programs experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured coverage in 2018-19. CJPIA covers workers' compensation claims up to a pooled limit of \$2 million per occurrence and provides excess coverage to statutory limits with a group purchased commercial insurance policy. The City pays an annual contribution to CJPIA and may share in any member refunds in the event that pooled funding exceeds the cost of pooled claims and claim-related expenses, or the City may be required to pay additional contributions based upon CJPIA's operating results.

Financial statements of CJPIA may be obtained from its administrative office located at 8081 Moody Street, La Palma, California 90623, or by calling (562) 467-8700.

Additional claims and lawsuits have been filed against the City in the normal course of business. It is reasonably possible that the City may be liable for claims not to exceed \$500,000. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage from coverage in 2018-19.

Self-Insurance

The City retains the risk for workers' compensation losses incurred prior to joining the California Joint Powers Insurance Authority. Several member agencies of the now dissolved Central Coast Cities Self-Insurance Fund continue to participate in a non-risk sharing arrangement for claims management and the purchase of excess insurance. The participating agencies share a set of common guidelines and annually set aside premiums to pay their individual losses within their self-insured retentions. Losses are debited and investment income is credited to specific member accounts. The City has not incurred any losses in excess of insurance coverage. Claims liabilities in the governmental funds are generally liquidated by the General Fund.

Note 10: Risk Management (Continued)

The last actuarial study to determine the undiscounted outstanding claims liability was completed for the year ended June 30, 2018. The liability was estimated based on the actuarial study and considered claims asserted and paid, and the time limitations for filing claims. There are no estimates for claims incurred but not reported because the time limit for filing claims has elapsed. The estimated asset at June 30, 2018 is calculated as follows:

**Self-insurance activity as of and for the year ended June 30, 2019
is summarized as follows:**

Interest earnings	\$ 26,747
Claims expense	(80,591)
Estimated liability for reported claims and settlement expenses	(444,310)
Assets on deposit	1,195,374
Estimated unpaid claims asset	<u>\$ 751,064</u>

**Changes in the balances of claim assets during the past two fiscal years
are as follows:**

Estimated unpaid claims asset June 30, 2017	\$ 824,862
Claim payments and related expenditures reimbursement	(257,114)
Change in estimated claims asset June 30, 2018	117,027
Interest earnings	<u>16,283</u>
Estimated unpaid claims asset June 30, 2018	701,058
Claim payments and related expenditures reimbursement	(76,554)
Change in estimated claims asset June 30, 2018	99,813
Interest earnings	<u>26,747</u>
Estimated unpaid claims asset June 30, 2019	<u>\$ 751,064</u>

Note 11: Operating Lease

The City entered into an operating lease in October 2014 for the use of various office equipment. Total expense for the lease was \$20,982 for the year ended June 30, 2019. At June 30, 2019, the future minimum lease payments were as follows:

<u>For the Year Ending June 30,</u>	
2020	<u>\$ 10,625</u>
	<u>\$ 10,625</u>

Note 12: Commitments and Contingencies

Litigation

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are adequately covered by insurance and not expected to result in a material adverse financial impact on the City.

Note 12: Commitments and Contingencies (Continued)

Grant Awards

Under the terms of Federal and State grants, audits may be required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to requests for reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Regional Transit Authority Pension Expense

The City is presently a member agency of the San Luis Obispo Regional Transit Authority (see Note 9), a duly established Joint Powers Authority (JPA) comprised of all local cities and the County of San Luis Obispo. The City’s contractual contribution to that entity is approximately 18%. The City was advised that the Regional Transit Authority was working with CalPERS to determine whether it is required to enroll certain previously unenrolled transit employees in the CalPERS pension system and whether the entity may be liable for obligations related to the failure to enroll those employees and make contributions on their behalf. On December 10, 2019 the County Board of Supervisors approved a contract for participation of the JPA in the San Luis Obispo County Pension Trust and the Employees Retirement Plan. The current amount of potential CalPERS unfunded liability for the JPA may reach as high as \$4 million. It is not anticipated that the City’s annual payment to the JPA will increase to satisfy this unfunded liability.

Note 13: Construction and Other Significant Commitments

Construction and other significant commitments as of June 30, 2019, including encumbrances outstanding at year-end, are as follows:

General Fund	\$ 4,088,507
Special Revenue Funds	192,462
Capital Project Funds	1,386,736
Enterprise Funds:	
Water	342,297
Sewer	9,726,886
Parking	1,343,542
Transit	<u>448,362</u>
Total	<u><u>\$ 17,528,792</u></u>

Long-term construction contracts are billed and paid on a percentage completion basis by construction phase.

Note 14: Fund Balance Deficiency

At June 30, 2019, the City had a negative fund balance in the following funds:

<u>Funds</u>	<u>Deficiency</u>
Downtown BID	\$ 5,332
Gas Tax	143,380
Law Enforcement Grants	24,638
Open Space Protection	<u>145,072</u>
Total	<u>\$ 318,422</u>

Note 15: Subsequent Events

Events subsequent to June 30, 2019 have been evaluated through March 31, 2020, which is the date that the financial statements are available to be issued. Management identified the below subsequent events that required disclosure.

2020 Water Energy Efficiency Project Loan

On November 19, 2019, the City Council approved an agreement with PG&E for implementation of the Water Energy Efficiency Project and up to \$14,300,000 in debt financing for construction of the project. On January 21, 2020, the City Council accepted a good faith estimate provided by the California Infrastructure and Economic Development Bank (I Bank) and authorized the payment in-full of the 2004 State Water Control Board Loan.

Note 16: New Accounting Standards

Accounting Standards Adopted

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 provides financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Implementation of this Statement did not have a material impact on the City’s financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 are effective for fiscal years beginning after June 15, 2018. The City reviewed and updated, as necessary, disclosures relating to long-term debt as part of implementing this standard.

Note 16: New Accounting Standards (Continued)

New Accounting Standards

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

In June 2018, GASB issued Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management will determine the impact of this statement on its financial statements with the 2020-21 Comprehensive Annual Financial Report.

In August 2018, GASB issued Statement No 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for fiscal years beginning after December 15, 2018 with earlier implementation encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In May 2019, GASB issued Statement No 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of Statement No. 91 are effective for fiscal years beginning after December 15, 2020 with earlier implementation encouraged. Management has not yet determined the impact of this Statement on its financial statements.

Note 17: Prior Period Adjustments

During 2019, a prior period adjustment was made to properly record the City's OPEB and pension balances, as well as its investment in the Whale Rock Commission, a joint venture, due to removal of OPEB and pension balances in the Whale Rock agency fund. Additionally, an adjustment was made to properly record a deferred loss on refunding for the 2018 Lease Revenue Refunding Bonds

	Government-wide Statements		Fund Statements		
	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund	Parking Fund
Net Position as previously reported at June 30, 2018	<u>\$121,984,548</u>	<u>\$189,119,344</u>	<u>\$ 73,134,243</u>	<u>\$ 80,826,618</u>	<u>\$ 26,478,176</u>
Prior Period Adjustments:					
Deferred Loss on Refunding	245,234	129,169	7,114	7,862	114,193
Deferred Pension Outflows		353,908	353,908		
Net Pension Liability		(1,377,969)	(1,377,969)		
Deferred Pension Inflows		(103,916)	(103,916)		
Deferred OPEB Outflows		11,764	11,764		
Net OPEB Liability		(127,770)	(127,770)		
Deferred OPEB Inflows		(2,504)	(2,504)		
Investment in Joint Venture		686,191	686,191		
Net Position as restated at June 30, 2018	<u>\$122,229,782</u>	<u>\$188,688,217</u>	<u>\$ 72,581,061</u>	<u>\$ 80,834,480</u>	<u>\$ 26,592,369</u>





**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

City of San Luis Obispo, California
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes and franchise fees:				
Sales and use tax - general	\$ 17,619,608	\$ 17,619,608	\$ 18,119,545	\$ 499,937
Sales and use tax - Half Percent Sales Tax	7,673,084	7,673,084	8,325,230	652,146
Sales tax - Prop 172	-	-	-	-
Property tax	11,734,945	11,734,945	12,238,357	503,412
Transient occupancy tax	7,367,000	7,755,495	8,061,087	305,592
Utility users tax	5,617,000	5,617,000	4,919,892	(697,108)
Property tax in lieu of VLF	4,846,013	4,846,013	4,961,080	115,067
Franchise taxes	1,526,717	1,526,717	1,428,296	(98,421)
Business tax	2,884,241	2,884,241	2,630,499	(253,742)
Real property transfer tax	388,495	-	273,762	273,762
	<u>59,657,103</u>	<u>59,657,103</u>	<u>60,957,748</u>	<u>1,300,645</u>
Total taxes				
Use of money and property	446,643	446,643	1,186,670	740,027
Subventions and grants:				
Other State and Federal grants	504,682	1,111,906	813,318	(298,588)
Other subventions and grants	-	-	105,344	105,344
	<u>504,682</u>	<u>1,111,906</u>	<u>918,662</u>	<u>(193,244)</u>
Total subventions and grants				

City of San Luis Obispo, California
 Budgetary Comparison Schedule
 General Fund, continued
 For the Fiscal Year Ended June 30, 2019
 Page 2

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Charges for services:				
Public safety:				
Police	624,097	415,005	702,998	287,993
Fire:				
Medical emergency recovery	-	-	407,925	407,925
Fire safety/hazardous materials permits	154,124	294,689	116,858	(177,831)
Other fire revenues	360,000	175,730	10,184	(165,546)
Community development:				
Planning and zoning fees	3,701,000	3,701,000	6,254,208	2,553,208
Construction plan and check inspections	1,930,000	2,048,175	26,028	(2,022,147)
Infrastructure plan check and inspections	260,000	260,000	342	(259,658)
Fire plan check and inspections	331,142	332,013	305,294	(26,719)
Culture and recreation:				
Adult athletic fees	3,378	325,854	297,768	(28,086)
Youth athletic fees	1,605,887	1,295,789	820,778	(475,011)
Rental and use fees	2,252	-	(320)	(320)
Aquatics	-	4,633	284,034	279,401
Golf course	19,864	15,059	220,390	205,331
General government:				
Other service charges	534,905	860,384	1,026,952	166,568
	<u>9,526,649</u>	<u>9,728,331</u>	<u>10,473,439</u>	<u>745,108</u>
Impact Fees	85,000	170,000	362,678	192,678
Other revenues	140,200	218,527	431,716	213,189
	<u>70,360,277</u>	<u>71,332,510</u>	<u>74,330,913</u>	<u>2,998,403</u>

City of San Luis Obispo, California
 Budgetary Comparison Schedule
 General Fund, continued
 For the Fiscal Year Ended June 30, 2019
 Page 3

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
Public Safety:				
Police protection:				
Administration	1,875,436	1,944,038	1,866,869	77,169
Investigations	2,253,399	2,302,369	2,625,952	(323,583)
Neighborhood services	262,094	274,877	263,697	11,180
Support services	2,603,849	2,602,955	2,577,373	25,582
Patrol services	8,590,188	8,842,240	9,700,945	(858,705)
Traffic safety	879,697	906,361	829,542	76,819
Total police protection	<u>16,464,662</u>	<u>16,872,840</u>	<u>17,864,378</u>	<u>(991,538)</u>
Fire and environmental safety:				
Administration	1,088,845	1,027,500	1,001,122	26,378
Emergency response	10,198,291	10,471,973	11,067,375	(595,402)
Fire Apparatus Services	418,144	419,115	378,942	40,173
Hazard protection	922,759	960,175	926,601	33,574
Training	125,650	128,040	118,945	9,095
Disaster preparedness	9,900	28,703	276,820	(248,117)
Total fire and environmental safety	<u>12,763,588</u>	<u>13,035,505</u>	<u>13,769,805</u>	<u>(734,300)</u>
Total public safety	<u>29,228,251</u>	<u>29,908,346</u>	<u>31,634,183</u>	<u>(1,725,837)</u>
Transportation:				
Transportation planning and engineering	892,371	908,640	896,897	11,743
Street and sidewalk maintenance	1,441,679	1,398,074	1,207,017	191,057
Traffic signals and street lights	542,158	540,535	537,539	2,996
Creek and flood protection	1,002,905	997,428	854,456	142,972
Total transportation	<u>3,879,113</u>	<u>3,844,676</u>	<u>3,495,909</u>	<u>348,767</u>

City of San Luis Obispo, California
 Budgetary Comparison Schedule
 General Fund, continued
 For the Fiscal Year Ended June 30, 2019
 Page 4

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Culture and Recreation:				
Recreation programs:				
Recreation administration	759,597	848,116	793,686	54,430
Aquatics/Sinsheimer park facilities	444,002	468,802	458,827	9,975
Children's services	941,455	945,450	973,889	(28,439)
Facilities	251,974	245,031	237,835	7,196
Special events	-	10,500	5,883	4,617
Recreational sports	574,863	565,215	542,194	23,021
Golf course	659,248	683,631	621,659	61,972
Ranger services	554,652	558,405	487,919	70,486
Maintenance programs:				
Swim center maintenance	442,497	452,025	465,842	(13,817)
Parks and landscape maintenance	2,789,928	2,820,534	2,848,301	(27,767)
Tree maintenance	555,618	755,815	625,617	130,198
Cultural and social service programs: Human relations				
Human relations	249,800	251,145	250,345	800
Cultural activities	327,863	327,863	324,585	3,278
Total leisure, cultural and social services	8,551,497	8,932,531	8,636,582	295,949
Community Development:				
Planning:				
Commissions and communities	55,440	55,062	32,292	22,770
Community development administration	806,371	910,395	919,089	(8,694)
Long-range planning	636,728	700,258	676,830	23,428
Development review	1,670,196	1,666,171	1,919,299	(253,128)
Development services	118,978	119,086	115,859	3,227
Natural resource protection	405,796	397,601	407,673	(10,072)
Construction regulation:				
Building and safety	1,720,946	2,075,681	2,095,557	(19,876)
CIP project engineering	1,934,456	2,151,549	2,049,917	101,632
Economic health:				
Community promotion	403,702	397,661	373,003	24,658
Economic development	228,241	330,010	290,956	39,054
Total community development	7,980,854	8,803,474	8,880,475	(77,001)

City of San Luis Obispo, California
 Budgetary Comparison Schedule
 General Fund, continued
 For the Fiscal Year Ended June 30, 2019
 Page 5

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
General Government:				
Legislation:				
Council	155,828	174,018	162,709	11,309
General administration:				
City administration	955,789	1,504,789	1,311,008	193,781
Public works administration	1,004,002	1,012,731	991,570	21,161
Legal services:				
City attorney	813,370	831,700	832,944	(1,244)
City clerk services:				
Administration and records	750,911	790,077	668,355	121,722
Organization support services:				
Human resource administration	1,202,642	1,270,067	1,307,603	(37,536)
Risk management	4,518,043	4,368,015	4,029,011	339,004
Finance and information technology administration	2,115,742	2,049,627	1,756,234	293,393
Revenue management	285,683	283,205	299,543	(16,338)
Accounting	1,092,541	1,093,573	1,067,711	25,862
Finance non-departmental	815,938	1,498,938	273,334	1,225,604
Network services	2,366,011	2,326,526	2,284,252	42,274
Support services	282,061	280,421	207,284	73,137
Wellness program	18,600	18,440	14,236	4,204
Building and vehicle maintenance:				
Buildings	1,228,974	1,269,081	1,213,928	55,153
Vehicle and equipment maintenance	1,179,293	1,194,905	1,197,321	(2,416)
Total general government before cost reimbursements	18,785,429	19,966,115	17,617,043	2,349,072
Cost reimbursement (Note 3 to RSI)	(3,850,240)	(3,850,240)	(3,850,240)	-
Total general government	14,935,189	16,115,875	13,766,803	2,349,072
Capital Outlay:				
Public safety	299,500	212,562	25,901	186,661
Transportation	671,000	3,458,821	3,368,647	90,174
Culture and recreation	585,000	564,172	490,298	73,874
Community development	-	799,683	795,165	4,518
General government	924,723	1,391,331	1,368,994	22,337
Total capital outlay	2,480,223	6,426,569	6,049,005	377,564
Total Expenditures	67,055,126	74,031,470	72,462,957	1,568,513
Excess of Revenues Over Expenditures	3,305,151	(2,698,960)	1,867,956	4,566,916

City of San Luis Obispo, California
 Budgetary Comparison Schedule
 General Fund, continued
 For the Fiscal Year Ended June 30, 2019
 Page 6

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	4,017,158	4,017,158	3,639,483	(377,675)
Transfers out	(6,336,669)	(6,336,669)	(5,182,219)	1,154,450
Total other financing uses	(2,319,511)	(2,319,511)	(1,542,736)	776,775
Net Change in Fund Balance	985,640	(5,018,471)	325,220	(5,343,691)
Fund Balance, Beginning of the Year	29,576,440	29,576,440	29,576,440	
Fund Balance, End of Year	<u>\$ 30,562,080</u>	<u>\$ 24,557,969</u>	<u>\$ 29,901,660</u>	

City of San Luis Obispo, California
Schedule of the Changes in the Net Pension Liability and Related Ratios
Miscellaneous Agent Multiple-Employer Plan
June 30, 2019
Last 10 Years *

Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability:					
Service Cost	\$ 4,328,129	\$ 4,124,832	\$ 3,580,882	\$ 3,578,172	\$ 3,703,087
Interest on total pension liability	14,778,918	14,197,897	13,688,523	13,193,597	12,756,967
Difference between expected and actual experience	1,445,049	694,843	(1,160,933)	(2,433,791)	
Changes in assumptions	(1,292,326)	11,219,603		(3,057,724)	
Benefit payments, including refunds of employee contributions	(10,740,816)	(10,161,053)	(9,476,508)	(8,808,668)	(8,258,611)
Net change in total pension liability	8,518,954	20,076,122	6,631,964	2,471,586	8,201,443
Total pension liability - beginning	209,751,766	189,675,644	183,043,680	180,572,094	172,370,651
Total pension liability - ending (a)	\$ 218,270,720	\$ 209,751,766	\$ 189,675,644	\$ 183,043,680	\$ 180,572,094
Plan fiduciary net position:					
Contributions - employer	\$ 6,693,987	\$ 6,776,849	\$ 6,122,173	\$ 5,027,356	\$ 4,631,254
Contributions - employee	1,820,697	1,841,331	1,666,606	1,509,834	1,664,654
Net investment income	10,820,033	13,053,453	677,557	2,673,657	17,746,607
Benefit payments	(10,740,816)	(10,161,053)	(9,476,508)	(8,808,668)	(8,258,611)
Net plan to plan resource movement	(316)	(2,936)			
Administrative expense	(200,184)	(172,935)	(72,044)	(133,042)	
Other miscellaneous income/(expense)	(380,153)				
Net change in plan fiduciary net position	8,013,248	11,334,709	(1,082,216)	269,137	15,783,904
Plan fiduciary net position - beginning	128,465,063	117,130,354	118,212,570	117,943,433	102,159,529
Plan fiduciary net position - ending (b)	\$ 136,478,311	\$ 128,465,063	\$ 117,130,354	\$ 118,212,570	\$ 117,943,433
Net pension liability (asset) - ending (a) - (b)	\$ 81,792,409	\$ 81,286,703	\$ 72,545,290	\$ 64,831,110	\$ 62,628,661
Plan fiduciary net position as a percentage of the total pension liability	62.53%	61.25%	61.75%	64.58%	65.32%
Covered payroll	23,794,341	21,841,841	20,499,668	19,769,997	19,235,818
Net pension liability as percentage of covered payroll	343.75%	372.16%	353.89%	327.93%	325.58%

* Fiscal year 2019 was the 5th year of implementation. Therefore, only five years are shown. Information is required only for measurement periods for which GASB 68 is applicable. The current measurement period is the year ended June 30, 2018.

Benefit changes. The figures shown do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies to voluntary benefit changes as well as any offers of two years of additional service credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate decreased from 7.65% to 7.15% and has remained at 7.15% in 2018. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65%. In 2014, amounts reported were based on the 7.5% discount rate.

City of San Luis Obispo, California
Schedule of the Pension Plan Contributions
Miscellaneous Agent Multiple-Employer Plan
June 30, 2019
Last 10 Years *

Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially determined contribution	7,086,287	6,698,266	6,776,849	6,122,173	5,027,356	4,631,254
Contributions in relation to the actuarially determined contribution	(9,354,287)	(6,698,266)	(6,776,849)	(6,122,173)	(5,027,356)	(4,631,254)
Contribution deficiency (excess)	<u>\$ (2,268,000)</u>	<u>\$ -</u>				
Covered payroll	22,463,706	23,794,341	21,841,841	20,499,668	19,769,997	19,235,818
Contributions as percentage of covered payroll	41.64%	28.15%	31.03%	30.97%	25.43%	24.08%

* Fiscal year 2019 was the 5th year of implementation. Therefore, only six years are shown. Information is required only for measurement periods for which GASB 68 is applicable. The current measurement period is the year ended June 30, 2018.

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2018-19 contributions rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	For details, see June 30, 2016 CalPERS Funding Valuation Report
Amortization Period	For details, see June 30, 2016 CalPERS Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2016 CalPERS Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Discount Rate	7.375% Net of Pension Plan Investment and Administrative Expenses
Retirement Age	CalPERS 1997-2011 experience study
Mortality	CalPERS 1997-2011 experience study
	Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of San Luis Obispo, California
Schedule of the City's Proportionate Share of the Net Pension Liability
Safety Cost-Sharing Plan
As of June 30, 2019
Last 10 Years *

Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
Proportion of the Collective Net Pension Liability	1.2261%	1.1943%	1.2510%	1.3654%	1.3754%
Proportionate Share of the Collective Net Pension Liability	\$ 71,940,534	\$ 71,364,346	\$ 64,792,760	\$ 56,260,280	\$ 51,592,420
Covered payroll	\$ 11,246,306	\$ 10,614,437	\$ 10,643,123	\$ 10,849,863	\$ 10,768,119
Proportionate share of the net pension liability as percentage of covered payroll	639.68%	672.33%	608.78%	518.53%	479.12%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

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

Benefit changes . The figures shown do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 as they have minimal cost impact.

Changes in assumptions . In 2017, the accounting discount rate decreased from 7.65% to 7.15% and has remained at 7.15% in 2018. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65%. In 2014, amounts reported were based on the 7.5% discount rate.

City of San Luis Obispo, California
Schedule of the City's Pension Contributions
Safety Cost-Sharing Plan
As of June 30, 2019
Last 10 Years *

Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Contractually required contribution (actuarially determined)	\$ 6,416,780	\$ 5,910,345	\$ 5,549,915	\$ 5,074,217	\$ 4,350,871	\$ 4,226,211
Contribution in relation to the actuarially determined contributions	<u>(8,348,780)</u>	<u>(5,910,345)</u>	<u>(6,299,915)</u>	<u>(5,824,217)</u>	<u>(4,650,871)</u>	<u>(5,161,211)</u>
Contribution deficiency (excess)	<u>\$ (1,932,000)</u>	<u>\$ -</u>	<u>\$ (750,000)</u>	<u>\$ (750,000)</u>	<u>\$ (300,000)</u>	<u>\$ (935,000)</u>
Covered payroll	\$ 11,197,562	\$ 11,246,306	\$ 10,614,437	\$ 10,643,123	\$ 10,849,863	\$ 10,768,119
Contributions as a percentage of covered payroll	74.56%	52.55%	59.35%	54.72%	42.87%	47.93%

*- Fiscal year 2015 was the first year of implementation, therefore only six years are shown

The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

Prepared for the City of San Luis Obispo OPEB Plan
an Agent Multiple-Employer Defined Benefit OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
As of June 30, 2019
Last 10 Years *

Fiscal Year	2018-19	2017-18
Measurement Period	2017-18	2016-17
Total pension liability:		
Service Cost	\$ 463,629	\$ 450,125
Interest on total OPEB liability	891,794	856,436
Difference between expected and actual experience		
Changes in assumptions		
Benefit payments, including refunds of employee contributions	(765,000)	(827,500)
Net change in total OPEB liability	590,423	479,061
Total OPEB liability - beginning	13,130,633	12,651,572
Total OPEB liability - ending (a)	<u>\$ 13,721,056</u>	<u>\$ 13,130,633</u>
 Plan fiduciary net position:		
Contributions - employer	\$ 1,221,000	\$ 1,493,996
Net investment income	439,828	469,883
Benefit payments	(765,000)	(827,500)
Administrative expense	(10,170)	(2,387)
Net change in plan fiduciary net position	885,658	1,133,992
Plan fiduciary net position - beginning	5,479,720	4,345,728
Plan fiduciary net position - ending (b)	<u>\$ 6,365,378</u>	<u>\$ 5,479,720</u>
 Plan net OPEB liability - ending (a) - (b)	<u>\$ 7,355,678</u>	<u>\$ 7,650,913</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	46.39%	41.73%
 Covered payroll	\$ 33,790,437	\$ 33,722,592
 Plan net OPEB liability as percentage of covered payroll	21.77%	22.69%

* Fiscal year 2018 was the first year of implementation. Information is required only for measurement periods for which GASB 75 is applicable.

Benefit changes . The figures shown do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 measurement date.

Changes in assumptions . There were no changes in assumptions.

Prepared for the City of San Luis Obispo Miscellaneous Plan
 an Agent Multiple-Employer Defined Benefit OPEB Plan
Schedule of Employer OPEB Contributions
 As of June 30, 2019
 Last 10 Years *

Fiscal Year	<u>2018-9</u>	<u>2017-18</u>
Contractually determined contribution (actuarially determined)	\$ 1,154,000	\$ 1,221,000
Contributions in relation to the actuarially determined contributions	<u>(677,824)</u>	<u>(1,221,000)</u>
Contribution deficiency (excess)	<u><u>\$ 476,176</u></u>	<u><u>\$ -</u></u>
 Covered payroll	 \$ 33,429,600	 \$ 33,790,437
 Contributions as a percentage of covered payroll	 3.45%	 3.61%

* Fiscal year 2018 was the first year of implementation. Information is required only for measurement periods for which GASB 75 is applicable.
 Contributions paid as of June 30, 2019 are deferred to June 30, 2020.

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2018-19 are as follows:

Valuation date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level % of pay
Amortization Method	Level % of pay
Amortization Period	Average 15.7 years remaining fixed period for 2018/19
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
 Mortality	 CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2017

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2019

Budgetary Comparison Schedule

1. The budget is prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles.
2. Outstanding encumbrances from the prior fiscal year are not reflected in the original budget column but are included in the final budget amounts.
3. All the City's general government and engineering programs are initially accounted and budgeted for in the General Fund. However, certain of these support service programs also benefit the City's enterprise and agency fund operations, and accordingly, transfers are made from these funds to reimburse the General Fund for these services. The transfers are based on a Cost Allocation Plan prepared for this purpose which distributes the shared costs in a uniform, consistent manner in accordance with U.S. generally accepted accounting principles.

Excess of Expenditures Over Appropriations

1. At June 30, 2019 expenditures exceeded appropriations in the General Fund as noted below.

Department/Division	Budget Variance
Police Protection:	
Investigations	323,583
Patrol services	858,705
Fire and environmental safety:	
Emergency response	595,402
Disaster preparedness	248,117
Recreation programs:	
Children's services	28,439
Maintenance programs:	
Swim center maintenance	13,817
Parks and landscape maintenance	27,767
Planning:	
Community development administration	8,694
Development review	253,128
Natural resource protection	10,072
Construction regulation:	
Building and safety	19,876
Legal services:	
City attorney	1,244
Organization support services:	
Human resource administration	37,536
Revenue management	16,338
Building and vehicle maintenance:	
Vehicle and equipment maintenance	2,416



**OTHER SUPPLEMENTARY INFORMATION
AND COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



City of San Luis Obispo
Half Percent Sales Tax Measure Funding Schedule
For the Fiscal Year Ended June 30, 2019

Revenues:

Sales and use tax - Measure G 1/2 cent add-on tax	\$	8,325,230
Use of money and property		102,933
Total revenues		<u>8,428,163</u>

Expenditures:

Operating Programs:		2,116,796
Total Operating Programs		<u>2,116,796</u>

Capital Programs:

Open Space Preservation		634,918
Bicycles and Pedestrian Improvements		468,517
Traffic Congestin/Relief/Safety Improvements		65,320
Public Safety		357,891
Nieghborhood Street Paving		3,043,303
Flood Protection		597,634
Parks & Recreation		679,604
Other Vial Services and Capital Projects		201,817
Total Capital Expenditures		<u>6,049,004</u>

Net change in fund balance		262,363
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Fund balance, beginning of year		<u>6,067,359</u>
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Fund balance, end of year		<u><u>\$ 6,329,722</u></u>
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* The Half Percent Local Sales Tax Measure is a sub-fund of the General Fund. All activity is reflected in the General Fund and is reported here for informational purposes only.

City of San Luis Obispo
Half Percent Sales Tax Measure Funding Schedule, continued
For the Fiscal Year Ended June 30, 2019
Page 2

Revenues

	<u>Budget</u>	<u>Actual</u>
\$0.005 Sales Tax	\$ 7,373,084	\$ 8,325,230
Investment Income		102,933
	<u>\$ 7,373,084</u>	<u>\$ 8,428,163</u>

Expenditures

Operating Programs:

Open Space Wildfire Fuel Reduction	\$ 5,000	\$ 4,999
Ranger Services (FTE = 2)	147,068	147,068
Transportation Planning and Engineering (FTE = 1.6)	201,675	186,543
Signal and Light Maintenance (FTE = 1)	112,138	110,398
PulsePoint CPR Software	8,000	8,000
Patrol Services (FTE = 4)	928,077	562,311
CIP Project Engineering (FTE = 1)	115,325	115,325
Streets and Sidewalk Maintenance (FTE = 1)	101,869	75,728
Building and Safety (FTE = 3)	269,025	269,025
Creek and Flood Protection (FTE = 6)	652,195	597,222
Parks and Landscape Maintenance (FTE = 1)	84,563	40,177
	<u>\$ 2,624,935</u>	<u>\$ 2,116,796</u>

Capital Programs:

Open Space Preservation

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Carryover</u>
Open Space Acquisition	\$ 551,064	\$ 509,886	\$ 2,280	\$ 38,899
Open Space Maintenance	131,341	91,392	8,263	31,685
Laguna Lake Dredging	38,102	33,640	4,238	224
	<u>720,507</u>	<u>634,918</u>	<u>14,781</u>	<u>70,808</u>

Bicycles and Pedestrian Improvements

Sidewalk Replacement	135,943	44,550	7,006	84,387
Bob Jones Octagon Barn Connection	227,285	184,754		42,531
Bob Jones Trail: Prefumo Creek to Oceanaire	216,000			216,000
Railroad District Boardwalk Replacement	5,000	1,165	49	3,786
Railroad Safety Trail: Pepper Street to the Train Station	30,000	27,852		2,148
Railroad Safety Trail - Bike Bridge at Phillips Lane	230,840	41,826	35,567	153,447
Bicycle Transportation Plan Implementation	91,826	90,763		1,063
Sidewalk Access Improvements	52,604			52,604
Bicycle Facility Improvements	75,000	592		74,408
Safe Routes to School	104,263	58,809		45,453
Pedestrian and Bicycle Pathway Maintenance	151,316	14,006	26	137,283
Downtown Renewal	6,000	4,200	840	960
	<u>1,326,077</u>	<u>468,517</u>	<u>43,488</u>	<u>814,070</u>

Traffic Congestion Relief/ Safety Improvements

Traffic Signs and Striping Maintenance	47,930	21,962		25,968
Traffic Safety Report Implementation	111,564	10,880	108	100,576
Transportation Safety & Operations	9,196	530	3,470	5,196
Neighborhood Traffic Improvements	148,819	23,615		125,204
Parking Structure Assessment	8,333	8,333		
	<u>325,842</u>	<u>65,320</u>	<u>3,578</u>	<u>256,944</u>

Public Safety

Police Dispatch Technology Maintenance	40,826	2,000	4,595	34,231
Police Station Replacement Study	145,685	27,755	10,470	107,459
Police Patrol Vehicle Replacements (4)	265,558	366	235,112	30,080

City of San Luis Obispo
Half Percent Sales Tax Measure Funding Schedule, continued
For the Fiscal Year Ended June 30, 2019
Page 3

	Budget	Actual	Encumbrances	Carryover
Public Safety (cont.)				
Fire Vehicle Replacment (Fire Training Pickup, Ambulance Van)	14,867	14,366		500
Police Station Building Maintenance and Improvements	13,750	8,750		5,000
Fire Stations Building Maintenance	154,250	77,781	7,881	68,588
Police Handheld and Vehicle Radio Replacement	280,000			280,000
South Hills Radio Upgrade	238,455	75,342	50,916	112,196
Emergency Dispatch Center Maintenance	256,033	5,409	1,850	248,774
New Street Lights	110,000	48,009	17,941	44,050
Laurel Lane Streetlight	100,000	91,007		8,994
Fire Station 4 Backup Generator	100,877	7,106		93,771
	<u>1,720,301</u>	<u>357,891</u>	<u>328,765</u>	<u>1,033,643</u>
Neighborhood Street Paving				
Street Reconstruction and Resurfacing (Laurel Lane and Southwood)	2,466,861	2,464,872		1,989
Concrete Streets Repair (Dana, Toro & Palm, Palm & Johnson)	436,661	435,360		1,301
Marsh Street Bridget Replacement	725,089			725,089
Streets Maintenance Loader with Skip & Drag Attachment	330,287	130,022		200,265
Corp Yard Fuel Island Siding	14,750	13,049	1,451	250
	<u>3,973,648</u>	<u>3,043,303</u>	<u>1,451</u>	<u>928,894</u>
Flood Protection				
Storm Drain System Replacement	431,211	392,839	3,686	34,685
Ellen Way Storm Drain Improvements 2017	241,500	202,408		39,092
Broad and Leff Culvert Repair	10,000	2,387		7,613
	<u>682,711</u>	<u>597,634</u>	<u>3,686</u>	<u>81,390</u>
Parks & Recreation/Senior Programs and Facilities				
Parks Major Maintenance & Repairs	565,416	134,500	75	430,842
Ludwick Center Gym Lights	15,500	15,610		(110)
Swim Center Building Maintenance and Equipment Replacement	79,981	11,006	400	68,575
Jack House Building Maintenance	74,000	2,250		71,750
Islay Hill Park Playground Equipment Replacement	80,000	46,139	4,964	28,897
Sinsheimer Irrigation & Drainage	120,000			120,000
Sinsheimer Stadium Backstop 2017	165,886	165,886		
City/County Library Major Maintenance	177,076	145,839		31,237
Parks and Recreation Building Maintenance	47,279	15,635	2,529	29,116
Swim Center Co-generation Plant	85,000			85,000
Parks Maintenance Equipment Replacement	30,000	14,060		15,940
Parks Maintennace Walk Behind Mower & Aerator	41,839	41,839		
Parks Maintenance Utility Carts With Dump Beds (2)	56,000	55,885		115
Mission Plaza Restroom Replacements and Enhancements	105,000	30,955	12,724	61,321
	<u>1,642,977</u>	<u>679,604</u>	<u>20,692</u>	<u>942,683</u>
Other Vital Services and Capital Projects				
Facilities Annual Asset Maintenance Account	58,168			58,168
City Hall Chiller Replacement	224,924	201,817	12,648	10,459
Multisite Energy Management	32,600			32,600
Undesignated Capital	114,927			114,927
	<u>430,619</u>	<u>201,817</u>	<u>12,648</u>	<u>216,154</u>
Total Capital Expenditures	<u>\$ 10,822,682</u>	<u>\$ 6,049,004</u>	<u>\$ 429,089</u>	<u>\$ 4,344,586</u>
Net Change in Fund Balance	\$ (6,074,533)	\$ 262,363		
Fund balance, beginning of year	6,067,359	6,067,359		
Fund balance, end of year	<u>\$ (7,174)</u>	<u>\$ 6,329,722</u>		

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

The City maintains the following nonmajor governmental funds:

Special Revenue Funds

The City has established the following ten special revenue funds in order to account for the proceeds from revenue sources that are restricted or committed to expenditures for specified purposes. Budgets are prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles.

Downtown Business Improvement District (BID) Fund. This fund has been established to account for the receipt of a surcharge derived from a supplemental assessment upon businesses within the Downtown Business Improvement District's boundaries. Pursuant to the provisions of the Municipal Code, this surcharge is equal to \$150.00 per year. Expenditures from the fund are limited to four basic purposes: decorating public places within the downtown; promoting public events in the downtown core; promoting trade activities; and improving parking in the downtown core.

Transportation Development Act (TDA) Fund. The State of California has designated 1/4% of the sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the State sales tax to include purchases of gasoline. Revenues allocated to the City of San Luis Obispo under this program are divided into two categories: Article 3 funds, which are restricted for the improvement and maintenance of street systems including pedestrian and bicycle facilities; and Article 4 funds, which are restricted for public transit systems and are recorded directly in the Transit Fund. Under the City's Financial Plan policies, all TDA Article 3 revenues are allocated for alternative transportation purposes. The purpose of this fund is to account for these revenues.

Tourism Business Improvement District (BID) Fund. This fund has been established to account for the receipt of a surcharge derived from assessments upon the lodging establishments within the City. The surcharge is equal to 2% of gross room rents. Expenditures from the fund are limited to the marketing and promotion of tourism.

Gas Tax Fund. Portions of the tax rate per gallon levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditures by the State of California for street-related purposes only. Under the City's Financial Plan policies, all gas tax revenues are transferred to the General Fund for street maintenance purposes.

Community Development Block Grant (CDBG) Fund. This fund has been established to account for federal funds received by the City specifically to benefit low and moderate income persons, aid in the elimination of blight, and meet other community development needs as allowed by block grant regulations.

Law Enforcement Grants Fund. This fund has been established to account for public safety grant funds.

Public Arts Contribution Fund. Public contributions to the public art program are accounted for in this fund along with the expenditures for public art projects funded by this revenue source.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
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Insurance Fund. This fund was established to accumulate resources needed to pay for certain insurance and employee benefit program costs. Financing is primarily provided through operating transfers from the General Fund.

SB1 Road Repair Fund. This fund has been established to account for stable and ongoing funding for maintenance and improvements to transportation infrastructure as provided through Senate Bill 1 (2017), the Road Repair and Accountability Act.

SB1186 ASP Certify Fund. This fund has been established as Senate Bill 1186 (2012) requires local agencies to collect an additional fee when issuing a permit for the purpose of increasing certified access specialist (CASp) services and compliance with construction-related accessibility requirements. The first priority is to spend the funds on the training and retention of CASps in order to meet the needs of the public in the jurisdiction. The funds may also be spent on activities or programs that facilitate accessibility compliance.

Capital Projects Funds

The following eleven capital project funds are used by the City to account for the financial resources used in the construction or acquisition of major capital facilities or equipment (with the exception of those financed primarily through proprietary funds). Budgets are prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles on a multi-year project basis. Accordingly, budgetary comparisons for the capital projects funds are not presented in the accompanying other supplementary information.

Capital Outlay Fund. This fund was established to account for all of the City's construction projects and capital purchases in excess of \$25,000 with the exception of those funded through non-major capital project funds and Enterprise Funds. Financing is provided primarily through transfers in from the General Fund, and from State and Federal Grants.

Parkland Development Fund. This fund was established to account for construction projects related to park acquisition and development that will be financed primarily with park in-lieu fees.

Open Space Protection Fund. This fund was established to account for projects funded as part of the City's open space protection program to enhance open space and agricultural conservation on lands within and surrounding the City, improve passive recreational and nature study opportunities, and restore and enhance wildlife habitat. Projects in this fund will be financed with General Fund contributions, outside contributions, and State and Federal grants.

Airport Area Impact Fee Fund. This fund was established to account for interim annexation fees collected for the specific plan and related infrastructure master plans for annexing the airport area to the City.

Los Osos Valley Road (LOVR) Sub-Area Fee Fund. This fund was established to account for sub-area impact fees collected from development activity in the Los Osos Valley Road sub-area boundary.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
Page 3

Waste Water Impact Fee Fund. This fund was established to account for the collection of development impact fees collected from the Tank Farm Road, Irish Hills, and Silver City sub-areas.

Fleet Replacement Fund. This fund was established to account for the financing and replacement of vehicles for all General Fund programs of the City. Financing is primarily provided through operating transfers from the General Fund as well as from interest earnings and sales of surplus property.

Information Technology Replacement Fund. This fund was established in FY 12-13 to account for the financing and replacement of information technology for all General Fund programs of the City. Financing is primarily provided through operating transfers from the General Fund as well as from interest earnings.

Affordable Housing Program. This fund accumulates revenues from inclusionary housing fees for capital projects related to affordable housing programs and projects.

Transportation Impact Fee Fund. This fund was established to account for construction projects that will be financed primarily with transportation impact fees.

Infrastructure Fund. This fund was established to provide financing to infrastructure projects that have a wide community benefit. Financing is primarily provided through operating transfers from the General Fund.

Public Safety Development Impact Fee Fund. This fund was established to account for construction projects that will be financed primarily with public safety development impact fees.

Debt Service Fund

The City has established one debt service fund to account for the payment and accumulation of resources related to governmental activities long-term debt principal and interest for the following debt issues. Budgets are prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles. The following governmental activity debt issuances are serviced by this fund.

2010 Fire Engine/Truck Lease-Purchase Financing. Lease-purchase financing was obtained in order to purchase a fire apparatus with 100-foot ladder. Debt service obligations are recorded in the Debt Service Fund.

Capital Improvement Board 2012 Refunding Lease Revenue Bonds. On May 24, 2012 the Board issued \$5,050,000 of 2012 Lease Revenue Refunding Bonds. These bonds were issued to refinance the outstanding 2001 Lease Revenue Bonds, Series C, which will be redeemed on December 1, 2029. The 2001 bonds were used to purchase property and build athletic fields; purchase property for police station expansion; purchase Downtown Plan properties.

The Board has entered into a lease agreement with the City under which the City is responsible for making lease payments to fund the annual debt service requirements.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
Page 4

2013 Fire Engine/Truck Lease-Purchase Financing. Lease-purchase financing was obtained in order to purchase an engine. Debt service obligations are recorded in the Debt Service Fund.

Capital Improvement Board 2014 Lease Revenue Bonds. In 2014 the Board issued \$7,580,000 of 2014 Lease Revenue Bonds. These bonds were issued to finance the expansion of the Los Osos Valley Road interchange at U.S. 101. Debt service related to the interchange is recorded in the Debt Service Fund.

The Board has entered into a lease agreement with the City under which the City is responsible for making lease payments to fund the annual debt service requirements.

2016 Mobile Data Computers Lease. Lease-purchase financing was obtained in order to purchase mobile data computers, hardware to install the computers in City vehicles, installation costs, and wireless network components. Debt service obligations are recorded in the Debt Service Fund.

2017 Fire Engine and Street Sweeper. Lease-purchase financing was obtained in order to purchase a fire truck and street sweeper. Debt service obligations are recorded in the Debt Service Fund.

2018 Street Sweeper. Lease-purchase financing was obtained in order to purchase a street sweeper. Debt service obligations are recorded in the Debt Service Fund.

Capital Improvement Board 2018 Lease Revenue Bonds. In 2018 the Board issued \$11,072,775 of 2018 Lease Revenue Refunding Bonds. These bonds were issued to refinance the outstanding 2005 Revenue Bonds, 2006 Lease Revenue Bonds, and 2009 Lease Revenue Bonds. The original bonds were used to accomplish several high priority capital improvement projects including the headquarters fire station, seismic safety and HVAC improvements to City Hall, Mission Plaza expansion, and various properties and street lighting system purchases. Further, the bonds were used to purchase a parking structure and office building and to finance the construction of the Public Safety Communications and Emergency Operations Center project.

The Board has entered into a lease agreement with the City under which the City is responsible for making lease payments to fund the annual debt service requirements.

City of San Luis Obispo, California
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds			
	Downtown BID	Transportation Development Act (TDA)	Tourism BID	Gas Tax
Assets				
Cash and investment	\$ -	\$ -	\$ 444,003	\$ -
Accounts receivable	-	-	211,571	-
Accrued interest receivable	-	-	2,344	-
Prepaid expense	-	-	-	-
Cash held by fiscal agent	-	-	-	-
Total assets	\$ -	\$ -	\$ 657,918	\$ -
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 193,830	\$ -
Accrued liabilities	-	-	8,065	-
Due to other funds	5,332	-	-	143,380
Unearned revenue	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	5,332	-	201,895	143,380
Fund balance:				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Transportation projects	-	-	-	-
Affordable housing programs	-	-	-	-
Impact fee programs	-	-	-	-
Parkland development programs	-	-	-	-
Public art programs	-	-	-	-
Tourism programs	-	-	456,023	-
Assigned to:				
Contingency fund	-	-	-	-
Subsequent years expenditures	-	-	-	-
Unassigned	(5,332)	-	-	(143,380)
Total fund balance	(5,332)	-	456,023	(143,380)
Total liabilities and fund balance	\$ -	\$ -	\$ 657,918	\$ -

Special Revenue Funds

Community Development Block Grant (CDBG)	Law Enforcement Grants	Public Art Contributions	Insurance	SBI Road Repair	SB1186 CASP Certify
\$ 146,724	\$ -	\$ 622,361	\$ 1,833,278	\$ 523,581	\$ 30,310
-	-	-	-	-	-
-	-	2,973	1,521	531	120
-	-	-	-	-	-
-	-	-	-	-	-
\$ 146,724	\$ -	\$ 625,334	\$ 1,834,799	\$ 524,112	\$ 30,430
\$ 38,149	\$ -	\$ 4,400	\$ -	\$ 42,688	\$ -
-	1,945	-	-	-	-
-	22,693	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38,149	24,638	4,400	-	42,688	-
-	-	-	-	-	-
-	-	-	-	-	-
108,575	-	-	-	481,424	30,430
-	-	-	-	-	-
-	-	-	-	-	-
-	-	620,934	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,834,799	-	-
-	(24,638)	-	-	-	-
108,575	(24,638)	620,934	1,834,799	481,424	30,430
\$ 146,724	\$ -	\$ 625,334	\$ 1,834,799	\$ 524,112	\$ 30,430

City of San Luis Obispo, California
Combining Balance Sheets
Nonmajor Governmental Funds, continued
June 30, 2019

	Capital Projects Funds		
	Capital Outlay	Parkland Development	Open Space Protection
Assets			
Cash and investment	\$ 1,470,988	\$ 4,094,757	\$ -
Accounts receivable	339,070	-	-
Accrued interest receivable	8,892	19,602	646
Prepaid expense	-	-	-
Cash held by fiscal agent	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,818,950</u>	<u>\$ 4,114,359</u>	<u>\$ 646</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 111,206	\$ 585,697	\$ 5,540
Accrued liabilities	-	-	-
Due to other funds	-	-	140,178
Unearned revenue	114,967	-	-
Other liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>226,173</u>	<u>585,697</u>	<u>145,718</u>
Fund balance:			
Unspendable	-	-	-
Restricted for:			
Debt service	-	-	-
Transportation projects	-	-	-
Affordable housing programs	-	-	-
Impact fee programs	-	-	-
Parkland development programs	-	3,528,662	-
Public art programs	-	-	-
Tourism programs	-	-	-
Assigned to:			
Contingency fund	-	-	-
Subsequent years expenditures	1,592,777	-	-
Unassigned	-	-	(145,072)
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>1,592,777</u>	<u>3,528,662</u>	<u>(145,072)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 1,818,950</u>	<u>\$ 4,114,359</u>	<u>\$ 646</u>

Capital Projects Funds

Airport Area Impact Fee	LOVR Sub-Area Fee	Waste Water Impact Fee	Fleet Replacement	Info Tech Replacement
\$ 1,147,938	\$ 888,706	\$ 737,908	\$ 587,498	\$ 2,145,593
-	-	-	-	-
5,564	4,244	3,369	6,163	5,570
-	-	-	-	-
-	-	-	-	-
\$ 1,153,502	\$ 892,950	\$ 741,277	\$ 593,661	\$ 2,151,163
\$ -	\$ -	\$ -	\$ -	\$ 210,534
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	179,906	-	-	-
-	179,906	-	-	210,534
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,153,502	713,044	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	500,000	400,000
-	-	741,277	93,661	1,540,629
-	-	-	-	-
1,153,502	713,044	741,277	593,661	1,940,629
\$ 1,153,502	\$ 892,950	\$ 741,277	\$ 593,661	\$ 2,151,163

City of San Luis Obispo, California
Combining Balance Sheets
Nonmajor Governmental Funds, continued
June 30, 2019

	Capital Projects Funds			
	Affordable Housing	Transportation Impact Fee	Infrastructure	Public Safety Development Impact Fee
Assets				
Cash and investment	\$ 2,819,484	\$ 7,840,242	\$ 577,563	\$ 4,110
Accounts receivable	-	-	-	-
Accrued interest receivable	16,490	38,865	1,588	-
Prepaid expense	-	-	-	-
Cash held by fiscal agent	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,835,974</u>	<u>\$ 7,879,107</u>	<u>\$ 579,151</u>	<u>\$ 4,110</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ 167,524	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Other liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	167,524	-	-
Fund balance:				
Unspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Transportation projects	-	7,711,583	-	-
Affordable housing programs	2,835,974	-	-	-
Impact fee programs	-	-	-	4,110
Parkland development programs	-	-	-	-
Public art programs	-	-	-	-
Tourism programs	-	-	-	-
Assigned to:				
Contingency fund	-	-	-	-
Subsequent years expenditures	-	-	579,151	-
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>2,835,974</u>	<u>7,711,583</u>	<u>579,151</u>	<u>4,110</u>
Total liabilities and fund balance	<u>\$ 2,835,974</u>	<u>\$ 7,879,107</u>	<u>\$ 579,151</u>	<u>\$ 4,110</u>

Debt Service	Total Nonmajor Governmental Funds
\$ 1,413,822	\$ 27,328,866
-	550,641
-	118,482
292,641	292,641
421,666	421,666
<hr/>	
<u>\$ 2,128,129</u>	<u>\$ 28,712,296</u>
\$ 44,462	\$ 1,404,030
-	10,010
-	311,583
-	114,967
-	179,906
<hr/>	
44,462	2,020,496
292,641	292,641
1,791,026	1,791,026
-	8,223,437
-	2,944,549
-	1,870,656
-	3,528,662
-	620,934
-	456,023
-	900,000
-	6,382,294
-	(318,422)
<hr/>	
2,083,667	26,691,800
<hr/>	
<u>\$ 2,128,129</u>	<u>\$ 28,712,296</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds			
	Transportation			
	Downtown BID	Development Act (TDA)	Tourism BID	Gas Tax
Revenues:				
Use of money and property	\$ -	\$ -	\$ 17,615	\$ -
Subventions and grants	-	47,234	-	937,033
Charges for services	276,769	-	1,598,067	-
Other revenues	-	-	-	-
Total revenues	276,769	47,234	1,615,682	937,033
Expenditures:				
Current:				
General Government	-	-	-	-
Public safety	-	-	-	-
Community development	204,772	-	1,545,600	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital:				
General Government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Leisure, cultural and social services	-	-	-	-
Community development	-	-	-	-
Total expenditures	204,772	-	1,545,600	-
Excess (deficiency) of revenues over (under) expenditures	71,997	47,234	70,082	937,033
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(47,234)	(31,355)	(1,080,413)
Capital lease financing	-	-	-	-
Total other financing sources (uses)	-	(47,234)	(31,355)	(1,080,413)
Net change in fund balance	71,997	-	38,727	(143,380)
Fund balance, beginning of year	(77,329)	-	417,296	-
Fund balance (deficit), end of year	\$ (5,332)	\$ -	\$ 456,023	\$ (143,380)

Special Revenue Funds

Community Development Block Grant (CDBG)	Law Enforcement Grants	Public Art Contributions	Insurance	SB1 Road Repair	SB1186 ASP Certify
\$ -	\$ -	\$ 20,333	\$ 55,248	\$ 6,812	\$ 2,416
19,287	51,497	-	-	794,386	-
-	829	150,596	-	-	27,301
-	-	-	-	-	-
<u>19,287</u>	<u>52,326</u>	<u>170,929</u>	<u>55,248</u>	<u>801,198</u>	<u>29,717</u>
-	-	-	-	-	-
-	80,037	-	-	-	-
46,487	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	567,808	-
-	-	69,880	-	-	-
-	-	-	-	39,553	-
<u>46,487</u>	<u>80,037</u>	<u>69,880</u>	<u>-</u>	<u>607,361</u>	<u>-</u>
<u>(27,200)</u>	<u>(27,711)</u>	<u>101,049</u>	<u>55,248</u>	<u>193,837</u>	<u>29,717</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(27,200)</u>	<u>(27,711)</u>	<u>101,049</u>	<u>55,248</u>	<u>193,837</u>	<u>29,717</u>
<u>135,775</u>	<u>3,073</u>	<u>519,885</u>	<u>1,779,551</u>	<u>287,587</u>	<u>713</u>
<u>\$ 108,575</u>	<u>\$ (24,638)</u>	<u>\$ 620,934</u>	<u>\$ 1,834,799</u>	<u>\$ 481,424</u>	<u>\$ 30,430</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds, continued
For the Fiscal Year Ended June 30, 2019

	Capital Projects Funds		
	Capital Outlay	Parkland Development	Open Space Protection
Revenues:			
Use of money and property	\$ 18,576	\$ 119,458	\$ 9,905
Subventions and grants	342,590	-	-
Charges for services	-	1,080,178	-
Other revenues	-	-	89,559
Total revenues	<u>361,166</u>	<u>1,199,636</u>	<u>99,464</u>
Expenditures:			
Current:			
General Government	2,975	-	-
Public safety	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital:			
General Government	148,758	13,966	839,792
Public safety	-	-	-
Transportation	1,245,202	-	-
Leisure, cultural and social services	16,654	20,355	-
Community development	23,429	-	-
Total expenditures	<u>1,437,018</u>	<u>34,321</u>	<u>839,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,075,852)</u>	<u>1,165,315</u>	<u>(740,328)</u>
Other financing sources (uses):			
Transfers in	938,800	-	-
Transfers out	-	-	-
Capital lease financing	-	-	-
Total other financing sources (uses)	<u>938,800</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(137,052)	1,165,315	(740,328)
Fund balance, beginning of year	<u>1,729,829</u>	<u>2,363,347</u>	<u>595,256</u>
Fund balance (deficit), end of year	<u>\$ 1,592,777</u>	<u>\$ 3,528,662</u>	<u>\$ (145,072)</u>

Capital Projects Funds

Airport Area Impact Fee	LOVR Sub-Area Fee	Waste Water Impact	Fleet Replacement	Info Tech Replacement
\$ 39,168	\$ 29,509	\$ 21,609	\$ 25,123	\$ 49,872
-	-	-	-	-
2,097	586,015	438,403	58,679	125,281
-	-	-	-	-
<u>41,265</u>	<u>615,524</u>	<u>460,012</u>	<u>83,802</u>	<u>175,153</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	251,421	2,073,047
-	-	-	681,017	-
8,992	-	-	9	-
-	-	-	-	-
-	-	-	-	-
<u>8,992</u>	<u>-</u>	<u>-</u>	<u>932,447</u>	<u>2,073,047</u>
32,273	615,524	460,012	(848,645)	(1,897,894)
-	-	-	-	1,066,436
-	-	-	-	-
-	-	-	673,095	-
-	-	-	673,095	1,066,436
32,273	615,524	460,012	(175,550)	(831,458)
<u>1,121,229</u>	<u>97,520</u>	<u>281,265</u>	<u>769,211</u>	<u>2,772,087</u>
<u>\$ 1,153,502</u>	<u>\$ 713,044</u>	<u>\$ 741,277</u>	<u>\$ 593,661</u>	<u>\$ 1,940,629</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds, continued
For the Fiscal Year Ended June 30, 2019

	Capital Projects Funds			
	Affordable Housing	Transportation Impact Fee	Infrastructure	Public Safety Development Impact Fee
Revenues:				
Use of money and property	\$ 112,574	\$ 261,924	\$ 11,181	\$ -
Subventions and grants	-	-	-	-
Charges for services	1,193,099	2,034,421	-	4,110
Other revenues	12,501	41,964	-	-
Total revenues	<u>1,318,174</u>	<u>2,338,309</u>	<u>11,181</u>	<u>4,110</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital:				
General Government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	1,250,571	-	-
Leisure, cultural and social services	-	-	-	-
Community development	710,000	-	-	-
Total expenditures	<u>710,000</u>	<u>1,250,571</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>608,174</u>	<u>1,087,738</u>	<u>11,181</u>	<u>4,110</u>
Other financing sources (uses):				
Transfers in	-	-	250,000	-
Transfers out	(17,000)	(250,000)	-	-
Capital lease financing	-	-	-	-
Total other financing sources (uses)	<u>(17,000)</u>	<u>(250,000)</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	591,174	837,738	261,181	4,110
Fund balance, beginning of year	<u>2,244,800</u>	<u>6,873,845</u>	<u>317,970</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 2,835,974</u>	<u>\$ 7,711,583</u>	<u>\$ 579,151</u>	<u>\$ 4,110</u>

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 8,389	\$ 809,712
-	2,192,027
-	7,575,845
15,054	159,078
<u>23,443</u>	<u>10,736,662</u>
-	2,975
-	80,037
-	1,796,859
1,974,050	1,974,050
809,977	809,977
-	3,326,984
-	681,017
-	3,072,582
-	106,889
-	772,982
<u>2,784,027</u>	<u>12,624,352</u>
<u>(2,760,584)</u>	<u>(1,887,690)</u>
3,185,500	5,440,736
-	(1,426,002)
-	673,095
<u>3,185,500</u>	<u>4,687,829</u>
424,916	2,800,139
<u>1,658,751</u>	<u>23,891,661</u>
<u>\$ 2,083,667</u>	<u>\$ 26,691,800</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Downtown Business Improvement District Fund

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services				
Assessments	\$ 227,000	\$ 227,000	\$ 276,769	\$ 49,769
Total Revenues	<u>227,000</u>	<u>227,000</u>	<u>276,769</u>	<u>49,769</u>
Expenditures:				
Current				
Community development	<u>227,000</u>	<u>227,000</u>	<u>204,772</u>	<u>22,228</u>
Total Expenditures	<u>227,000</u>	<u>227,000</u>	<u>204,772</u>	<u>22,228</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>71,997</u>	<u>71,997</u>
Net Change in Fund Balance	-	-	71,997	71,997
Fund Balance, Beginning of Year	<u>(77,329)</u>	<u>(77,329)</u>	<u>(77,329)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (77,329)</u>	<u>\$ (77,329)</u>	<u>\$ (5,332)</u>	<u>\$ 71,997</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Transportation Development Act (TDA)

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 45,000	\$ 45,000	\$ 47,234	\$ 2,234
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>47,234</u>	<u>2,234</u>
Excess of Revenues Over Expenditures	45,000	45,000	47,234	2,234
Other Financing Uses:				
Operating transfers out	\$ (45,000)	\$ (45,000)	(47,234)	(2,234)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Tourism Business Improvement District Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Use of money and property	\$ 1,400	\$ 1,400	\$ 17,615	\$ 16,215
Assessments	1,473,000	1,473,000	1,598,067	125,067
Other revenues	-	-	-	-
Total Revenues	<u>1,474,400</u>	<u>1,474,400</u>	<u>1,615,682</u>	<u>141,282</u>
Expenditures:				
Current				
Community development	<u>1,356,082</u>	<u>1,623,905</u>	<u>1,545,600</u>	<u>78,305</u>
Total Expenditures	<u>1,356,082</u>	<u>1,623,905</u>	<u>1,545,600</u>	<u>78,305</u>
Excess of Revenues Over (Under) Expenditures	118,318	(149,505)	70,082	219,587
Other Financing Uses:				
Operating transfers out	<u>(28,679)</u>	<u>(28,679)</u>	<u>(31,355)</u>	<u>(2,676)</u>
Net Change in Fund Balance	89,639	(178,184)	38,727	216,911
Fund Balance, Beginning of Year	<u>417,296</u>	<u>417,296</u>	<u>417,296</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 506,935</u>	<u>\$ 239,112</u>	<u>\$ 456,023</u>	<u>\$ 216,911</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

	Gas Tax			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Revenues:				
Subventions and grants	\$ 965,000	\$ 965,000	\$ 937,033	\$ (27,967)
Total Revenues	<u>965,000</u>	<u>965,000</u>	<u>937,033</u>	<u>(27,967)</u>
Excess of Revenues Over Expenditures	965,000	965,000	937,033	(27,967)
Other Financing Uses:				
Operating transfers out	\$ (965,000)	\$ (965,000)	(1,080,413)	(115,413)
Net Change in Fund Balance	-	-	(143,380)	(143,380)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (143,380)</u>	<u>\$ (143,380)</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Community Development Block Grant (CDBG) Fund

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and grants	\$ -	\$ -	\$ 19,287	\$ 19,287
Total Revenues	<u>-</u>	<u>-</u>	<u>19,287</u>	<u>19,287</u>
Expenditures:				
Current				
Community development	99,990	99,758	46,487	53,271
Total Expenditures	<u>99,990</u>	<u>99,758</u>	<u>46,487</u>	<u>53,271</u>
Excess of Revenues Over (Under) Expenditures	(99,990)	(99,758)	(27,200)	72,558
Other Financing Uses:				
Operating transfers in	<u>154,000</u>	<u>154,000</u>	<u>-</u>	<u>(154,000)</u>
Net Change in Fund Balance	54,010	54,242	(27,200)	(81,442)
Fund Balance, Beginning of Year	<u>135,775</u>	<u>135,775</u>	<u>135,775</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 189,785</u>	<u>\$ 190,017</u>	<u>\$ 108,575</u>	<u>\$ (81,442)</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Law Enforcement Grants Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 21,325	\$ 21,325	\$ 51,497	\$ 30,172
Charges for services	2,142	2,142	829	(1,313)
Total Revenues	<u>23,467</u>	<u>23,467</u>	<u>52,326</u>	<u>28,859</u>
Expenditures:				
Public Safety	44,096	44,096	80,037	(35,941)
Total Expenditures	<u>44,096</u>	<u>44,096</u>	<u>80,037</u>	<u>(35,941)</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,629)</u>	<u>(20,629)</u>	<u>(27,711)</u>	<u>(7,082)</u>
Other Financing Uses:				
Operating transfers out	-	(13,800)	-	13,800
Net Change in Fund Balance	(20,629)	(34,429)	(27,711)	6,718
Fund Balance, Beginning of Year	<u>3,073</u>	<u>3,073</u>	<u>3,073</u>	<u>-</u>
Fund Balance, End of Year	<u>(17,556)</u>	<u>(31,356)</u>	<u>(24,638)</u>	<u>6,718</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Public Art Contributions Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,100	\$ 2,100	\$ 20,333	\$ 18,233
Other revenues	38,500	38,500	150,596	112,096
Total Revenues	<u>40,600</u>	<u>40,600</u>	<u>170,929</u>	<u>130,329</u>
Expenditures:				
Leisure, cultural and social services	-	-	-	-
Capital Projects	126,700	74,465	69,880	4,585
Total Expenditures	<u>126,700</u>	<u>74,465</u>	<u>69,880</u>	<u>4,585</u>
Excess of Revenues Over (Under) Expenditures	<u>(86,100)</u>	<u>(33,865)</u>	<u>101,049</u>	<u>134,914</u>
Net Change in Fund Balance	(86,100)	(33,865)	101,049	134,914
Fund Balance, Beginning of Year	<u>519,885</u>	<u>519,885</u>	<u>519,885</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 433,785</u>	<u>\$ 486,020</u>	<u>\$ 620,934</u>	<u>\$ 134,914</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

	Insurance Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 55,248	\$ 55,248
Total Revenues	<u>-</u>	<u>-</u>	<u>55,248</u>	<u>55,248</u>
Expenditures:				
Leisure, cultural and social services	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>55,248</u>	<u>55,248</u>
Net Change in Fund Balance	-	-	55,248	55,248
Fund Balance, Beginning of Year	<u>1,779,551</u>	<u>1,779,551</u>	<u>1,779,551</u>	<u>-</u>
Fund Balance, End of Year	<u><u>1,779,551</u></u>	<u><u>1,779,551</u></u>	<u><u>1,834,799</u></u>	<u><u>55,248</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

SB1 Road Repair Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 6,812	\$ 6,812
Subventions and grants	-	-	794,386	794,386
Total Revenues	<u>-</u>	<u>-</u>	<u>801,198</u>	<u>801,198</u>
Expenditures:				
Leisure, cultural and social services	-	-	-	-
Capital Projects	-	759,192	607,361	151,831
Total Expenditures	<u>-</u>	<u>759,192</u>	<u>607,361</u>	<u>151,831</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(759,192)</u>	<u>193,837</u>	<u>953,029</u>
Net Change in Fund Balance	-	(759,192)	193,837	953,029
Fund Balance, Beginning of Year	<u>287,587</u>	<u>287,587</u>	<u>287,587</u>	<u>-</u>
Fund Balance, End of Year	<u><u>287,587</u></u>	<u><u>(471,605)</u></u>	<u><u>\$ 481,424</u></u>	<u><u>\$ 953,029</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
June 30, 2019

Debt Service Fund

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 8,389	\$ 8,389
Other revenues	-	-	15,054	15,054
Total Revenues	<u>-</u>	<u>-</u>	<u>23,443</u>	<u>23,443</u>
Expenditures:				
Principal	2,259,149	2,259,149	1,974,050	285,099
Interest and fiscal charges	938,578	938,578	809,977	128,601
Total Expenditures	<u>3,197,727</u>	<u>3,197,727</u>	<u>2,784,027</u>	<u>413,700</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,197,727)</u>	<u>(3,197,727)</u>	<u>(2,760,584)</u>	<u>437,143</u>
Other Financing Uses:				
Operating transfers in	3,185,500	3,185,500	3,185,500	-
Long-term debt proceeds	-	48,096	-	(48,096)
Total other Financing Uses:	<u>3,185,500</u>	<u>3,233,596</u>	<u>3,185,500</u>	<u>(48,096)</u>
Net Change in Fund Balance	(12,227)	(12,227)	424,916	389,047
Fund Balance, Beginning of Year	<u>1,658,751</u>	<u>1,658,751</u>	<u>1,658,751</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,646,524</u>	<u>\$ 1,646,524</u>	<u>\$ 2,083,667</u>	<u>\$ 389,047</u>



City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

City of San Luis Obispo, California
Agency Funds
For the Fiscal Year Ended June 30, 2018

The City of San Luis Obispo has established the following agency funds, which are used to account for funds held by the City as an agent for private donations and programs operated jointly with other local agencies:

Whale Rock Fund. This fund was established to account for the financial activities of the Whale Rock Commission, a joint venture providing water service to the City, the California Polytechnic State University, and the California Men's Colony.

Jack House Fund. This fund was established to account for the financial activities of the Jack House Committee, which includes the rehabilitation and use of a use of the historic Jack House property.

Hazardous Materials Task Force Fund. This fund was established to account for the financial activities of the County task force.

General Agency Fund. This fund was established to account for a broad category of funds, including donations, provided to the City to be utilized for specific purposes.

Duvall Fund. This fund was established to account for a bequest by Mary Jane Duvall to assist in civic and beautification projects in the Mission Plaza area and extensions.

Boysen Ranch Conservation Easement Fund. This fund was established to account for contributions toward obtaining a conservation easement on the Boysen Ranch property.

Cable Television Public, Educational and Government Funds (PEG) for the City of San Luis Obispo, San Luis Coastal Unified School District (SLCUSD) and San Luis Obispo County Public Access, Inc. Public Access Television (PAT). These funds account for collections by Charter Communications from its customers for PEG access equipment and facilities. The City of San Luis Obispo, SLCUSD and PAT annually receive equal shares of collections, restricted for approved uses as stipulated in the cable franchise agreement.

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2019

	Adjusted Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Whale Rock Fund				
Assets				
Cash and cash equivalents	\$ 142,436	\$ 4,047,811	\$ 2,606,889	\$ 1,583,358
Investments	1,869,592	(1,869,592)	-	-
Accounts receivable	31,443	605,752	611,895	25,300
Accrued interest receivable	7,945	7,725	7,945	7,725
Prepaid expense	6,100	-	6,100	-
Capital assets, net of accumulated depreciation	1,188,758	2,224,010	2,191,724	1,221,044
Total Assets	\$ 3,514,493	\$ 5,015,706	\$ 5,424,553	\$ 2,837,427
Liabilities				
Accounts payable	\$ 29,621	\$ 911,178	\$ 910,016	\$ 30,783
Accrued salaries	40,881	(16,411)	3,733	20,737
Other liabilities	17,006	29,461	-	46,467
Due to agency participants	3,140,832	-	401,392	2,739,440
Total Liabilities	\$ 3,514,493	\$ 924,228	\$ 1,315,141	\$ 2,837,427
	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Jack House Fund				
Assets				
Cash and cash equivalents	\$ 17,268	\$ 1,064	\$ -	\$ 18,332
Accrued interest receivable	68	89	68	89
Total Assets	\$ 17,336	\$ 1,153	\$ 68	\$ 18,421
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Other liabilities	17,336	1,085	-	18,421
Total Liabilities	\$ 17,336	\$ 1,085	\$ -	\$ 18,421

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2019
Page 2

	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
Hazardous Materials Task Force Fund				
Assets				
Cash and cash equivalents	\$ 125,779	\$ 88,312	\$ 69,923	\$ 144,168
Accrued interest receivable	537	714	537	714
Total Assets	<u>\$ 126,316</u>	<u>\$ 89,026</u>	<u>\$ 70,460</u>	<u>\$ 144,882</u>
Liabilities				
Accounts payable	\$ 817	\$ 40,474	\$ 40,567	\$ 724
Accrued salaries	122	840	122	840
Due to agency participants	125,377	142,912	124,971	143,318
Total Liabilities	<u>\$ 126,316</u>	<u>\$ 184,226</u>	<u>\$ 165,660</u>	<u>\$ 144,882</u>
	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 1,544,498	\$ 637,353	\$ 714,844	\$ 1,467,007
Other assets	30,864	-	-	30,864
Total Assets	<u>\$ 1,575,362</u>	<u>\$ 637,353</u>	<u>\$ 714,844</u>	<u>\$ 1,497,871</u>
Liabilities				
Accounts payable	\$ 114,606	\$ 567,795	\$ 565,397	\$ 117,004
Other liabilities	1,460,756	661,018	740,907	1,380,867
Total Liabilities	<u>\$ 1,575,362</u>	<u>\$ 1,228,813</u>	<u>\$ 1,306,304</u>	<u>\$ 1,497,871</u>
	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
Duvall Fund				
Assets				
Cash and cash equivalents	\$ 160,893	\$ 167,045	\$ 161,532	\$ 166,406
Accrued interest receivable	639	808	640	807
Total Assets	<u>\$ 161,532</u>	<u>\$ 167,853</u>	<u>\$ 162,172</u>	<u>\$ 167,213</u>
Liabilities				
Other liabilities	\$ 161,532	\$ 167,213	\$ 161,532	\$ 167,213
Total Liabilities	<u>\$ 161,532</u>	<u>\$ 167,213</u>	<u>\$ 161,532</u>	<u>\$ 167,213</u>
	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
Boysen Ranch Conservation Easement				
Assets				
Cash and cash equivalents	\$ 402,274	\$ 13,784	\$ -	\$ 416,058
Accrued interest receivable	1,599	2,017	1,599	2,017
Total Assets	<u>\$ 403,873</u>	<u>\$ 15,801</u>	<u>\$ 1,599</u>	<u>\$ 418,075</u>
Liabilities				
Accounts payable	\$ 24,567	\$ -	\$ -	\$ 24,567
Other liabilities	379,306	317,968	303,766	393,508
Total Liabilities	<u>\$ 403,873</u>	<u>\$ 317,968</u>	<u>\$ 303,766</u>	<u>\$ 418,075</u>

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2019
Page 3

	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
PEG - City of San Luis Obispo				
Assets				
Cash and cash equivalents	\$ 218,186	\$ 129,057	\$ 80,000	\$ 267,243
Accounts receivable	10,606	50,657	51,295	9,968
Accrued interest receivable	849	1,150	849	1,150
Total Assets	<u>\$ 229,641</u>	<u>\$ 180,864</u>	<u>\$ 132,144</u>	<u>\$ 278,361</u>
Liabilities				
Accounts payable	\$ 9,067	\$ 800	\$ 9,867	\$ -
Other liabilities	220,574	58,587	800	278,361
Total Liabilities	<u>\$ 229,641</u>	<u>\$ 59,387</u>	<u>\$ 10,667</u>	<u>\$ 278,361</u>
	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
PEG - SLCUSD				
Assets				
Cash and cash equivalents	\$ 268,667	\$ 71,240	\$ 62,552	\$ 277,355
Accounts receivable	10,606	30,534	31,171	9,969
Accrued interest receivable	1,068	1,396	1,068	1,396
Total Assets	<u>\$ 280,341</u>	<u>\$ 103,170</u>	<u>\$ 94,791</u>	<u>\$ 288,720</u>
Liabilities				
Other liabilities	\$ 280,341	\$ 40,387	\$ 32,008	\$ 288,720
Total Liabilities	<u>\$ 280,341</u>	<u>\$ 40,387</u>	<u>\$ 32,008</u>	<u>\$ 288,720</u>
	Adjusted Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,880,001	\$ 5,155,666	\$ 3,695,740	\$ 4,339,927
Investments	1,869,592	(1,869,592)	-	-
Accounts receivable	52,655	686,943	694,361	45,237
Accrued interest receivable	12,705	13,899	12,706	13,898
Other assets	36,964	-	6,100	30,864
Due from other governments	-	-	-	-
Capital assets, net of accumulated depreciation	1,188,758	2,224,010	2,191,724	1,221,044
Total Assets	<u>\$ 6,040,675</u>	<u>\$ 6,210,926</u>	<u>\$ 6,600,631</u>	<u>\$ 5,650,970</u>
Liabilities				
Accounts payable	\$ 178,678	\$ 1,520,247	\$ 1,525,847	\$ 173,078
Accrued salaries	41,003	(15,571)	3,855	21,577
Other liabilities	2,536,851	1,275,719	1,239,013	2,573,557
Due to agency participants	3,266,209	142,912	526,363	2,882,758
Total Liabilities	<u>\$ 6,022,741</u>	<u>\$ 2,923,307</u>	<u>\$ 3,295,078</u>	<u>\$ 5,650,970</u>



STATISTICAL SECTION (UNAUDITED)

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

City of San Luis Obispo, California
Statistical Section Overview
June 30, 2018

This part of the City of San Luis Obispo’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 government’s overall financial health.

Contents

Financial Trends – Schedules 1-6. These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Revenue Capacity – Schedules 7-13. These schedules contain information to help the reader assess the government’s most significant local revenue sources, sales and property taxes.

Debt Capacity – Schedules 14-19. 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.

Demographic and Economic Information – Schedules 20-22. These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

Operating Information – Schedules 23-26. 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 government provides and the activities it performs.

Schedule 1
City of San Luis Obispo, California
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Governmental activities:										
Net investment in capital assets	\$ 129,416,800	\$ 133,145,800	\$ 141,686,600	\$ 142,239,500	\$ 145,266,043	\$ 150,430,226	\$ 163,449,992	\$ 165,100,426	\$ 171,472,251	\$ 174,431,254
Restricted	2,569,800	2,543,800	2,620,700	2,374,800	4,825,662	2,350,838	2,762,387	2,268,499	421,954	20,530,627
Unrestricted	26,204,500	26,401,500	23,583,000	29,927,200	(66,610,104)	(57,421,778)	(49,031,893)	(41,496,841)	(49,909,657)	(72,235,054)
Total governmental activities net position	\$ 158,191,100	\$ 162,091,100	\$ 167,890,300	\$ 174,541,500	\$ 83,481,601	\$ 95,359,286	\$ 117,180,486	\$ 125,872,084	\$ 121,984,548	\$ 122,726,827
Business-type activities:										
Net investment in capital assets	\$ 112,395,800	\$ 117,314,700	\$ 119,957,600	\$ 123,510,200	\$ 119,116,303	\$ 125,801,845	\$ 128,390,611	\$ 131,149,516	\$ 136,694,402	\$ 139,659,544
Restricted	2,763,700	2,777,100	2,293,900	2,254,200	2,248,979	2,261,213	2,278,392	2,276,526	1,558,795	2,511,544
Unrestricted	38,245,900	36,493,600	37,759,000	41,712,200	35,224,987	42,117,143	49,495,220	53,421,102	50,866,147	55,536,479
Total business-type activities net position	\$ 153,405,400	\$ 156,585,400	\$ 160,010,500	\$ 167,476,600	\$ 156,590,269	\$ 170,180,201	\$ 180,164,223	\$ 186,847,144	\$ 189,119,344	\$ 197,707,567
Primary government (City wide totals):										
Net investment in capital assets	\$ 241,812,600	\$ 250,460,500	\$ 261,644,200	\$ 265,749,700	\$ 264,382,346	\$ 276,232,071	\$ 291,840,603	\$ 296,249,942	\$ 308,166,653	\$ 314,090,798
Restricted	5,333,500	5,320,900	4,914,600	4,629,000	7,074,641	4,612,051	5,040,779	4,545,025	1,980,749	23,042,171
Unrestricted	64,450,400	62,895,100	61,342,000	71,639,400	(31,385,117)	(15,304,635)	463,327	11,924,261	956,490	(16,698,575)
Total primary government net position	\$ 311,596,500	\$ 318,676,500	\$ 327,900,800	\$ 342,018,100	\$ 240,071,870	\$ 265,539,487	\$ 297,344,709	\$ 312,719,228	\$ 311,103,892	\$ 320,434,394

Schedule 2
City of San Luis Obispo, California
Changes in Net Position, Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Expenses:											
Governmental activities:											
Public safety	\$ 29,330,300	\$ 27,687,200	\$ 26,774,800	\$ 27,993,900	\$ 28,859,200	\$ 29,651,702	\$ 26,881,732	\$ 29,318,821	\$ 31,806,692	\$ 42,097,557	\$ 34,320,108
Transportation	6,619,300	7,116,400	8,809,400	7,778,000	8,551,500	8,973,047	11,457,311	8,792,028	9,668,840	9,229,042	7,546,278
Leisure, cultural and social services	9,778,900	9,445,600	9,299,200	9,500,300	10,078,700	10,239,853	10,332,740	9,808,545	9,824,262	11,125,792	9,469,520
Community development	8,233,600	11,020,400	8,166,300	8,782,200	8,866,900	10,183,782	10,960,778	12,900,275	14,656,604	13,457,993	12,573,953
General Government	951,500	1,348,100	1,248,400	1,198,000	1,217,200	1,221,205	1,015,011	1,351,468	1,170,984	1,488,183	22,429,785
Interest on long-term debt											702,885
Total governmental activities expenses	\$ 54,913,600	\$ 56,617,700	\$ 54,298,100	\$ 55,252,400	\$ 57,573,500	\$ 60,271,589	\$ 60,647,572	\$ 62,171,137	\$ 67,127,382	\$ 77,398,567	\$ 87,042,529
Business-type activities:											
Water	11,532,900	11,323,200	16,106,300	17,455,200	17,019,000	17,575,961	17,128,041	18,136,120	19,069,967	19,523,736	20,986,430
Sewer	9,250,200	9,153,200	9,633,900	9,530,400	10,189,400	10,647,255	10,132,214	10,842,451	11,683,262	14,158,612	13,967,717
Parking	3,704,700	3,494,300	3,501,500	3,598,000	3,678,600	3,636,607	3,556,637	3,900,052	3,791,493	4,098,840	4,088,681
Transit	3,199,200	3,295,500	3,409,700	3,778,900	3,903,900	4,059,138	3,994,194	4,088,423	4,076,871	4,355,103	4,320,976
Golf	722,100	708,400	724,100	-	-	-	-	-	-	-	-
Total business-type activities expenses	\$ 28,409,100	\$ 27,974,600	\$ 33,375,500	\$ 34,362,500	\$ 34,790,900	\$ 35,918,961	\$ 34,811,086	\$ 36,967,046	\$ 38,621,593	\$ 42,136,291	\$ 43,363,804
Total primary government expenses	\$ 83,322,700	\$ 84,592,300	\$ 87,673,600	\$ 89,614,900	\$ 92,364,400	\$ 96,190,550	\$ 95,458,658	\$ 99,138,183	\$ 105,748,975	\$ 119,534,858	\$ 130,406,333
Program Revenues:											
Governmental activities:											
Charges for services:											
Public safety	\$ 1,508,600	\$ 1,501,500	\$ 1,745,200	\$ 1,750,700	\$ 1,899,000	\$ 1,589,278	\$ 1,697,748	\$ 1,673,800	\$ 1,771,383	\$ 1,881,725	\$ 1,633,223
Transportation	1,492,800	241,700	2,690,200	418,000	221,200	1,321,323	1,270,787	1,691,757	1,793,010	1,669,563	2,399,692
Leisure, cultural and social services	1,470,000	1,304,700	1,421,600	1,834,200	1,926,800	3,048,274	2,155,411	2,048,780	3,501,837	3,487,225	4,078,539
Community development	3,107,400	2,917,700	3,166,200	4,563,200	4,126,400	4,981,211	7,210,132	7,974,880	8,144,128	7,355,831	9,820,019
General Government	3,671,200	2,052,000	1,885,100	2,152,700	2,814,700	2,412,469	2,509,323	2,667,058	2,488,706	4,015,502	1,391,940
Operating grants and contributions	5,320,500	2,946,800	3,066,300	2,021,800	1,991,900	3,680,440	7,911,867	9,355,707	40,531	39,781	2,990,211
Capital grants and contributions	16,570,500	10,964,400	13,974,600	12,740,600	12,680,000	17,032,995	22,755,268	25,411,982	17,739,595	18,449,627	22,360,858
Total governmental activities program revenues	\$ 33,938,000	\$ 34,782,000	\$ 35,603,000	\$ 38,882,400	\$ 43,141,100	\$ 44,135,435	\$ 47,217,901	\$ 47,302,010	\$ 45,967,116	\$ 47,985,012	\$ 52,553,811
Business-type activities:											
Charges for services:											
Water	\$ 13,836,000	\$ 13,812,100	\$ 14,298,100	\$ 16,753,100	\$ 18,148,200	\$ 19,755,909	\$ 20,446,730	\$ 19,884,850	\$ 20,180,931	\$ 22,202,069	\$ 24,026,385
Sewer	11,785,200	13,225,100	13,320,400	14,789,700	16,212,000	17,151,212	18,007,064	16,460,140	16,272,533	16,753,094	18,674,547
Parking	3,508,100	3,496,100	3,564,700	3,533,300	4,693,400	3,998,730	4,905,494	7,408,729	4,666,970	5,226,780	5,443,038
Transit	607,000	551,600	593,100	552,900	682,700	688,585	649,899	659,471	666,296	703,451	776,808
Golf	382,200	394,600	364,000	-	-	-	-	-	-	-	-
Operating grants and contributions	2,192,200	2,350,200	2,220,700	2,502,500	2,673,500	2,458,640	3,148,651	2,888,820	4,180,386	3,099,618	3,633,033
Capital grants and contributions	1,627,300	952,300	1,242,000	750,900	731,300	823,359	60,063	-	-	-	-
Total business-type activities program revenues	\$ 30,508,500	\$ 45,746,400	\$ 49,577,600	\$ 51,623,000	\$ 55,821,100	\$ 61,168,430	\$ 69,973,169	\$ 72,713,992	\$ 63,706,711	\$ 66,434,639	\$ 74,914,669
Total primary government program revenues	\$ 38,343,100	\$ 45,653,300	\$ 40,323,500	\$ 42,511,800	\$ 44,893,500	\$ 43,238,594	\$ 37,892,304	\$ 36,759,155	\$ 49,387,787	\$ 58,948,940	\$ 64,681,671
Net Revenues (Expenses):	\$ 5,528,900	\$ 6,807,400	\$ 2,227,500	\$ 4,519,900	\$ 8,350,200	\$ 8,216,474	\$ 12,406,815	\$ 10,334,964	\$ 7,345,523	\$ 5,848,721	\$ 9,190,007
Governmental activities											
Business-type activities	\$ (32,814,200)	\$ (38,845,900)	\$ (38,096,000)	\$ (37,991,900)	\$ (36,543,300)	\$ (35,022,120)	\$ (25,485,489)	\$ (26,424,191)	\$ (42,042,264)	\$ (53,100,219)	\$ (55,491,664)
Total primary government											

Schedule 2
City of San Luis Obispo, California
Changes in Net Position, Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Revenues and Other Changes in Net Position:											
Governmental activities:											
Sales and use taxes	\$ 17,712,100	\$ 15,976,400	\$ 17,714,900	\$ 19,527,500	\$ 20,736,000	\$ 22,180,173	\$ 22,408,980	\$ 24,676,377	\$ 24,068,665	\$ 24,559,570	\$ 26,444,775
Property taxes	8,788,400	8,579,300	8,441,100	8,367,000	9,176,600	8,960,010	9,631,890	10,186,858	10,756,477	11,425,510	12,238,357
Transient occupancy tax	4,679,500	4,496,100	4,844,200	5,222,000	5,572,400	6,063,232	6,805,742	7,127,756	7,381,989	7,514,289	8,061,087
Utility users tax	4,358,500	4,862,400	4,592,300	4,584,100	4,916,100	5,343,342	5,211,207	5,413,720	5,399,407	5,627,356	4,919,892
Property tax in-lieu of vehicle license fees	3,504,700	3,565,100	3,551,100	3,492,400	3,533,200	3,645,692	3,849,341	4,113,244	4,353,912	4,637,253	4,961,080
Other taxes and fees	4,317,900	4,226,800	4,149,900	4,299,800	4,607,600	4,779,570	4,993,285	4,800,592	3,929,377	5,006,594	4,332,557
Investment earnings	1,775,300	1,239,500	742,500	770,100	237,100	566,931	467,348	825,760	997,995	164,434	1,618,354
Miscellaneous and other	400,800	339,600	414,700	227,200	349,900	679,127	707,781	-	-	-	146,579
Special item - sale of land	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	(3,400)	(11,000)	-	(11,000)	-	-	-	-	-	-
Prior period adjustment	-	-	2,657,100	-	2,657,100	(833,234)	-	-	-	-	-
Cumulative change in accounting principle (GASB 65)	-	-	(345,400)	-	(345,400)	-	-	-	-	-	-
Transfers	(335,000)	(301,500)	(227,200)	1,820,900	115,100	(73,771)	(329,452)	1,436,048	1,051,563	1,198,027	2,456,035
Total governmental activities	45,202,200	42,980,300	44,223,500	48,311,000	51,544,700	51,313,072	53,746,122	58,580,355	58,079,385	60,133,033	65,178,716
Business-type activities											
Investment earnings	\$ 1,699,600	\$ 1,372,500	\$ 725,300	\$ 726,100	\$ 73,500	\$ 364,551	\$ 361,627	\$ 845,906	\$ 182,261	\$ 320,471	\$ 2,516,216
Cumulative change in accounting principle	-	-	(842,600)	-	-	-	-	-	-	-	(230,838)
Income from investment in joint venture	335,000	301,500	227,200	(1,820,900)	(115,100)	73,771	329,452	(1,436,048)	206,700	209,300	(2,456,035)
Transfers	2,034,600	1,674,000	952,500	(1,094,800)	(884,200)	438,322	691,079	(350,942)	(662,602)	(668,256)	(170,657)
Total business-type activities	\$ 47,236,800	\$ 44,654,300	\$ 45,176,000	\$ 47,216,200	\$ 50,660,500	\$ 51,751,394	\$ 54,437,201	\$ 58,229,413	\$ 57,416,783	\$ 59,464,777	\$ 65,008,059
Total primary government	\$ 92,439,000	\$ 87,634,600	\$ 89,400,000	\$ 95,527,200	\$ 102,205,200	\$ 103,064,466	\$ 108,183,323	\$ 116,809,768	\$ 115,496,168	\$ 119,600,010	\$ 130,186,775
Change in net position:											
Governmental activities	\$ 6,859,100	\$ (2,673,000)	\$ 3,900,000	\$ 5,799,200	\$ 6,651,200	\$ 8,074,478	\$ 15,853,818	\$ 21,821,200	\$ 8,691,598	\$ 1,184,093	\$ 497,045
Business-type activities	7,563,500	8,481,400	3,180,000	3,425,100	7,466,000	8,654,796	13,097,894	9,984,022	6,682,921	5,180,465	9,019,350
Total primary government	\$ 14,422,600	\$ 5,808,400	\$ 7,080,000	\$ 9,224,300	\$ 14,117,200	\$ 16,729,274	\$ 28,951,712	\$ 31,805,222	\$ 15,374,519	\$ 6,364,558	\$ 9,516,395

Schedule 3
City of San Luis Obispo, California
Governmental Activities Tax and Franchise Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year	Sales and Use	Measure Y 1/2 cent	Property (Note 1)	Transient Occupancy	Utility Users	Property in-lieu of VLF	Franchise Fees	Business Tax	Other Taxes	Total
2009-10	\$ 10,723,900	\$ 5,252,500	\$ 8,579,300	\$ 4,496,100	\$ 4,862,400	\$ 3,565,100	\$ 2,396,700	\$ 1,830,100	\$ 204,600	\$ 41,910,700
2010-11	12,098,600	5,616,300	8,441,100	4,844,200	4,592,300	3,551,100	2,352,100	1,797,800	209,100	43,502,600
2011-12	13,290,000	6,237,500	8,367,000	5,222,000	4,584,100	3,492,400	2,462,300	1,837,500	227,200	45,720,000
2012-13	14,242,200	6,493,800	9,176,600	5,572,400	4,916,100	3,533,200	2,552,300	2,055,300	349,900	48,891,800
2013-14	15,405,808	6,774,365	8,960,010	6,063,232	5,345,692	3,645,692	2,636,599	2,142,971	679,127	51,653,496
2014-15	15,272,683	7,136,297	9,631,890	6,805,742	5,211,207	3,849,341	2,790,077	2,203,208	707,781	53,608,226
2015-16	17,498,218	7,178,159	10,186,858	7,127,756	5,413,720	4,113,244	1,537,922	2,491,516	771,154	56,318,547
2016-17	16,737,005	7,331,660	10,756,477	7,381,989	5,539,407	4,353,912	1,557,128	2,372,249	737,826	56,767,653
2017-18	17,055,085	7,504,485	11,425,510	7,514,289	5,627,356	4,637,253	1,597,655	2,663,686	745,253	58,770,572
2018-19	18,119,545	8,325,230	12,238,357	8,061,087	4,919,892	4,961,080	1,428,296	2,630,499	273,762	60,957,748

Notes:

- Property tax revenues are presented net of SB2557 County administrative fees (approximately 3% of total property tax revenues). The City has elected to receive its property tax revenues based on the Teeter Plan method of collection whereby the County remits 100% of taxes levied, pursues collection and retains any delinquent taxes and related penalties and interest.
- In November 2014 voters in San Luis Obispo reauthorized the local Half-percent sales and use tax measure (Measure G).

Schedule 4
City of San Luis Obispo, California
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General fund:										
Reserved	\$ 201,800	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved:										
Designated	923,500									
Undesignated	9,988,800									
Nonspendable:										
Prepaid items				2,777,000	3,191,055	60,181	56,020	3,173,248	3,520,473	51,636
Restricted for: (Note 1)										
Debt service	258,100	602,800	331,600	331,600	312,037	303,126	489,056	128,102	159,724	-
Committed to: (Note 1)										
General government programs	317,500	1,288,200	1,768,200	1,768,200	4,973,497	3,942,459	4,468,863	9,428,034	8,693,113	
Assigned to:										
Contingency Fund					10,458,000	10,486,931	11,092,782	10,902,368	10,171,464	13,418,400
Development Services						1,848,386	382,396	41,110	596,796	531,000
Safety Fire						97,239				
City Attorney								100,000	100,000	-
Subsequent years expenditures	8,200	11,900					2,716,534			9,908,932
Unassigned	12,324,100	11,781,500	14,060,900	14,060,900	1,382,590	7,828,485	10,419,881	2,723,292	6,334,870	5,991,692
Total general fund	11,114,100	12,907,900	13,684,400	18,937,700	20,317,179	24,566,807	29,625,532	26,496,154	29,576,440	29,901,660

Schedule 4
City of San Luis Obispo, California
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
All other governmental funds:										
Reserved	\$ 6,932,600	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved reported in:										
Capital projects funds	1,245,000									
Special revenue funds	920,300							5,642	(71,687)	292,641
Unspendable										
Restricted for: (Note 1)										
Debt service	2,285,700	2,017,900	2,043,200	2,043,222	2,140,980	2,119,724	2,119,611	2,119,611	1,653,109	1,791,026
Law enforcement grant programs	42,000	20,500	22,900	27,145	16,886	23,492	20,786		3,073	
Transportation projects										
Affordable housing programs										
Impact fee programs										
Parkland development programs										
Public art programs										
Tourism programs										
Committed to:										
Affordable housing programs	294,000	1,052,000	1,254,900	2,946,847	2,601,882	2,562,825	5,054,332		3,974,629	
Assessment district programs	170,700	183,000								
Capital outlay	1,172,800	1,227,700	1,326,000	6,045,091	3,632,641	2,954,223	7,463,605		8,092,594	
General government programs										
Impact Fees Programs	4,350,000	4,069,800	3,542,700	4,743,552	1,084,221	7,463,605	549,349	8,795,074	595,256	
Open space programs		183,400	194,300	1,582,425	983,402	1,265,620	588,743	2,728,883	2,363,347	
Parkland development programs	998,900	1,057,100	1,209,600							
Contingency fund										
Public art programs	293,700	373,700	347,400						519,885	
Assigned to:										
Contingency fund										
Subsequent years expenditures	8,997,800	4,359,300	5,413,900	3,552,319	2,606,757	3,559,851	900,000	900,000	900,000	900,000
Unassigned				(2,500)	(83)					
Total all other governmental funds	9,097,900	18,605,600	14,544,400	15,352,400	21,353,232	22,476,959	26,059,944	26,059,944	23,891,661	26,691,800
Total all governmental funds	\$ 20,212,000	\$ 31,513,500	\$ 28,228,800	\$ 34,290,100	\$ 41,670,411	\$ 47,043,766	\$ 50,124,221	\$ 52,556,098	\$ 53,468,101	\$ 56,593,460

Note:
The City implemented GASB Statement No. 54 in the 2010-11 fiscal year which requires the City to use new designations of ending fund balances.

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues:											
Taxes											
Sales and Use - general	\$ 12,070,700	\$ 10,723,900	\$ 12,098,600	\$ 13,290,000	\$ 14,242,200	\$ 15,405,808	\$ 15,272,683	\$ 17,498,218	\$ 16,737,005	\$ 17,055,085	\$ 18,119,545
Sales and Use - Measure Y	5,641,400	5,252,500	5,616,300	6,237,500	6,493,800	6,774,365	7,136,297	7,178,159	7,331,660	7,504,485	8,325,230
Prop. 172 Public Safety	308,400	257,900	271,300	307,400	327,700	391,567	409,590	405,066	405,512	397,488	-
Property	8,788,400	8,579,300	8,441,100	8,367,000	9,176,600	8,960,010	9,631,890	10,186,858	10,756,477	11,425,510	12,238,357
Transient Occupancy	4,679,500	4,496,100	4,844,200	5,222,000	5,572,400	6,063,232	6,805,742	7,127,756	7,381,989	7,514,289	8,061,087
Utility Users	4,358,500	4,862,400	4,592,300	4,584,100	4,916,100	5,345,342	5,211,207	5,413,720	5,539,407	5,627,356	4,919,892
Property tax in lieu of VLF (Note 1)	3,504,700	3,565,100	3,551,100	3,492,400	3,533,200	3,645,692	3,849,341	4,113,244	4,353,912	4,637,253	4,961,080
Franchise Fees	2,439,400	2,396,700	2,352,100	2,462,300	2,552,300	2,636,599	2,790,077	1,537,922	1,557,128	1,597,655	1,428,296
Business Tax	1,878,500	1,830,100	1,797,800	1,837,500	2,055,300	2,142,971	2,203,208	2,491,516	2,372,249	2,663,686	2,630,499
Real Property Transfer	159,100	129,000	133,700	144,000	256,300	287,560	298,191	366,088	332,314	347,765	273,762
Fines, forfeitures and penalties	261,000	201,700	171,400	174,300	159,700	150,185	184,320	172,353	139,534	199,374	-
Use of money and property	1,775,300	1,239,500	742,500	770,100	237,100	566,931	467,348	825,760	260,169	164,434	1,996,382
Subventions and grants	-	-	-	-	-	-	-	-	-	4,156,333	3,110,689
Vehicle License Fees (Note 1)	166,500	135,000	205,600	45,600	19,300	-	-	-	-	-	-
Other subventions and grants	8,774,200	4,837,000	4,776,500	3,932,100	4,603,140	5,989,881	10,858,570	11,771,980	2,624,753	-	-
Charges for services	6,677,700	5,865,700	9,209,300	8,954,500	8,106,600	11,167,033	12,450,887	13,622,945	15,173,707	14,672,746	18,427,925
Other revenues	1,810,300	398,000	270,500	36,500	526,500	357,469	217,710	242,744	446,456	634,391	590,794
Total revenues	63,293,600	54,769,900	59,074,300	59,857,300	62,778,240	69,884,645	77,787,061	82,954,329	75,412,272	78,597,850	85,083,538
Expenditures:											
Current:											
General Government	\$ 6,793,100	\$ 7,253,500	\$ 6,828,700	\$ 8,175,200	\$ 8,723,300	\$ 9,362,031	\$ 10,534,463	\$ 12,409,567	\$ 11,824,360	\$ 12,709,324	\$ 13,769,778
Public safety	26,002,400	24,203,800	23,506,100	23,953,200	23,973,400	24,798,500	24,356,077	26,468,454	28,091,747	28,862,906	31,714,220
Transportation	3,224,200	3,019,700	2,901,900	2,865,100	2,798,200	2,882,241	2,969,111	3,317,177	3,780,804	3,565,022	3,495,909
Leisure, cultural and social services	6,598,900	6,279,900	6,268,700	6,704,200	6,790,300	7,155,619	7,250,398	7,428,198	7,712,834	8,571,184	8,636,582
Community development	6,280,800	6,690,200	7,053,500	6,986,300	7,777,400	8,389,957	10,047,272	10,770,827	10,300,894	10,815,667	10,677,334
Debt service:											
Principal	1,159,900	1,550,200	1,774,000	1,493,200	1,543,000	1,534,668	3,856,325	1,792,849	2,101,296	15,665,904	1,974,050
Interest	915,900	1,358,500	1,249,200	1,211,800	1,192,700	1,048,671	1,063,820	1,349,216	1,215,504	1,524,180	809,977
Debt issuance costs	-	-	36,000	-	-	-	-	-	-	-	-
Capital:											
Public safety	1,652,700	4,704,400	494,100	447,900	457,700	892,351	2,371,865	1,220,759	1,772,454	506,491	706,918
Transportation	6,177,600	4,237,200	6,913,200	9,121,000	5,228,300	4,859,863	14,302,937	15,038,306	4,161,966	6,419,137	6,441,229
Leisure, cultural and social services	1,213,900	1,188,500	584,500	862,000	395,500	1,272,510	2,399,211	1,463,269	1,499,704	981,768	597,187
Community development (Note 2)	1,382,500	3,893,700	884,100	705,300	70,900	939,017	123,258	149,537	2,078,181	525,105	1,568,147
General government	869,700	3,076,800	1,731,400	274,900	429,700	145,199	1,684,045	590,263	633,682	1,192,424	4,695,978
Total expenditures	62,271,600	67,456,400	60,225,400	62,800,100	59,380,400	63,280,627	80,958,782	81,998,422	75,173,426	91,339,112	85,087,309
Excess of revenues											

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
over(under)											
expenditures	1,022,000	(12,686,500)	(1,151,100)	(2,942,800)	3,397,840	6,604,018	(3,171,722)	955,907	238,846	(12,741,262)	(3,771)
Other Financing Sources(Uses):											
Sale of surplus property	\$ -	\$ -	\$ 393,900	\$ 30,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of debt/refunding debt	9,067,000	-	1,080,000	5,050,000	-	850,775	8,372,323	688,500	1,141,468	12,472,698	673,095
Cost of debt issuance	-	-	-	-	(11,500)	-	-	-	-	-	-
Payment to refunded bond escrow agent	(281,800)	-	-	(5,442,200)	-	-	-	-	-	-	-
Transfers in	8,655,400	8,081,900	6,464,100	8,121,200	8,407,600	13,834,998	11,682,079	12,747,578	15,739,036	19,815,144	9,064,256
Transfers out	(8,990,400)	(8,383,400)	(6,691,300)	(8,101,100)	(8,292,500)	(13,908,769)	(12,011,531)	(11,311,530)	(14,687,473)	(18,617,117)	(6,608,221)
Total other financing sources(uses)	8,450,200	(301,500)	1,246,700	(341,900)	103,600	777,004	8,042,871	2,124,548	2,193,031	13,670,725	3,129,130
Net change in fund balance	\$ 9,472,200	\$ (12,988,000)	\$ 95,600	\$ (3,284,700)	\$ 3,501,440	\$ 7,381,022	\$ 4,871,150	\$ 3,080,455	\$ 2,431,877	\$ 929,463	\$ 3,125,359
Debt service as a percentage of noncapital expenditures	4.93%	7.24%	7.61%	6.68%	6.62%	5.98%	8.92%	5.20%	5.37%	26.64%	3.60%

Notes:
1. Beginning in 2005-06 the State implemented a "VLF swap," under which an equal amount of Vehicle License Fees was "swapped" for an equal amount of Revenues to be collected on the property tax roll.
2. Community Development Block Grant (CDBG) expenditures are included in the Community Development total for purposes of this schedule.

Schedule 6
City of San Luis Obispo, California
General Fund Operating Expenditures by Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Staffing:										
Salaries and wages:										
Regular salaries	\$ 24,180,400	\$ 23,848,400	\$ 23,432,400	\$ 23,214,900	\$ 23,242,170	\$ 23,804,510	\$ 24,790,947	\$ 26,944,188	\$ 26,666,447	\$ 27,520,149
Temporary salaries	1,592,700	1,507,300	1,626,900	1,812,700	2,191,214	2,137,487	1,964,521	1,793,360	1,711,755	1,898,331
Overtime	2,397,500	2,162,500	2,763,100	3,309,000	3,018,181	3,222,698	3,473,489	3,604,336	4,420,756	4,241,294
Benefits:										
Retirement	7,915,900	7,899,200	8,444,000	7,661,900	7,637,931	7,943,827	9,323,782	10,394,523	10,570,883	15,150,755
Group health/disability ins (Note 1)	3,744,200	3,407,500	3,441,700	3,463,500	3,387,101	3,319,117	3,828,238	4,129,004	4,638,471	4,193,021
Medicare	370,300	367,100	371,200	384,400	393,913	408,889	418,704	455,966	469,688	477,925
Unemployment Reimbursements	87,600	35,500	26,200	28,800	31,634	48,588	5,159	150,929	61,972	57,628
Total staffing	40,288,600	39,227,500	40,105,500	39,875,200	39,902,144	40,885,116	43,804,840	47,472,306	48,539,972	53,539,103
Contract services	3,812,400	3,728,100	4,306,000	5,208,900	5,725,290	5,903,638	6,271,607	6,962,949	6,940,018	6,557,939
Other operating expenditures										
Communications & utilities	1,538,000	1,629,500	1,658,000	1,842,300	2,034,997	1,945,243	2,192,384	2,023,057	2,190,695	2,444,564
Rents & leases	130,500	141,800	136,800	139,600	197,104	159,718	164,729	170,288	171,909	180,478
Insurance:										
General liability & property	1,447,300	1,434,600	1,475,600	1,320,700	1,425,450	1,646,605	1,847,422	1,273,133	1,658,319	1,600,962
Workers compensation	760,500	447,100	594,400	918,000	1,405,916	1,631,585	2,019,722	1,627,423	2,145,046	2,422,843
Other operating expenditures	2,399,300	2,544,400	2,696,500	2,910,900	2,991,619	3,635,542	3,079,347	3,345,191	3,017,537	3,575,930
Total operating expenditures	6,275,600	6,197,400	6,561,300	7,131,500	8,055,086	9,018,693	9,303,604	8,439,092	9,183,506	10,224,777
Minor capital	38,300	10,800	14,200	99,400	195,473	78,414	92,853	203,098	90,346	157,362
Total program expenditures	50,414,900	49,163,800	50,987,000	52,315,000	53,877,993	55,885,861	59,472,903	63,077,445	64,753,842	70,479,181
Reimbursed expenditures	(4,264,000)	(4,449,900)	(3,774,900)	(3,732,100)	(3,897,420)	(3,451,208)	(4,008,992)	(4,164,747)	(4,264,633)	(3,981,789)
Total general fund operating expenditures	\$ 46,150,900	\$ 44,713,900	\$ 47,212,100	\$ 48,582,900	\$ 49,980,573	\$ 52,434,653	\$ 55,463,911	\$ 58,912,698	\$ 60,489,209	\$ 66,497,392

Note:

1. Beginning in 2008-09, the City began to fund retiree health costs on a full accrual basis. The added cost compared with the prior "pay-as-you-go" approach in 2011-12 is \$364,800. While this change in accounting increases costs initially, in the not-so-distant future (about 12 years), it becomes a much less expensive option than continuing "pay-as-you-go" cash funding.

Schedule 7
City of San Luis Obispo, California
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Gross Assessed Valuation (Notes 1 and 2)									
Fiscal Year	Homeowners Exemptions	Secured Roll Gross Value	Unitary	Unsecured Roll	TOTAL	Total Direct Tax Rate	Market Value (Note 1)	of Market Value	
2009-10	42,222,400	6,008,936,600	4,904,100	277,718,500	6,291,559,200	1.00%	6,291,559,200	100%	
2010-11	41,929,800	5,985,294,700	5,505,000	279,434,500	6,270,234,200	1.00%	6,270,234,200	100%	
2011-12	41,988,100	5,894,189,700	6,842,300	275,800,100	6,176,832,100	1.00%	6,176,832,100	100%	
2012-13	41,572,300	5,963,182,500	5,382,272	279,203,900	6,261,931,900	1.00%	6,261,931,900	100%	
2013-14	41,327,300	6,152,693,400	5,300,173	295,626,200	6,467,600,400	1.00%	6,467,600,400	100%	
2014-15	41,185,200	6,512,370,260	5,032,204	297,325,321	6,814,727,785	1.00%	6,814,727,785	100%	
2015-16	41,518,400	6,965,233,454	4,883,115	305,427,553	7,275,544,122	1.00%	7,275,544,122	100%	
2016-17	42,109,709	7,393,890,993	5,269,573	303,122,262	7,702,282,828	1.00%	7,702,282,828	100%	
2017-18	42,702,377	7,844,131,236	4,369,188	331,183,030	8,179,683,454	1.00%	8,179,683,454	100%	
2018-19	43,352,906	8,688,541,007	4,231,993	359,588,899	9,052,361,899	1.00%	9,052,361,899	100%	

Notes: 1. Valuations are established by the County Assessor of the County of San Luis Obispo, except for property owned by private utility companies, which is valued by the State of California. The City assumes that Market Values are equal to total Assessed Valuation.

2. For comparison purposes, gross assessed valuations include homeowners' exemptions. Although these exemptions reduce property tax collections, the revenue loss is reimbursed by the State of California. As such, gross assessed valuation is the revenue base used in establishing property tax-related revenues.

SOURCE: HDL CAFR 2018-19 report - 2018-19 Roll Summary table.

Schedule 8
City of San Luis Obispo, California
Property Tax Rates
Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Proposition 13 maximum tax rate (Note 2)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Voter approved indebtedness:										
State Water Bond	0.00220	0.00290	0.00300	0.00400	0.00400	0.00400	0.00374	0.00400	0.00400	0.00400
Cuesta Community College 2014 A & A1							0.01925	0.01925	0.01925	0.01925
San Luis Coastal Usd 2014 Series A & B							0.04900	0.04900	0.04900	0.04900
Total (Notes 1 and 3)	1.00220	1.00290	1.00300	1.00400	1.00400	1.00400	1.07199	1.07225	1.07225	1.07225

Notes:

- Property tax rates are levied per \$100 of assessed valuation. The tax rate information provided is for Tax Rate Area 003-000, which is the largest tax rate area in the City.
- The passage of Proposition 13 on June 6, 1978 established a maximum County-wide levy for general revenue purposes of 1% of market value. Voter-approved tax rates for the retirement of long-term liabilities were excluded from this limit.
- It is not possible to identify tax rates for individual agencies however, the following is a summary of derived property tax allocations within Tax Rate Area 003-000 for Fiscal Year 2018-19:

	Base Rate	ERAF Allocation	Net Apportionment
San Luis Coastal Unified School District	36.10		36.10
San Luis Obispo County - General Fund	30.33	(8.81)	21.52
City of San Luis Obispo	18.36 *	(3.54)	14.82
San Luis Obispo Community College District	6.42		6.42
County School Services	3.81		3.81
City/County Library	1.98	(0.32)	1.66
Port San Luis Harbor	1.63	(0.44)	1.19
Other Agencies	1.38	(0.30)	1.08
Education Revenue Augmentation Fund (ERAF)		13.41	13.41
Total	100%	0%	100%

*The County further adjusts the 18.4% base rate for revenue shifts to school districts as directed by the State as part of their cuts to local agencies, resulting in an effective rate for the City of approximately 14.9%.

Source: Prepared by HdL, Coren & Cone
 Data source: San Luis Obispo County Assessor 2017-18 Post ERAF TRA Allocation Factors

Schedule 9
City of San Luis Obispo, California
Principal Property Tax Payers
Current Year and Nine Years Ago

Owner	2018-19				2009-10			
	Number of Parcels	Secured Assessed Value	Rank	Percent of Total City Assessed Value	Number of Parcels	Secured Assessed Value	Rank	Percent of Total City Assessed Value
Jamestown Premir SLO Court Etal	10	\$ 113,238,219	1	1.34%		\$		
CAP VIII Mustang - LLC	4	92,423,980	2	1.10%				
Sierra Vista Hospital Inc.	8	80,002,356	3	0.95%	6	59,100,195	2	0.98%
SLO Promenade Limited Partnership	11	67,457,357	4	0.80%				
Irish Hills Plaza West II LLC	6	49,605,987	5	0.59%	2	33,899,291	3	0.56%
DS Marigold	8	43,550,000	6	0.52%	9	25,016,374	9	0.42%
Charles Pasquini Jr Trust	3	43,040,756	7	0.51%	5	33,666,819	4	0.73%
Costco Wholesale Corporation	1	35,463,872	8	0.42%	1	32,194,693	6	0.54%
Bre Atlas Property Owner LLC	1	32,569,822	9	0.39%				
Target Corporation	1	30,998,323	10	0.37%				
CSHV Mustang Village					4	74,976,905	1	1.25%
JM Wilson Promenade Properties II LLC					10	32,700,000	5	0.54%
Charter Communications Properties					3	19,280,909	7	0.32%
John E. and Carole D. King					5	25,016,417	8	0.42%
De Tolosa Ranch LLP					1	22,408,500	10	0.37%
Total		\$ 588,350,672		6.99%		\$ 358,260,103		6.13%

Source: HDL CAFR 2018-19 report - 2018-19 and 2009-10 Top Ten Property Taxpayers tables.

Schedule 10
City of San Luis Obispo, California
Secured Property Tax Roll Levies and Collections
Last Ten Fiscal Years

Schedule 1

Fiscal Year	Total Secured Tax Levy (Notes 1 and 2)	Current Year Collections	Percent Collected	Current Year Delinquencies (Note 3)	Percent Delinquent (Note 3)
2009-10	8,456,800	8,456,800	100%	0	0
2010-11	8,405,600	8,405,600	100%	0	0
2011-12	8,269,300	8,269,300	100%	0	0
2012-13	8,151,000	8,151,000	100%	0	0
2013-14	8,601,630	8,601,630	100%	0	0
2014-15	9,097,280	9,097,280	100%	0	0
2015-16	9,707,340	9,707,340	100%	0	0
2016-17	10,250,205	10,250,205	100%	0	0
2017-18	10,868,920	10,868,920	100%	0	0
2018-19	11,648,706	11,648,706	100%	0	0

Notes:

- The secured property tax roll is composed of ad valorem taxes as well as special assessments, and is calculated by the San Luis Obispo County Auditor-Controller. The San Luis Obispo County Tax Collector is responsible for all property tax roll collections within the City of San Luis Obispo. The amount reported is before the SB2557 County administrative fees of approximately 3% of total property tax revenues.
- The secured levy does not include supplemental assessments, unsecured tax revenues, or prior year adjustments, which can be significant. For example, in 2012-13 revenue to the City from supplemental assessments was \$99,500 and \$215,100 from unsecured. A one-time refund was received from the County Auditor-Controller, refunding \$632,800 representing prior overcharges for the SB2557 fee. Property tax revenues totaled \$8,740,762.
- The City has elected the Teeter Plan method of property tax collection, whereby the County remits 100% of taxes levied and pursues collection and retains any delinquent taxes and related penalties and interest.

Source: San Luis Obispo County Auditor-Controller - 2017-18 Property Tax Estimates and Delinquencies Report

Schedule 11
City of San Luis Obispo, California
Schedule of Taxable Sales and Permits by Category
Last Ten Calendar Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales	\$ 64,790	\$ 69,554	\$ 70,240	\$ 71,723	\$ 73,170	\$ 73,241	\$ 75,037	\$ 72,522	\$ 74,300	\$ 72,735
<i>In Thousands of Dollars</i>	122,039	123,307	148,869	171,667	173,940	179,551	182,530	179,478	182,184	179,353
Apparel stores	40,128	38,209	39,565	39,704	40,638	41,985	43,799	43,473	46,065	47,138
General merchandise stores	119,419	119,491	127,627	142,844	147,953	159,828	172,341	178,362	184,366	184,909
Food and drug stores	92,373	92,126	102,999	111,633	126,123	133,143	140,258	142,370	159,569	162,295
Eating & drinking palces	161,347	178,594	193,085	227,510	269,602	287,880	304,905	306,812	319,977	323,272
Building materials & farm tools	70,810	84,354	103,659	107,588	103,094	101,510	88,116	78,033	83,481	94,320
Auto dealers & supplies	246,968	247,854	256,828	263,571	262,668	267,764	277,591	282,844	278,792	279,760
Service stations	917,874	953,489	1,042,872	1,136,240	1,197,188	1,244,902	1,284,577	1,283,894	1,328,734	1,343,782
Other retail stores	231,728	242,792	286,156	278,271	293,532	311,225	359,242	363,023	372,575	431,884
Total retail stores	1,149,602	1,196,281	1,329,028	1,414,511	1,490,720	1,556,127	1,643,819	1,646,917	1,701,309	1,775,666
All other outlets										
Total										

Source: State Board of Equalization, State of California Taxable Sales in California, and the HDL CAFR 2018-19 report - Taxable Sales by Category table.

Schedule 12
City of San Luis Obispo, California
Historical Sales and Use Tax Rates

Effective Date	End Date	Jurisdiction	Local Transportation Fund	City Rate	Combined Rate
8/1/1933	6/30/1935 (Note 2)	2.50%			2.50%
7/1/1935	6/30/1943	3.00%			3.00%
7/1/1943	6/30/1949	2.50%			2.50%
7/1/1949	12/31/1961	3.00%			3.00%
1/1/1962	7/31/1967	3.00%		1.00%	4.00%
8/1/1967	6/30/1972	4.00%		1.00%	5.00%
7/1/1972	6/30/1973	3.75%	0.25%	1.00%	5.00%
7/1/1973	9/30/1973	4.75%	0.25%	1.00%	6.00%
10/1/1973	3/31/1974	3.75%	0.25%	1.00%	5.00%
4/1/1974	11/30/1989	4.75%	0.25%	1.00%	6.00%
12/1/1989	12/31/1990	5.00%	0.25%	1.00%	6.25%
1/1/1991	7/14/1991	4.75%	0.25%	1.00%	6.00%
7/15/1991	12/31/2000	6.00%	0.25%	1.00%	7.25%
1/1/2001	12/31/2001	5.75%	0.25%	1.00%	7.00%
1/1/2002	6/30/2004	6.00%	0.25%	1.00%	7.25%
7/1/2004	3/31/2007 (Note 3)	6.25%	0.25%	0.75% (Note 3)	7.25%
4/1/2007	3/31/2009	6.25%	0.25%	1.25% (Note 4)	7.75%
4/1/2009		7.25%	0.25%	1.25%	8.75%
7/1/2011		6.25%	0.25%	1.25%	7.75%
1/1/2013		7.25%	0.25%	0.50%	8.00%
1/1/2014		7.25%	0.25%	0.50%	8.00%
1/1/2015		7.25%	0.25%	0.50%	8.00%
1/1/2016		7.25%	0.25%	0.50%	8.00%
1/1/2017		7.00%	0.25%	0.50%	7.75%
1/1/2018		7.00%	0.25%	0.50%	7.75%
1/1/2019		7.00%	0.25%	0.50%	7.75%

Notes:

- The Bradley-Burns Uniform Local Sales and Use Tax Law was enacted in 1955. The law authorizes cities and counties to impose a sales and use tax. Effective January 1, 1962, all cities and counties have adopted ordinances for the State Board of Equalization to collect the local tax.
- Sales tax only. The use tax was enacted effective July 1, 1935.
- In March 2004, a State ballot measure was passed issuing deficit reduction bonds for State purposes. Funding was provided effective July 1, 2004 by repealing 25% of the local 1% sales tax and then adopting a new 1/4-cent sales tax dedicated to repayment of the deficit reduction bonds. Cities and counties would then be "made whole" by the State from increased property tax allocations via reduced contributions to ERAF. This "triple flip" is theoretically revenue-neutral, and as such, the effective rate for revenue purposes remains at 1%.
- In November 2006, voters in San Luis Obispo approved a local sales tax measure increasing the City rate by 1/2%, which became effective April 1, 2007. The sales tax measure has a sunset provision of 8 years. The local Sales Tax was extended as Measure G in the November 2014 election for 8 years.
- Proposition 30, *The Schools and Local Public Safety Protection Act of 2012*, was approved by California voters in November 2012 to temporarily increase the sales and use tax by 0.25%. The sales and use tax imposed by Proposition 30 expired December 31, 2016.

Source: State Board of Equalization, State of California

Schedule 13

**City of San Luis Obispo, California
Schedule of Business Tax Certificates Issued
Fiscal Years Ended June 30, 2019 and 2018**

	2019		2018	
	No. of Certificates	Percent	No. of Certificates	Percent
Construction	1,056	12.9%	993	12.1%
Manufacturing	167	2.0%	165	2.0%
Transportation/Utilities	36	0.4%	40	0.5%
Wholesale	138	1.7%	138	1.7%
Retail	1,064	13.0%	1,087	13.2%
Professional	1,098	13.4%	1,059	12.9%
Residential Rental	2,252	27.4%	2,338	28.4%
Commercial Rental	301	3.7%	311	3.8%
Services	2,093	25.5%	2,099	25.5%
Total business certificates issued	8,205	100%	8,230	100%
Home occupations	762	9.3%	751	9.1%
Located outside City limits	1,948	23.7%	1,872	22.7%
Located in Downtown Business Improvement District	620	7.6%	628	7.6%

Source: City of San Luis Obispo Finance Department - Revenue Division

Schedule 14
City of San Luis Obispo, California
Per Capita Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Per Capita	Percentage of Gross Assessed Value
	Bonds	Lease Purchase Financing	Loans		Bonds	Lease Purchase Financing	Installment Sales Agreement	Loans			
2009-10	28,448,900	161,400			33,946,100	872,900	1,950,000	28,554,000	93,933,300	2,090	1.49%
2010-11	26,806,500	1,109,800			32,503,500	593,500	1,845,000	25,807,000	88,665,300	1,973	1.41%
2011-12	24,962,100	955,900			30,082,900	302,300	1,735,000	22,976,300	81,014,500	1,788	1.31%
2012-13	23,574,900	823,400	2,025,100		28,625,150	-	1,620,000	20,309,200	76,977,750	1,690	1.23%
2013-14	22,152,010	711,622	850,775		27,083,025	-	8,979,000	19,446,784	79,223,216	1,742	1.27%
2014-15	28,556,715	1,127,606	766,092		25,983,320	-	8,481,043	18,559,851	83,474,627	1,836	1.28%
2015-16	27,762,893	1,374,773	679,314		25,323,405	-	7,932,327	17,647,622	80,720,334	1,741	1.16%
2016-17	26,328,540	1,898,652	591,647		24,072,708	-	7,366,468	16,709,160	76,967,175	1,660	0.99%
2017-18	23,484,450	1,599,769	503,101		21,815,204	-	6,783,114	15,743,808	69,929,446	1,497	0.91%
2018-19	22,171,439	1,413,939	413,667		19,542,657	-	6,181,902	14,750,783	64,474,387	1,385	0.79%

Sources:
City of San Luis Obispo Finance Department

Schedule 15
City of San Luis Obispo, California
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population	Net Taxable Assessed Value	General Bonded Debt	Service Payable from		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value		Net Bonded Debt per Capita
				Enterprise Revenues	Revenues		Bonded Debt	Value	
2009-10	44,829	6,291,559,200	0	0	0	0	0.0%	0	
2010-11	44,948	6,270,234,200	0	0	0	0	0.0%	0	
2011-12	45,308	6,176,832,100	0	0	0	0	0.0%	0	
2012-13	45,541	6,261,931,900	0	0	0	0	0.0%	0	
2013-14	45,473	6,467,600,400	0	0	0	0	0.0%	0	
2014-15	45,484	6,814,727,785	0	0	0	0	0.0%	0	
2015-16	46,117	7,275,544,122	0	0	0	0	0.0%	0	
2016-17	46,724	7,702,282,828	0	0	0	0	0.0%	0	
2017-18	46,548	8,179,683,454	0	0	0	0	0.0%	0	
2018-19	46,802	9,052,361,899	0	0	0	0	0.0%	0	

Notes:

1. Valuations are established by the County Assessor of the County of San Luis Obispo, except for property owned by private utility companies, which is valued by the State of California.
2. See Schedule of Demographic and Economic Statistics for population data.
3. Personal income information is not available. Net Bonded Debt is expressed as a ratio to Assessed Value.

Sources: HDL CAFR 2018-19 report - Demographic and Economic Statistics table.

Demographics changed from FY to Calendar Year

Schedule 16
City of San Luis Obispo, California
Direct and Overlapping Long-Term Debt
Fiscal Year Ended June 30, 2019

	Percent Applicable to the City of San Luis Obispo	Amount Applicable to the City of San Luis Obispo as of June 30, 2019
Direct long-term debt:		
City of San Luis Obispo 2001 Refunding Lease Revenue Bonds (1999)	100.0000%	\$ -
City of San Luis Obispo 2002 Water Revenue Refunding Bonds (1993)	100.0000%	-
City of San Luis Obispo 2004 Refunding Lease Revenue Bonds (1994)	100.0000%	-
City of San Luis Obispo 2005 Refunding Revenue Bonds (1996)	100.0000%	-
City of San Luis Obispo 2006 Lease Revenue Bonds	100.0000%	-
City of San Luis Obispo 2018 Water Revenue Refunding Bonds	100.0000%	\$ 9,640,000
City of San Luis Obispo 2009 Lease Revenue Bonds	100.0000%	-
City of San Luis Obispo 2012 Refunding Revenue Bonds (2001)	100.0000%	3,480,000
City of San Luis Obispo 2012 Water Revenue Refunding Bonds (2002)	100.0000%	2,070,000
City of San Luis Obispo 2014 LOVR Lease Revenue Bonds	100.0000%	6,970,000
City of San Luis Obispo 2018 Lease Revenue Bonds		15,655,000
Total gross direct debt		<u>37,815,000</u>

Less self-supporting issues:		
City of San Luis Obispo 2018 Water Revenue Refunding Bonds		9,640,000
City of San Luis Obispo 2012 Water Revenue Refunding Bonds (2002)		2,070,000
Total self-supporting issues		<u>11,710,000</u>
Total net gross direct debt		<u>\$ 26,105,000</u>

Overlapping long-term debt (percentage of overlapping agency's assessed valuation located within boundaries of the City):		
San Luis Obispo County General Fund Obligations	16.170%	3,693,691
San Luis Obispo County Pension Obligations	16.170%	13,596,555
City of San Luis Obispo Lease Revenue Bonds	100.0000%	26,105,000
Total gross overlapping long-term debt		43,395,246
Less: City of San Luis Obispo obligations supported by enterprise revenues		5,400,975
Total net overlapping long-term debt		<u>37,994,271</u>

Ratio of long-term debt to assessed valuation and population		
Gross Assessed Valuation		\$ 9,052,361,899
Population		<u>46,802</u>

	Amount	Percent of Gross Assessed Valuation	Per Capita Long-Term Debt
Overlapping Debt:			
Gross	\$43,395,246	0.5%	\$927.21
Net	37,994,271	0.4%	812
Direct Debt:			
Gross	37,815,000	0.4%	\$807.98
Net	26,105,000	0.3%	558

SOURCE: California Municipal Statistics, Inc. HDL CAFR report.

Schedule 17
City of San Luis Obispo, California
Computation of Legal Debt Margin
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Legal debt limit	\$ 235,815	\$ 234,887	\$ 231,384	\$ 234,822	\$ 241,812	\$ 244,175	\$ 272,833	\$ 288,836	\$ 306,738	\$ 339,464
Total debt applicable to limit	235,815	234,887	231,384	234,822	241,812	244,175	272,833	288,836	306,738	339,464
Legal debt margin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total debt applicable to the limit as a percentage of debt limit										

Legal Debt Margin Calculation for Fiscal Year 2018-19

Gross Assessed Valuation	\$ 9,052,361,899
Legal Debt Limit - 3.75% of Gross Assessed Valuation	\$ 339,463,571
Long-term Debt:	
Revenue Bonds Secured by Capital Leases	\$ 26,105
Water Revenue Bonds	\$ 27,365
	<u>53,470</u>
Less deductions allowed by law:	
Revenue Bonds Secured by Capital Leases	26,105
Water Revenue Bonds	27,365
	<u>53,470</u>
Total debt applicable to computed limit	<u>\$0</u>
Legal debt margin	<u>\$ 339,463,571</u>

Note: The California Government Code provides for a legal debt limit of 15% of gross assessed valuation based on 25% of market value, or a legal debt limit of 3.75%. The City's debt management policy, however, sets a more restrictive debt limit of 2% of assessed valuation.

Schedule 19
City of San Luis Obispo, California
Revenue Bond Coverage - Parking Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for		Bonded Debt Service Requirements		Coverage	
			Bond Debt Service	Bond Debt Service	Principal	Interest		Total
2009-10	3,788,300	(2,142,400)	1,645,900	1,645,900	599,600	449,200	1,048,800	157%
2010-11	3,730,100	(2,190,200)	1,539,900	1,539,900	621,800	428,700	1,050,500	147%
2011-12	3,688,200	(2,351,400)	1,336,800	1,336,800	642,600	408,100	1,050,700	127%
2012-13	4,726,000	(2,440,600)	2,285,400	2,285,400	663,500	386,000	1,049,500	218%
2013-14	4,122,860	(2,488,797)	1,634,063	1,634,063	690,600	361,822	1,052,422	155%
2014-15	4,905,494	(2,409,027)	2,496,467	2,496,467	447,962	504,407	952,369	262%
2015-16	4,606,249	(2,757,299)	1,848,950	1,848,950	466,185	501,631	967,816	191%
2016-17	4,659,562	(2,671,028)	1,988,534	1,988,534	481,981	487,407	969,388	205%
2017-18	6,651,038	(2,998,555)	3,652,483	3,652,483	498,058	469,314	967,372	378%
2018-19	5,443,038	(3,100,113)	2,342,925	2,342,925	672,346	353,790	1,026,136	228%

Notes:

- In 1994 the Capital Improvement Lease Revenue Bonds were refinanced resulting in new debt of \$11,780,000, of which \$7,421,400 is designated for the Parking Fund. In 2004 the 1994 bonds were refinanced with a maturity date of 2014. In 2006 Lease Revenue Bonds were issued resulting in new debt of \$16,160,000, of which \$8,726,400 is allocated to the Parking Fund.
- The City refinanced its 2005 Refunding Lease Revenue Bonds, 2006 Lease Revenue Bonds, and 2009 Lease Revenue Bonds into the 2018 Lease Revenue Bonds.
- Operating expenses exclude depreciation.

Source: City of San Luis Obispo Finance Department.

Schedule 20
City of San Luis Obispo, California
Demographic and Economic Statistics
For The Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income in 000's (1)	Median Age (1)	Public Elementary and Secondary School Enrollment (2)	Cuesta College Full Time Enrollment SLO Campus (3)	Unemployment Rate (1)
2009	44,829	1,143	27.0	7,112	6,943	9.9%
2010	44,948	1,078	23.4	7,226	6,641	11.2%
2011	45,308	1,178	24.5	7,402	6,187	10.2%
2012	45,541	1,163	24.5	7,368	5,651	6.7%
2013	45,473	1,242	25.3	7,366	5,751	5.7%
2014	45,484	1,191	25.0	7,636	5,116	5.9%
2015	46,117	1,211	25.0	7,638	5,402	4.9%
2016	46,724	1,270	25.4	7,718	4,757	4.5%
2017	46,548	1,300	26.1	7,755	4,988	3.2%
2018	46,802	1,398	26.5	7,813	4,515	2.5%

Sources:

1. HDL 2018-19 CAFR report - Demographic and Economic Statistics table.
2. CA Dept of Education DataQuest: Enrollment Reports, by Academic Year start date
3. <https://www.cuesta.edu/about/depts/research/enrollment/management.html>
 Post Term FTES Dashboard, 320 Year Reported by academic year start date

Schedule 21
City of San Luis Obispo, California
Principal Employers
Current Year and Nine Years Ago

Employer	2018-19			2009-10		
	Number Employees	Rank	Percentage of Total City Employment	Number Employees	Rank	Percentage of Total City Employment
Cal Poly State University	3,000	1	11.95%	1,382	2	3.79%
County of San Luis Obispo	2,920	2	11.63%	2,939	1	8.06%
Dept of State Hospitals - Atascadero	2,000	3	7.97%			
P.G. & E (Diablo Canyon)	1,866	4	7.43%	1,200	3	3.29%
California Men's Colony	1,517	5	6.04%			
Tenet Health Care Corp.	1,305	6	5.20%			
Compass Health	1,200	7	4.78%			
Lucia Mar Unified School District	1,000	8	3.98%			
MindBody	929	9	3.70%			
San Luis Coastal Unified School District	760	10	3.03%			
Cuesta Community College				800	4	2.19%
Sierra Vista Regional Medical Center				800	5	2.19%
French Hospital				490	6	1.34%
City of San Luis Obispo				358	7	0.98%
Madonna Inn				300	8	0.82%
Steno-Wolf Associates				300	9	0.82%
Apple Farm				250	10	0.69%
Total	16,497		65.73%	8,819		24.17%

Note: Source for the 2018-19 employers information is San Luis Obispo Chamber of Commerce. This information represents employers in San Luis Obispo community. 2009-10 data is from the City's CAFR.

Schedule 22
City of San Luis Obispo, California
Regular Authorized Positions
Last Ten Fiscal Years

Function	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Public Safety										
Police										
Sworn	59.0	59.0	57.0	57.0	60.0	60.0	61.0	61.0	61.5	61.5
Non-sworn	27.5	27.5	26.5	25.5	25.5	25.5	25.5	25.5	24.0	24.0
Fire										
Sworn	44.0	44.0	44.0	44.0	49.0	49.0	47.0	47.0	47.0	47.0
Non-sworn	9.8	9.0	7.8	6.8	4.0	4.0	10.0	10.0	10.0	10.0
Public Utilities	63.8	63.8	60.9	61.9	64.8	64.8	69.1	69.1	69.1	69.1
Transportation	30.0	29.2	31.8	31.8	28.9	28.9	36.8	36.8	210.8	84.3
Leisure, Cultural and Social Services	33.0	33.0	32.0	32.0	34.0	34.0	35.0	35.0	34.0	18.0
Community Development	37.3	37.3	42.8	43.8	39.5	40.0	51.0	51.0	32.4	32.9
General Government	54.8	54.8	50.5	52.2	56.0	56.0	57.0	61.0	45.5	46.8
Total	359.2	357.6	353.3	355.0	361.7	362.2	387.4	396.4	534.3	393.6

Ratio of Sworn Police Personnel per 1,000 Population:* 1.31 1.30 1.26 1.25 1.32 1.32 1.33 1.31 1.31 1.31 1.31

Ratio of Sworn Fire Personnel per 1,000 Population:* 0.98 0.97 0.97 0.97 1.08 1.08 1.06 1.01 1.01 1.00 1.00

*Does not include the Cal Poly student and faculty population served.

Note: See Schedule of Demographic and Economic Statistics for population data.

Source: City of San Luis Obispo Finance Department

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program:	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Police:										
Calls for police/fire service	32,057	32,074	34,751	36,236	34,659	36,515	38,300	39,620	39,103	37,825
Incident numbers issued	27,555	27,595	29,991	31,156	29,277	31,048	32,542	33,360	32,730	31,471
Police reports written	7,454	7,661	8,322	9,192	8,665	8,435	8,852	8,675	7,735	6,999
Violations cited	8,471	5,939	8,119	7,213	5,793	6,648	7,673	7,649	7,524	5,874
Citations issued	7,398	5,380	7,718	6,665	5,275	6,204	7,038	7,030	6,752	5,287
Collision reports	718	728	669	643	625	630	587	608	609	623
Violent crimes:**	140	126	134	117	158	237	173	177	178	191
Willful homicide**			2	1	0	0	0	0	0	1
Forcible rape**	30	27	24	18	31	44	29	38	44	55
Robbery**	39	35	34	19	26	25	13	21	23	33
Aggravated assault**	71	64	74	79	101	168	131	118	111	103
Property crimes:**	620	640	714	804	713	542	637	731	644	728
Burglary**	324	372	330	414	328	206	225	251	172	244
Motor vehicle theft**	68	54	107	81	63	71	87	95	94	74
Larceny-theft:**	1,240	1,260	1,345	1,476	1,384	1,162	1,335	1,730	1,516	1,493
Over \$400**	228	214	277	309	322	265	325	385	378	410
\$400 and under**	1,012	1,046	1,068	1,167	1,062	897	1,010	1,345	1,138	1,083
Fire:										
Medical responses***(Note 4)	3,325	2,799	2,856	2,985	3,232	3,417	3,540	4,538	4,248	3,715
Fire suppression responses***(Note 4)	133	101	102	95	105	111	151	143	163	122
Hazardous materials responses***(Note 4)	36	23	17	21	15	21	22	21	17	25
Other responses***(Note 4)	1,224	1,528	1,552	1,812	1,840	1,929	2,158	1,799	1,785	2,100
<i>Total service responses***</i>	<i>4,718</i>	<i>4,451</i>	<i>4,527</i>	<i>4,913</i>	<i>5,192</i>	<i>5,478</i>	<i>5,871</i>	<i>6,501</i>	<i>6,213</i>	<i>5,962</i>
Fire and life-safety inspections***	1,110	2,489	2,431	2,494	644	2,476	2,516	3,756	3,738	2,002
Arson investigations***	47	22	18	49	44	17	44	8	12	24
Education activities (# of people)***	14,000	20,106	23,120	23,377	23,945	23,697	23,680	23,575	23,540	2,690

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function
Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Public Utilities:										
Water/Sewer customer accounts	14,875	14,734	14,695	14,742	14,899	14,953	15,167	15,188	15,505	15,555
Miles of sewerline	137	137	137	137	197	139.6		138	143	143
Miles of waterline	182	185	185	187	187	*187	191	197	187	190
Water service line repairs and renewals*****	95	86	50	66	58	60	50	50	57	38
Sewer main stoppages	10	9	7	12	15	13		11	4	10
Acre feet of water delivered - Nacimiento		981	2,321	663	1,506	839	3,574	3,817	3,753	3,484
Acre feet of water delivered - Salinas	2,736	2,640	2,149	2,378	1,444	1,986	8	273	853	790
Acre feet of water delivered - Whale Rock	3,402		1,277	2,875	3,212	2,615	1,375	949	924	800

Transportation:										
Signals and lights:										
Intersections with traffic signals	60	67			70	68	70	70	70	70
Traffic signal service requests	100	80			85	80	85	90	60	71
Streetlights operated & maintained	220	2,230			2,300	2,300	2,300	2,300	2,280	2,280
Streetlight service requests	285	500			180	175	45	50	13	8
Parking spaces:										
Estimated miles of paved streets	125	130	132	132	133	133	133	133	134	197
Pavement condition index	73	74	72	71	72	72	71	71	70	73
Number of street lights	2,179	2,270	2,270	2,270	2,300	2,300	2,300	2,300	2,280	2,280
Traffic collisions	708	597	621	593	660	720	531	482		623
Parking spaces provided (lot, garage & street)	3,059	3,067	3,065	3,071	3,119	3,176	2,953	2,892	2,871	2,865
Parking citations written	30,087	30,278	26,515	28,690	23,957	20,690	24,213	23,348	21,647	24,415
Total transit passengers	1,019,852	1,045,299	1,118,519	1,109,600	1,122,000	1,099,274	1,209,708	1,131,716	945,288	981,995

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function
Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Leisure, Cultural and Social Services:										
Open space acres maintained	3,420	3,420	3,510	3,510	3,510	3,510	3,510	3,510	3,775	4,040
Open space easement acres	3,161	161	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,500
Trail mileage	40	40	45	47	49	49	52	52	55	55
Total golf rounds played	34,376	32,228	34,699	33,067	34,766	33,674	30,572	28,196	35,670	24,662
Acres of park landscape maintained	157	157	157	157	157	157	157	157	500	570
Trees in City jurisdiction	17,779	18,700	18,700	18,700	18,700	19,000	20,000	20,000	20,000	20,000
Children's services enrollment totals	900	1,664	1,755	1,605	2,338	2,360	2,115	2,115	1,950	2,050
Triathlon:										
participants, spectators and volunteers*****	6,700	5,400	6,000	6,525	6,000	5,500	5,200	5,000	887	869
Annual senior attendance (total)*****	14,250	14,500	14,000	14,200	*	*	*	265	331	350
Facility permits processed	1,971	1,806	1,803	1,269	1,416	836	1,305	1,073	864	909
Annual aquatics attendance (total)	60,052	56,676	56,042	67,000	73,903	83,107	68,403	96,687	97,701	87,690
Adult athletic teams registered	255	245	320	325	338	320	325	325	362	292
Youth athletic participants registered	1,650	1,320	1,400	1,300	1,200	1,350	1,300	1,150	1,115	1,140
Special event applications processed	57	68	78	84	103	103	77	101	88	95
Banner permits processed	65	72	86	76	82	47	87	56	45	81
Instructional class enrollments	1,837	1,628	1,400	1,308	1,424	1,751	1,151	1,724	1,439	1,118

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function
Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Community Development:										
Housing characteristics:										
Single family units	10,808	10,951	10,969	10,994	11,133	11,230	11,306	11,413	11,413	11,413
2-4 units	2,350	2,634	2,650	2,656	2,692	2,695	2,789	2,851	2,851	2,851
5 or more unit structures	5,702	5,596	5,596	5,647	5,767	5,804	6,038	6,097	6,097	6,097
Mobile homes	1,534	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482
Total	20,394	-	20,663	20,779	21,074	21,211	21,615	21,843	21,843	21,843
Housing units (replaces above categories)		20,578								
Households (replaces above categories)		1,361								
Building permits issued (Note 1):	438	442	463	566	511	597	584	584	623	758
Residential:										
Single family residential (Note 2)	16	7	13	48	59	114	97	62	125	541
Multi-family residential	5	3	10	6	8	32	5	13	18	228
Non-residential	1	7	5	7	9	27	13	14	10	6
Other permits:										
Additions, alternations, demolitions (Note 4)	416	499	459	530	458	460	522	545	502	187
Other improvements										
Total	438	516	487	591	534	1,230	1,221	1,218	1,278	1,278
Approximate value of building permits (in thousands)										
Residential:										
Single family residential	\$ 4,424	\$ 6,085	\$ 3,278	\$ 15,698	\$ 15,412	\$ 36,722	\$ 26,441	\$ 16,340	\$ 23,094	\$ 99,210
Multi-family residential	2,528	926	3,847	1,560	6,744	26,499	13,500	15,022	16,094	43,338
Non-residential	525	16,608	5,142	1,935	15,310	9,791	11,484	56,308	9,703	9,703
Other permits:										
Additions, alternations, demolitions (Note 4)	26,464	15,948	16,589	20,761	19,139	22,897	30,230	24,787	30,686	83,246
Other improvements										
Total	\$ 33,941	\$ 39,567	\$ 28,856	\$ 39,954	\$ 56,605	\$ 95,909	\$ 81,655	\$ 112,457	\$ 79,577	\$ 235,497
Building inspections conducted	8,359	10,210	13,685	10,543	8,996	6,641	7,195	10,745	9,974	7,537
Home occupation permits processed	146	126	117	142	129	113	163	144	112	112
Development permit applications received	194	172	148	217	311	293	253	236	215	215

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function
Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Government:										
Business tax certificates issued:										
Located outside city limits	1,548	1,569	1,670	1,670	1,472	1,602	2,018	1,699	-	1,918
Total certificates issued	7,090	6,873	7,086	7,086	6,934	7,805	7,597	8,118	-	8,044
Human resources recruitments (total)	46	42	59	91	105	129	103	103	97	99
Fleet vehicles maintained	301									
City-wide fleet & equipment assets		290	290	290	290	300	318	323	339	338
Replaces prior category										
Telephone lines managed	1,003	1,003	1,024	981	995	1,037	1,005	998	907	971
Cell phones supported****	348	351	338	344	383	460	453	476	492	481
IT users supported	450	450	498	498	490	511	515	467	471	488

* Data Not Available

** Data from California Department of Justice based on calendar year

*** Data is based on calendar year

***** Includes cellular modems (70) (90 for 11-12)

***** The 2013-14 amount now includes recycled waterline.

*****The FY 2017-18 amount only includes Triathlon participants and volunteers

*****Starting in FY 2016-17, the amount only includes senior center membership

Notes: Some workload indicators are projections.

1. Excludes special permits such as plumbing, mechanical, electrical, signs, and grading as well as plan check permits.
2. Condominiums are included with single family residential.
3. Swimming pools are included with additions, alterations and demolitions.
4. In Fiscal year 2010-11, numbers reported used observed code from Spillman rather than condition code.

Source: City of San Luis Obispo Departments

Schedule 24
City of San Luis Obispo, California
Water System
Statistical Data

Fiscal Year	Historic Connections	Increase/ (Decrease)	Sales Revenues	Increase/ (Decrease)	Deliveries In Acre Feet	Increase/ (Decrease)
2009-10	14,875	2.64%	13,025,900	4.65%	5,612	-11%
2010-11	14,777	-0.66%	13,302,800	2.13%	5,909	5%
2011-12	14,537	-1.62%	15,291,008	14.95%	5,999	2%
2012-13	14,758	1.52%	16,163,012	5.70%	5,823	-3%
2013-14	14,899	0.01%	18,398,901	13.83%	5,933	2%
2014-15	14,847	0.01%	17,530,717	-4.72%	5,354	-10%
2015-16	15,167	1.40%	17,939,024	2.33%	4,957	-7%
2016-17	15,357	1.25%	18,196,937	1.44%	5,039	2%
2017-18	15,505	0.01%	19,159,169	5.29%	5,530	10%
2018-19	15,555	0.01%	19,577,182	2.18%	5,074	-8%

Source: City of San Luis Obispo Utilities Department.

Schedule 25
City of San Luis Obispo, California
Water and Sewer Rates
Last Ten Fiscal Years

As of June 30 of Each Year	Water Rates (Note 1)			Sewer Rates (Monthly)				
	Monthly Consumption	Price per hcf*	Multi-family dwelling	Commercial	Landscope	Single family dwelling	Multi-family dwelling	Commercial
2010	0-5 hcf	\$4.69				\$6.00 min. charge per dwelling unit	\$6.00 min. charge per account	\$6.00 min. charge per account
	6-25 hcf	\$5.87				\$6.63/unit volume charge**	\$6.63/unit volume charge**	\$6.63/unit volume charge
2011	26+ hcf (note 2)	\$7.36						
	0-5 hcf	\$5.21				\$6.55 min. charge per dwelling unit	\$6.55 min. charge per account	\$6.55 min. charge per account
2012	6-25 hcf	\$6.52				\$7.22/unit volume charge**	\$7.22/unit volume charge**	\$7.22/unit volume charge
	26+ hcf (note 2)	\$8.17						
2013	0-5 hcf	\$5.73				\$7.01 min. charge per dwelling unit	\$7.01 min. charge per account	\$7.01 min. charge per account
	6-25 hcf	\$7.17				\$7.73/unit volume charge**	\$7.73/unit volume charge**	\$7.73/unit volume charge
2014	26+ hcf (note 2)	\$8.99						
	Base Fee	\$5.00				\$7.43 min. charge per dwelling unit	\$7.43 min. charge per dwelling unit	\$7.43 min. charge per dwelling unit
2015	0-8 hcf	\$6.25				\$8.19/unit volume charge**	\$8.19/unit volume charge**	\$8.19/unit volume charge
	8+ hcf	\$7.82						
2016	Base Fee	\$5.28				\$7.73 min. charge per dwelling unit	\$7.73 min. charge per dwelling unit	\$7.73 min. charge per dwelling unit
	1-8 hcf	6.56				\$8.52/unit volume charge**	\$8.52/unit volume charge**	\$8.52/unit volume charge
2017	8+ hcf	8.20						
	Base Fee	\$9.98				\$7.96 min. charge per dwelling unit	\$7.96 min. charge per dwelling unit	\$7.96 min. charge per dwelling unit
2018	1-8 hcf	6.92				\$8.77/unit volume charge**	\$8.77/unit volume charge**	\$8.77/unit volume charge
	8+ hcf	8.65						
2019***	Base Fee	\$9.98				\$8.32 min. charge per dwelling unit	\$8.32 min. charge per dwelling unit	\$8.32 min. charge per dwelling unit
	1-8 hcf	6.92				\$9.17/unit volume charge**	\$9.17/unit volume charge**	\$9.17/unit volume charge
2020***	9+ hcf	8.65						
	Drought Surcharge	1.37						
2021***	Base Fee	\$9.98				\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit
	1-8 hcf	6.92				\$9.44/unit volume charge**	\$9.44/unit volume charge**	\$9.44/unit volume charge
2022***	9+ hcf	8.65						
	Drought Surcharge	1.37						
2023***	Base Fee	\$12.33				\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit
	1-8 hcf	7.27				\$9.44/unit volume charge**	\$9.44/unit volume charge**	\$9.44/unit volume charge
2024***	9+ hcf	9.08						
	Drought Surcharge	1.37						
2025***	Base Fee	\$20.61				Base fee determined by meter size****	Base fee determined by meter size****	Base fee determined by meter size****
	1-5 hcf	5.9				\$10.02/unit volume charge	\$10.02/unit volume charge	\$10.02/unit volume charge
2026***	6-12 hcf	6.87						
	13+	12.59						

*hcf = 100 cubic feet

** Total monthly volume charge capped based on average winter water consumption.

*** Beginning FY 18-19, different rate structures for SFR, Multi-Family, Commercial, and Landscape

****See table below

Notes:

1. Rates are for services inside the City, outside the City rates are double.
2. Third tier applies only to single-family residential customers.

Source: City of San Luis Obispo Utilities Department

Schedule 26
City of San Luis Obispo, California
Water System - Ten Largest Water Users
Fiscal Year Ended June 30, 2019

Name	Service Type	Water Use (acre-feet)	Percent of Total
City of San Luis Obispo Parks	Landscape	129.98	29.6%
Mustang Village	Apartments	60.37	13.7%
Silver City Mobile Home Park	Mobile Homes	46.09	10.5%
Laguna Lake Mobile Homes	Mobile Homes	37.75	8.6%
Sierra Vista Hospital	Care Facilities	33.28	7.6%
Irish Hills Hamlet	Apartments	34.66	7.9%
SLO Coastal Unified School District	School	24.21	5.5%
Creekside Mobile Homes	Mobile Homes	27.01	6.2%
Embassy Suites	Hotel	23.98	5.5%
Chumash Village	Mobile Homes	21.78	5.0%
Total		<u><u>439.1</u></u>	<u><u>100.00%</u></u>

Source: City of San Luis Obispo - Utilities Department