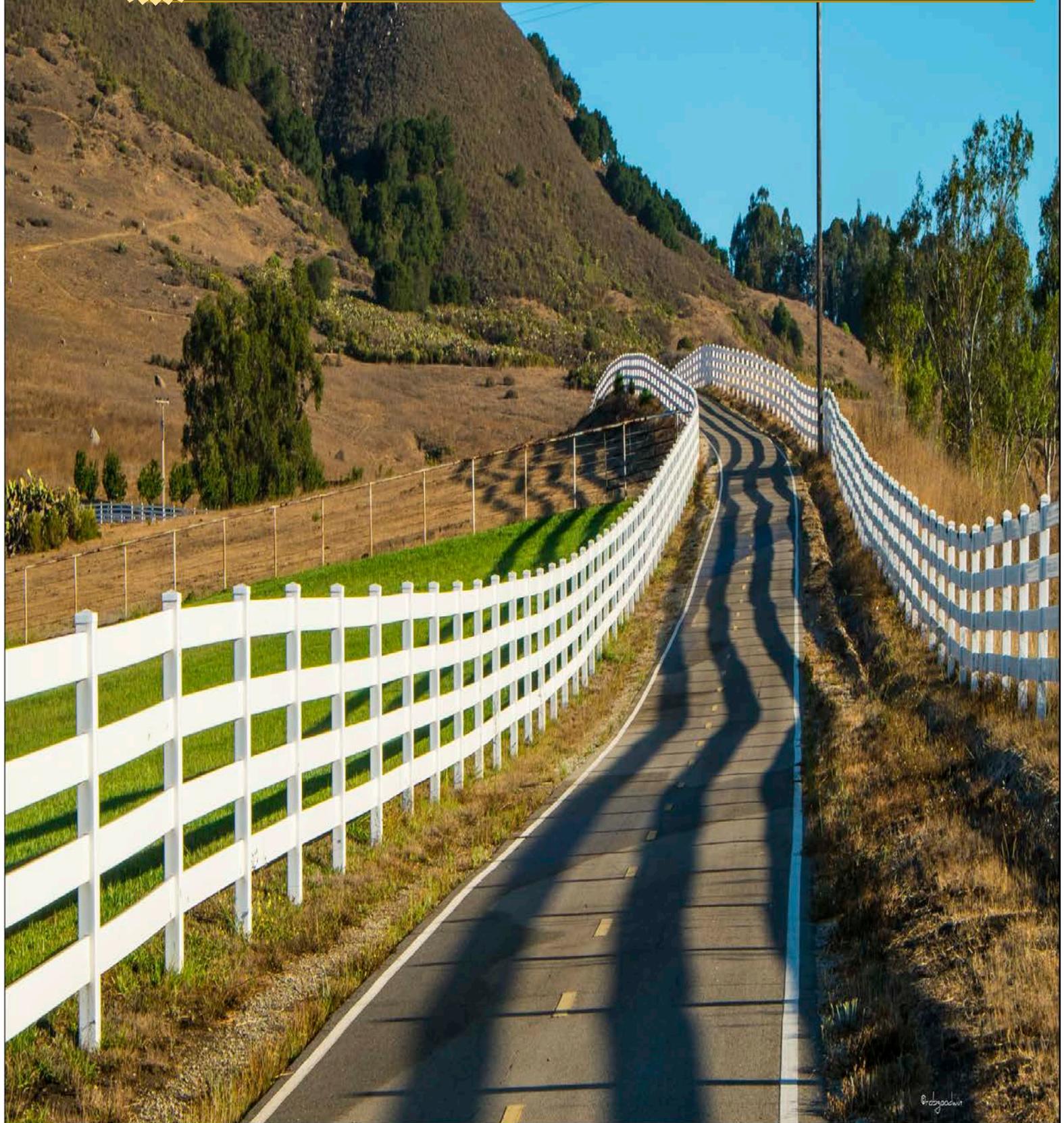




San Luis Obispo, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

**HEIDI HARMON, MAYOR
CARLYN CHRISTIANSON, VICE MAYOR
DAN RIVOIRE, COUNCIL MEMBER
AARON GOMEZ, COUNCIL MEMBER
ANDY PEASE, COUNCIL MEMBER**

DEREK JOHNSON, CITY MANAGER

Prepared by the Department of Finance

Xenia Bradford, Finance Director
Rico Pardo, Accounting Manager/Controller
Traci Kawaguchi, Accountant
Tavy Garcia, Contract Accountant

City of San Luis Obispo, California

www.slocity.org



INTRODUCTORY SECTION

City of San Luis Obispo, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

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Finance Department

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December 20, 2017

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

FROM: Derek Johnson, City Manager
Xenia Bradford, Finance Director

SUBJECT: TRANSMITTAL MEMORANDUM FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016-17

REPORT PURPOSE AND ORGANIZATION

We are pleased to submit the City of San Luis Obispo's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. Section 810 of the City's Charter requires that an independent certified public accountant conduct an annual audit at the end of each fiscal year and issue a financial report to the City Council. This CAFR is being issued in compliance with this requirement.

The CAFR consists of management's representations concerning the finances of the City of San Luis Obispo (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe that the data presented in this report 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 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.

Audited Financial Statements

The City's financial statements have been audited by Glenn Burdette, 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, 2017 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.

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

TRANSMITTAL MEMORANDUM

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion² that the City's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. Specifically, Glenn Burdette's judgment is that the City's financial records and statements are fairly and appropriately presented, and in accordance with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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.

"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 controls³ and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards (such as Transit funding and Community Development Block Grant funding). This separately prepared report is available from the Department of Finance upon request. This audit has been completed and will be filed and distributed to appropriate agencies to meet Federal requirements. Additionally, these reports will be presented to the City Council concurrent with the CAFR.

Organization of Report

This report is presented in three sections: introductory, financial and statistical.

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 the organization chart.

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.

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 Information, and Operating Information.

² An unmodified opinion means that without any reservations, the auditor feels the financial statements were prepared appropriately following all applicable accounting rules and the financial reports are an accurate representation of the City's financial condition.

³ 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

PROFILE OF THE CITY OF SAN LUIS OBISPO

With a population of approximately 46,700, 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 County seat of San Luis Obispo County and a number of Federal and State regional offices and facilities are located here, 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 maintenance, public transportation, parking, parks and recreation, planning, building and safety, and other general government services. Several municipal services are provided through other governmental agencies or private utility companies, including the following:

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

Financial data for all funds through which services are provided by the City have been included in this report.

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, and so data from these units are combined with data of the primary government. The City has one component unit, the San Luis Obispo

TRANSMITTAL MEMORANDUM

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.

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. Quarterly financial reports are posted on-line, and formal financial status updates are held with Council every six months (Mid-Year Review).

Since the City uses a two-year 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 encumbered 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 budget as long as those changes will not have 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 detail is 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 encumbrances 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. As noted above, this policy objective has been achieved for 2016-17. 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 2016-17.

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.

Local Economic Environment

Historically, the City has experienced a 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, Regional Water Control Board and Camp San Luis.

TRANSMITTAL MEMORANDUM

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 a real estate investment firm, a regional bank, major hospital facilities, several software companies and Pacific Gas and Electric. The recent announcement of Diablo Canyon Nuclear Power Plan presents some uncertainties and adjustment for the region over the next couple of decades as the process takes place.

In calendar year 2016, as measured by the labor market, local economic health is quite good. San Luis Obispo County continues to reach record employment levels virtually each month. For all of 2016, total nonfarm employment in San Luis Obispo County increased 1.5% over 2015. This was lower than the 2.7% pace of job creation statewide but on a par with County job growth in 2015. The industries leading the job gains in the region were Leisure and Hospitality and Education and Health, sectors associated with an expanding economy, and 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 blessed with a diverse array of strong revenue sources. The top three revenue sources for the City are Sales Tax, Property Tax, and Transient Occupancy Tax (TOT).

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 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 forecasts is to facilitate long-term fiscal health and identify the funds' ability – on an order of magnitude basis – to continue current services, maintain existing assets and fund new initiatives or acquire new capital assets. The 2017-22 forecast was completed in early December 2016, before the City Council considered the 2017-19 Financial Plan for adoption. Due to the California Public Employees' Retirement System (CalPERS) policy changes and rapidly increasing required payments 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. It is available on the City's web site at www.slocity.org. Further updates will be prepared and presented to the City Council in April 2018, which will inform the City's Fiscal Health Response Plan to address paying down pension unfunded liabilities.

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 issues and community-wide concerns and needs. The Financial Plan is the City's main tool for programming implementation of these goals, plans 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 objectives adopted by the Council as part of the 2017-19 Financial Plan. Detailed work programs were prepared for each of these and their status is updated three times each year through presentation to the Council. The progress reports will be presented to the City Council in February 2018.

TRANSMITTAL MEMORANDUM

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 the 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 Objectives:

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

FINANCIAL CONDITION OVERVIEW

Financial results for the year performed better than expected when compared to the budget estimates in virtually all areas of the City’s operations.

The total General Fund balance decreased by \$3.13 million to \$26.5 million. Of this amount, \$3.2 million are non-expendable and represent prepaid items; \$128,102 are restricted for Debt service; \$9.4 million is committed for General government programs; \$11.0 million is assigned and includes \$10.9 million for the 20% operating reserve (Contingency Fund), \$41,110 for Development Services, and \$100,000 for City Attorney. Finally, \$2.7 million is classified as unassigned at 2016-17 fiscal year end; however, the fund balance available for appropriation is \$5.89 million due to insurance premium payments for the 2017-18 fiscal year prepaid in 2016-17 and reflected as an asset in the financial statements. 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 with the 2017-18 Mid-Year report.

TRANSMITTAL MEMORANDUM

General Fund - Fund Balance June 30, 2017	
Nonspendable	\$ 3,173,248
Restricted for:	
Debt service	128,102
Committed to:	
General government programs	9,428,034
Assigned to:	
Contingency fund (20% Minimum reserve)	10,902,368
Development services	41,110
City Attorney	100,000
Unassigned	2,723,292
Total fund balance	\$26,496,154

For the Future: Continue to Focus on Sustainability and Long Term Fiscal Health

Through the adoption of the 2017-19 Financial Plan, the City Council adopted the Fiscal Sustainability and Responsibility Major City Goal to address long-term fiscal health. In response to the policy actions taken by CalPERS, the City is developing a Fiscal Health Response Plan to address the rapidly rising pension costs and to address pension unfunded liabilities. The Fiscal Health Response Plan will be presented to the Council in April 2018, presenting a plan to close the projected budget gap and to accelerate paying down unfunded liabilities.

Revenue Base Growth. After experiencing the deepest recession since the Great Depression, the local economy is progressing and major revenues are continuing the growth that was first realized in 2012-13. 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 are showing continuing growth over the past two years which is expected into the future. Another revenue source that is seeing significant growth is development review fees. Fueled by strong private development occurring within the community, the revenue levels are also showing record levels in terms of amounts received and the level of annual growth. This growth trend is also expected to continue at varying levels over the next five years, though the City should be cautious about being overly optimistic and taking on long-term costs associated with potentially fluctuating revenue sources.

Containment of Operating Costs. The City’s efforts to control costs have been successful and are ongoing. The City also implemented 2nd and 3rd tier retirement benefit programs and now 40% of the workforce is enrolled in the 2nd and 3rd 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. Since 2013-14 the City Council has approved lump sum prepayments against the safety side fund retirement liability in order to begin making significant reductions in the amount owed. As of June 30, 2017, \$2.75 million has been paid toward the pension unfunded liability.

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 will be reviewing a 10-year Capital Improvement Program projection and the Council will be presented with funding recommendations in April 2018. Capital Improvement Program allocations were funded fully by the Local Revenue Measure half-cent sales tax. Approximately 70% of the Local Revenue Measure sales tax is committed to the Capital Improvement Program.

TRANSMITTAL MEMORANDUM

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

The City remains committed to addressing the priorities identified by the community as established through the budget process, such as public safety, senior services, code enforcement, neighborhood street paving, open space preservation, traffic congestion relief and flood protection. The following summarizes how the Half Percent Sales Tax Measure funds were used during 2016-17.

Total Half Percent Sales Tax Measure G expenditures during 2016-17 were \$12.3 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 2016-17	Operating Programs	Capital Projects*	Total
Preservation of Essential Services			
<i>Public Safety</i>	\$ 735,840	\$ 727,920	\$ 1,463,760
<i>Community Development</i>	226,895		226,895
<i>Public Works</i>	1,049,972	2,445,690	3,495,662
<i>Parks</i>	114,116	631,295	745,411
Total Preservation of Essential Services	2,126,823	3,804,905	5,931,728
<i>Completed Projects</i>		4,491	4,491
<i>Octagon Barn Facility</i>		17,965	17,965
<i>Laguna Lake Dredge/Mgt</i>		114,045	114,045
<i>Open Space Protection</i>		139,143	139,143
Capital Programs	-	275,644	275,644
Total	\$ 2,126,823	\$ 4,080,549	\$ 6,207,372
Half Percent Sale Tax Measure Revenues & Uses Summary			
Revenues:			
Sales and use tax - Measure G 1/2 Cent add-on tax			\$ 7,331,660
Use of money and property			44,796
		Total Revenues	7,376,456
Uses:			
Operating Programs			(2,126,823)
Capital Projects			(4,080,549)
		Total Uses	(6,207,372)
Excess of revenues over expenditures			1,169,084
Prior Sales Tax Measure Balance			4,732,397
Encumbered or designated for carryover for future year expenditures			(6,138,984)
Net available for future year appropriations			\$ (237,503)

* Detail of Capital Projects is included with other supplementary information in the financial statements, which can be found on page 103.

RELEVANT FINANCIAL POLICIES

The City of San Luis Obispo has adopted a comprehensive set of financial policies to provide guidance for all fiscal activities and resource allocation decisions. Although the policies cover virtually every aspect of financial management, several of these policies are particularly relevant to an understanding of the City's financial performance in 2016-17.

TRANSMITTAL MEMORANDUM

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 benefits such as lower debt service payments 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.

The City received (December 2016) affirmation from nationally recognized statistical rating organization *Fitch Ratings* that City bond ratings are "AA" and "AA+", and the rating outlook is stable. *Fitch Ratings'* long-term credit ratings are assigned on an alphabetic scale from AAA to D. The bond rating AA means that the City's investment grade is "quality". The City's 2006, 2009 and 2012 Lease Revenue Bonds are rated AA, and the City's implied General Obligation bond rating is AA+. At this time, the City of San Luis Obispo has no general obligation debt.

In reaching its decision, *Fitch Ratings'* 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 through unexpected budgetary challenges during the economic downturn. *Fitch* analysts noted that the City has robust fiscal management and recovered quickly from the Great Recession.

Moody's credit rating agency reviewed the City's General Fund obligation bonds and issued an upgrade from A1 rating to Aa3 (rated as top quality and very low credit risk) rating for the 2006 Lease Revenue Bonds as follows. This rating was based on the agency's detailed surveillance review of the City's financial conditions and the rating methodology released by Moody's in July of 2016.

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," nonrecurring 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 and Information Technology Replacement Funds to provide for the timely replacement of vehicles and equipment as well as IT equipment and software.

TRANSMITTAL MEMORANDUM

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 costs. With the 2017-19 Financial Plan, the guidance was incorporated into the City's fiscal policies.

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 be able to fully meet its obligation to retired employees on a timely basis. 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. Members of the Police Officers Association contribute 3% of pay toward the cost of the City's share of the annual required contribution. Starting with FY 2015-16, public agencies are billed a contribution rate as a percentage of payroll plus a lump sum dollar payment toward the City's unfunded liability. Prepaying the City's unfunded liability should reduce overall annual costs depending on whether actuarial approved actuarial assumptions are realized and are not adjusted by the CalPERS' Board.

While the implementation of 2nd and 3rd Tiers 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.

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. And due to CalPERS purchasing power, the City has continued to experience competitive health care rates since then. However, as a condition of joining the CalPERS health program, the City agreed to contribute the minimum amount required by law per month 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 has established certain post-retirement health care benefits available to executive management employees appointed prior to August 2000. For the five former employees, one-half of the retiree health insurance premiums are paid by the City if they elect to remain members of 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 2016-2017, the City paid \$250,000 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 7 in the notes to the financial statements.

MAJOR INITIATIVES

The City continued its efforts on a number of significant initiatives in 2016-17 which had a beneficial effect on fiscal health and quality of life.

Fiscal Sustainability and Responsibility

An organizational focus continued for Fiscal Sustainability and Responsibility throughout 2016-17 fiscal year. The City continued to complete the work programs established by the adopted Other Important Objective to sustain the City's short and long-term fiscal health, preserve public health and safety in line with residents' priorities and with a focus on the reduction of unfunded liabilities.

With the announcement by CalPERS in December of 2016, to lower the discount rate from 7.5% to 7.0%, the City immediately responded by placing into effect a Fiscal Health Contingency Plan that required analysis of the long-term fiscal forecast as well as immediate hiring chill and higher level of control and authorization on expenditures.

With the 2017-19 Financial Plan, the Council adopted a Fiscal Sustainability and Responsibility Major City Goal with a focus on economic development and responsiveness, structurally balanced fiscal outlook, unfunded liabilities, and infrastructure financing.

Monitoring of the City's Fiscal Condition.

The Council adopted the prioritization for the use of one-time funds above the policy reserve as a standing fiscal and budget policy with the 2017-19 Financial Plan. Per policy, one-time funds above policy reserves are prioritized to pay down unfunded liabilities and to invest in infrastructure.

With the past two Financial Plans, the Council continued to make a priority to pay down unfunded liabilities. In 2013-14, the City made a prepayment against its unfunded retirement liabilities in the amount of \$935,000. A second prepayment in the amount of \$300,000 was made in July 2014. With the 2015-17 Financial Plan an additional \$750,000 was allocated to prepay a portion of the pension liability and \$250,000 as a prepayment to the OPEB. Also, the budget added \$275,000 to deferred road maintenance, \$450,000 to the City's fleet replacement, and \$450,000 for information technology equipment replacement. The 2016-17 Supplemental Budget allocates an additional \$750,000 toward prepayment of the pension unfunded liability, and \$250,000 toward the OPEB unfunded liability.

TRANSMITTAL MEMORANDUM

With the 2016-17 Supplemental Budget, the Council adopted the Efficiency & Effectiveness Initiative to address internal services infrastructure and allocating \$1.9 million toward information technology infrastructure. The initiative directly responds to the Fiscal Sustainability and Responsibility Philosophy (Resolution No. 10546 – 2014 Series). The objective of the initiative is to re-design business processes to align with modern technology to increase efficiency, effectiveness and transparency.

With implementation of pension reporting that is required by Governmental Accounting Standards Board (GASB) Statement No. 68, the impact was significant, however, the City maintained and continues to have a significant margin of assets that are greater than liabilities after the inclusion of the unfunded liability in the City's balance sheet. The City Council took a further step to monitor both the cost and liability trends that relate to retirement programs and will continue to implement the City Council adopted policy to prepay unfunded liabilities as financial conditions allow for this to occur.

With the 2017-19 Financial Plan, the City incorporated the CalPERS required contributions to pay down unfunded liabilities into long-term forecasts and the Council adopted the Fiscal Sustainability and Responsibility Major City Goal focusing on long-term fiscal health. In April 2018, the Council will be presented with a Fiscal Health Response Plan to close identified budget gaps.

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 its 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 will drive 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 pending closure settlement funds in economic development activities. Key revenue sources (property, sales, and Transient Occupancy Tax (TOT)) will receive continued focus.

TRANSMITTAL MEMORANDUM

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 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 which includes consideration of the Downtown Improvement District. On June 20, 2017 \$75,000 was allocated to a feasibility study to support the Downtown Maintenance District with the 2017-19 Financial Plan.

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, 2016.

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 a number of benefits to participating in these programs beyond simply receiving recognition for our 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 our reports from a “fresh” perspective are received. The City believes that this results in continuous improvements in reporting our 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.

TRANSMITTAL MEMORANDUM

We would like to take this opportunity to compliment all those staff members of both the City within 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 their continued interest and support in planning and conducting the financial operations of the City in a fiscally responsible and progressive manner.



Derek Johnson, City Manager



Xenia Bradford, Finance Director

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Heidi Harmon	Mayor
Carlyn Christianson	Vice Mayor
Dan Rivoire	Council Member
Aaron Gomez	Council Member
Andy Pease	Council Member

ADVISORY BODIES

Administrative Review Board
Architectural Review Commission
Bicycle Advisory Committee
Construction Board of Appeals
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
Zone 9

APPOINTED OFFICIALS AND DEPARTMENT HEADS

Appointed Officials

Derek Johnson	City Manager
J. Christine Dietrick	City Attorney

Department Heads

Greg Hermann	Acting Assistant City Manager
Michael Codron	Director of Community Development
Xenia Bradford	Director of Finance
Garret Olson	Fire Chief
Monica Irons	Director of Human Resources
Deanna Cantrell	Police Chief
Daryl Grigsby	Director of Public Works
Carrie Mattingly	Director of Utilities
Shelly Stanwyck	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.

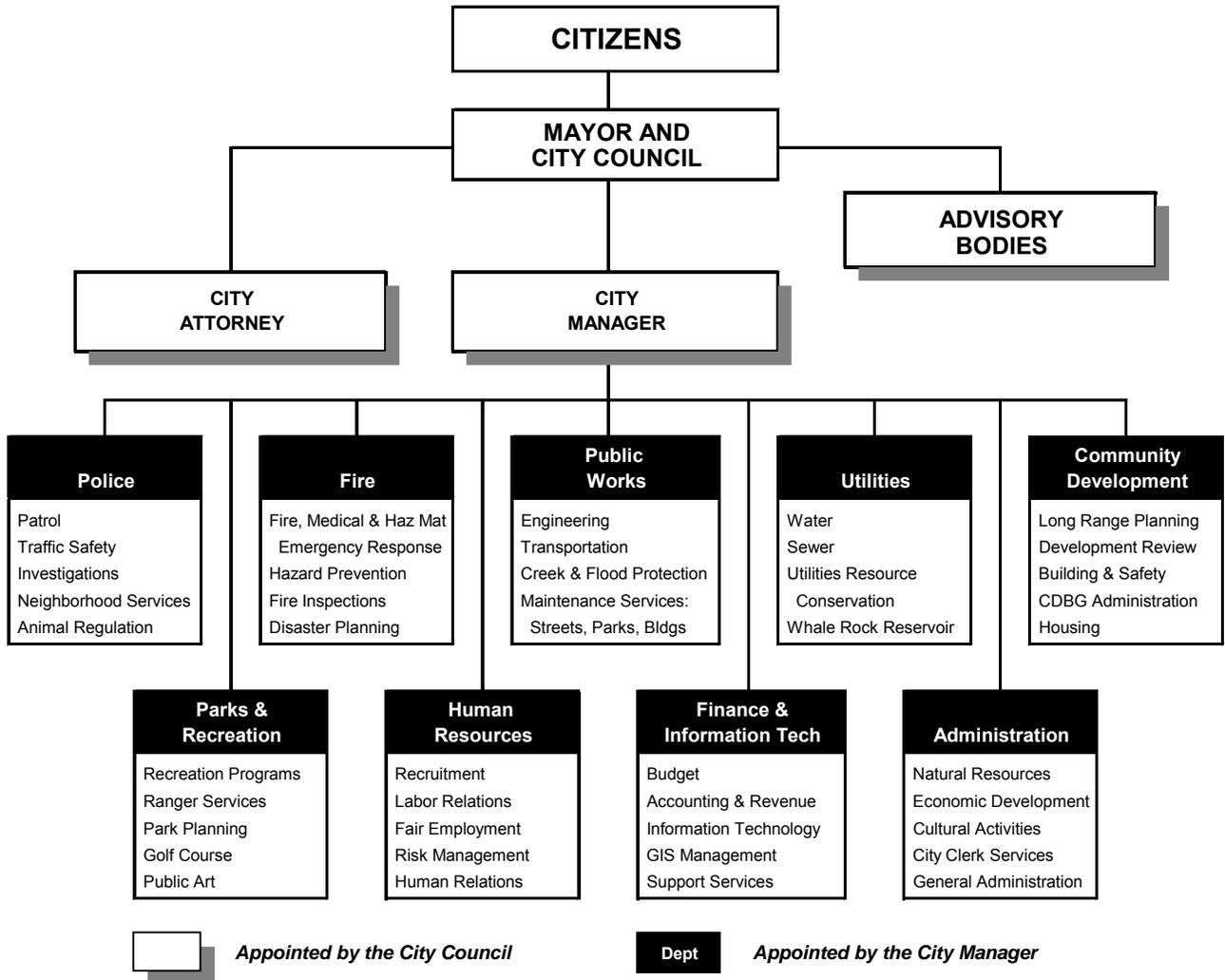
Employee Development and Recognition

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.

ORGANIZATION OF THE CITY OF SAN LUIS OBISPO





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, 2016

Executive Director/CEO



FINANCIAL SECTION



Independent Auditors' Report

The Honorable City Council of the
City of San Luis Obispo, California
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, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 of 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 of San Luis Obispo, California, as of June 30, 2017, 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

Requirement Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 summary schedules on pages 103 through 105, combining and individual nonmajor fund financial statements and schedules on pages 110 through 130, 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 summary schedule and combining and individual nonmajor fund financial statements and schedules 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 summary schedule and combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 20, 2017

Management's Discussion and Analysis

The following provides a narrative overview and analysis of the financial activities of the City of San Luis Obispo (City) for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying transmittal memorandum and the basic financial statements.

Financial Highlights

In 2016-17 fiscal year, the City continued to experience a slow but steady economic growth. Actual revenues received were in-line with the budget and the City's expenditures were under budget.

In December 2016, the California Public Employees Retirement System (CalPERS) announced policy changes lowering the expected rate of return from 7.5% to 7.0%. The City immediately responded to the policy change by implementing an expenditure containment strategy. The policy change will result in significant impacts to the actuarial reports and unfunded liabilities. The City is developing budgetary actions to address long-term fiscal health as part of the 2018-19 Supplemental Budget development.

A significant impact to the City of implementing GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, in fiscal year 2014-15 is the reporting of the City's unfunded pension liability on the full accrual basis of accounting on the government-wide financial statements. There are also note disclosure requirements and supplementary schedules required by GASB 68. The measurement date for the fiscal year 2016-17 pension liabilities is as of the fiscal year ended June 30, 2016. 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 2016-17 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.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2017 by \$313 million (net position). The City's unrestricted net position was negatively impacted beginning in fiscal year 2014-15 with the implementation of GASB 68. More information on the City's plans can be found in Note 7 on pages 61-75 of this report.
- Total City-wide assets increased by approximately \$6.8 million or 1.3%. In governmental activities, amounts receivable from various sources decreased by \$3.0 million; cash and investment balances increased by \$2.8 million; prepaid expenses increased by \$3.2 million and cash held with fiscal agent decreased by \$491,000.
- In business-type activities, amounts receivable decreased by \$1.3 million or 15.2% while cash and investment balances increased by \$4.5 million or 7.7%. City-wide liabilities increased by approximately \$12.0 million during the fiscal year. This increase is due primarily to the net pension liability adjustment the City is required to record with the implementation of GASB 68 in fiscal year 2014-15. Governmental activities experienced an increase of \$12.5 million due primarily to the increase in the net pension liability of \$13.7 million and a decrease in long-term liabilities of \$1.6 million. Business-type activities saw a decrease in long-term liabilities of \$3.0 million and an increase in net pension liability of \$2.4 million.

Management's Discussion and Analysis

- The City's governmental funds altogether reported combined ending fund balances of \$52.6 million. Approximately \$49.8 million or 95% of this total amount is not available for new spending because it represents amounts that are: (1) restricted for debt service, (2) grant obligations, (3) prepaid for insurance obligations, or (4) is already committed to specific programs like impact fee programs and general capital outlay. From this amount, \$17.8 million is assigned as of June 30, 2017 to meet expenditures in subsequent years in the form of purchase order encumbrances and unspent appropriations that have been rolled over into fiscal year 2017-18 in accordance with the City's budget policies.
- The total General Fund balance decreased by \$3.1 million to \$26.5 million. This reflects a prepayment of liability and worker's compensation insurance for fiscal year 2017-18. After the adjustments to reflect amounts committed to the Half Percent Sales Tax Measure reserve (\$6.1 million); debt service and prepaid expenses reserve (\$3.2 million); purchase encumbrances and other future expenses (\$3.3 million); designated reserves for development services (\$41,000); and the amount required to be maintained to meet the 20% minimum reserve requirement (\$10.9 million), which excludes a \$4.0 million payment to CalPERS for unfunded liability, \$3.0 million remains as unassigned balance at June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have 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 resources and liabilities/deferred inflows of resources, 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. However, the net position reported for fiscal year 2016-17 includes pension liabilities required under GASB 68. This means that disclosed pension liabilities must be included in the City's Statement of Net Position and has decreased the City's net financial position.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported during the period when the underlying event giving rise to the change occurs, 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.

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

Management's Discussion and Analysis

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 so 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 fund. 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.

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 sources 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 financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to 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 is considered to be a major fund. Data from the major governmental funds are combined into a single, 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

Management's Discussion and Analysis

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. Agency 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 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 an agency 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.

The accounting used for fiduciary funds is much like that used for proprietary funds. The Agency 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.

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, 2017 and 2016.

CONDENSED STATEMENT OF NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Current and other assets	\$ 58,833,313	\$ 56,114,955	\$ 79,361,347	\$ 76,077,990	\$ 138,194,660	\$ 132,192,945
Capital assets	193,327,618	192,587,660	179,138,958	179,110,936	372,466,576	371,698,596
Total assets	252,160,931	248,702,615	258,500,305	255,188,926	510,661,236	503,891,541
Total Deferred Outflows of Resources	30,018,740	16,760,309	5,160,991	3,241,231	35,179,731	20,001,540
Current liabilities	9,131,747	8,730,861	6,432,263	6,373,450	15,564,010	15,104,311
Noncurrent liabilities	140,534,318	128,476,670	68,286,279	68,826,211	208,820,597	197,302,881
Total liabilities	149,666,065	137,207,531	74,718,542	75,199,661	224,384,607	212,407,192
Total Deferred Inflows of Resources	6,641,523	11,074,907	2,095,610	3,066,273	8,737,133	14,141,180
Net position:						
Net investment in capital assets	165,100,426	163,449,992	131,149,516	128,390,611	296,249,942	291,840,603
Restricted	2,268,499	2,762,387	2,276,526	2,278,392	4,545,025	5,040,779
Unrestricted	(41,496,842)	(49,031,893)	53,421,102	49,495,220	11,924,260	463,327
Total Net Position	\$ 125,872,083	\$ 117,180,486	\$ 186,847,144	\$ 180,164,223	\$ 312,719,227	\$ 297,344,709

For the City, total assets and deferred outflows of resources were greater than liabilities and deferred inflows of resources by \$313 million at June 30, 2017. The largest portion of the City's net position reflects its investment in capital assets in the amount of \$296.2 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.

Management's Discussion and Analysis

Information about changes in net position for fiscal years 2016-17 and 2015-16 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	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Revenues:						
Program Revenues:						
Charges for services*	\$ 15,210,358	\$ 13,389,217	\$ 41,786,730	\$ 44,413,190	\$ 56,997,088	\$ 57,802,407
Operating grants and contributions*	2,488,706	2,667,058	4,180,386	2,888,820	6,669,092	5,555,878
Capital grants and contributions	40,531	9,355,707			40,531	9,355,707
General Revenues:						
Sales taxes (Including 1/2 percent local Sales Tax)	24,068,665	24,676,377			24,068,665	24,676,377
Property taxes	10,756,477	10,186,858			10,756,477	10,186,858
Transient occupancy tax	7,381,989	7,127,756			7,381,989	7,127,756
Utility users tax	5,539,407	5,413,720			5,539,407	5,413,720
Property tax in lieu of VLF	4,353,912	4,113,244			4,353,912	4,113,244
Other taxes and fees	3,929,377	4,029,438			3,929,377	4,029,438
Investment earnings	260,169	825,760	182,261	845,906	442,430	1,671,666
Miscellaneous and other	737,826	771,154	206,700	239,200	944,526	1,010,354
Total revenues	74,767,417	82,556,289	46,356,077	48,387,116	121,123,494	130,943,405
Program expenses:						
Public safety	31,806,692	29,318,821			31,806,692	29,318,821
Public utilities			30,753,229	28,978,571	30,753,229	28,978,571
Transportation	9,668,840	8,792,028	7,868,364	7,988,475	17,537,204	16,780,503
Culture and recreation	9,824,262	9,808,545			9,824,262	9,808,545
Community development	14,656,604	12,900,275			14,656,604	12,900,275
Interest on long-term debt	1,170,984	1,351,468			1,170,984	1,351,468
Total expenses	67,127,382	62,171,137	38,621,593	36,967,046	105,748,975	99,138,183
Increase (decrease) in net position before transfers	7,640,035	20,385,152	7,734,484	11,420,070	15,374,519	31,805,222
Transfers	1,051,563	1,436,048	(1,051,563)	(1,436,048)	-	-
Change in net position	8,691,598	21,821,200	6,682,921	9,984,022	15,374,519	31,805,222
Net position - beginning of year	117,180,486	95,359,286	180,164,223	170,180,201	297,344,709	265,539,487
Net position - end of year	\$ 125,872,084	\$ 117,180,486	\$ 186,847,144	\$ 180,164,223	\$ 312,719,228	\$ 297,344,709

*Charges for services and operating grants and contributions in the current year represent the net amount after deducting general government amounts as this activity nets to zero.

Governmental Activities. The City's net position in the Governmental activities increased \$8.7 million to \$125.9 million at June 30, 2017 as a result of revenues exceeding expenses. The City is continuing to see growth in its revenue base and realized savings in the General Fund above the level anticipated in the fiscal year 2016-17 budget. As part of this growth trend, more private development is taking place which is generating more development related permit revenues in the form of development-related impact and in-lieu fees which are held until needed for planned capital outlay.

Management's Discussion and Analysis

A portion of the City's net position, \$4.5 million, is subject to restrictions imposed by external parties and its use is determined by those restrictions and contractual agreements. This is the third year of the GASB 68 Statement implementation by the City. The governmental activities contributed roughly \$8.7 million and business-type activities contributed roughly \$6.7 million for a total increase in the net position of \$15.4 million compared to June 30, 2016.

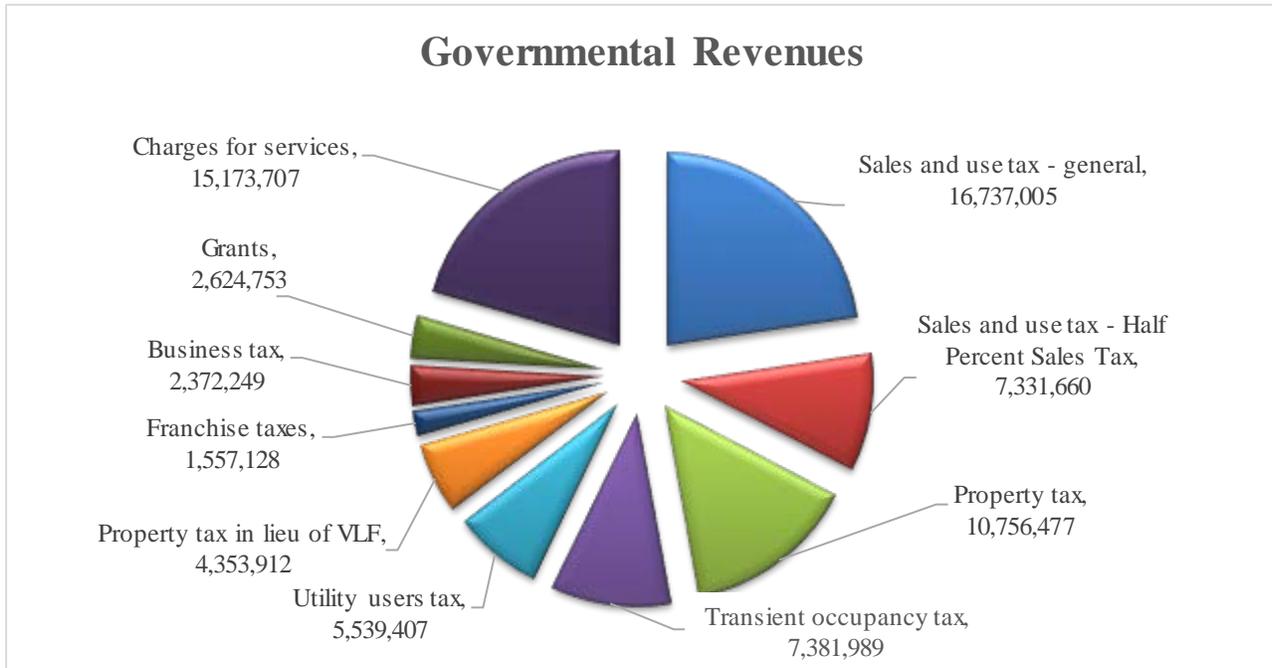
The total general revenue decreased from fiscal year 2015-16 by 9%. Revenues are divided into charges for services and general revenues in the following table. Charges for services are revenues directly related to service activity, operating and capital grants and contributions, and related investment earnings.

General revenues represent 76% of the total revenue and are used to pay costs of providing program services.

GOVERNMENTAL ACTIVITY CHANGE IN REVENUE				
Revenues	2016-17	2015-16	Inc / (Dec)	%
Charges for services	\$ 15,210,358	\$ 13,389,217	\$ 1,821,141	14%
Operating grants and contributions	2,488,706	2,667,058	(178,352)	-7%
Capital grants and contributions	40,531	9,355,707	(9,315,176)	-100%
General Revenues:				
Sales taxes (Including 1/2 percent local sales tax)	24,068,665	24,676,377	(607,712)	-2%
Property taxes	10,756,477	10,186,858	569,619	6%
Transient occupancy tax	7,381,989	7,127,756	254,233	4%
Utility users tax	5,539,407	5,413,720	125,687	2%
Property tax in lieu of VLF	4,353,912	4,113,244	240,668	6%
Other taxes and fees	3,929,377	4,029,438	(100,061)	-2%
Investment earnings	260,169	825,760	(565,591)	-68%
Miscellaneous and other	737,826	771,154	(33,328)	-4%
Total governmental revenues	\$ 74,767,417	\$ 82,556,289	\$ (7,788,872)	-9%

Management’s Discussion and Analysis

Top Governmental Activity Revenue Sources. As shown in the graph below, our top five tax revenues accounted for almost 70% of total revenues, with service charges accounting for another 20%. Generally, revenues for fiscal year 2016-17 decreased from those of the prior fiscal year.

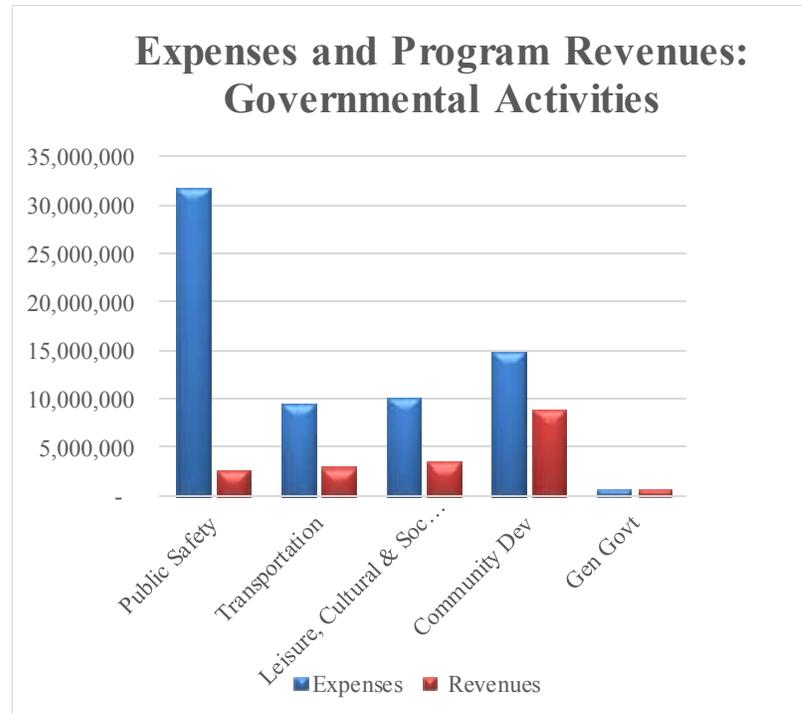


The following narrative addresses the significant variances in key revenues from the prior fiscal year:

- **Sales Tax.** Sales Tax decreased by \$608,000 over the prior year. This decrease reflects the end of the “trip flip” apportionments from the State, which resulted in a one-time increase in cash flow.
- **Property Tax.** Property tax revenue increased by \$570,000 or 6%.
- **Transient Occupancy Tax (TOT).** Increased by \$254,000 or 4% over the prior year.
- **Charges for Services.** These revenues increased by approximately \$1.8 million over 2015-16. In the General Fund, charges for services increased significantly over the prior year due to the growth in private development application fees.
- **Capital Grants and Contributions.** These revenues decreased by \$9.3 million as a result of the completion of the LOVR interchange project.
- **Program Expenses: Governmental Activities.** Program expenses increased by \$5.0 million or 8.0% over the prior fiscal year. Police and Community Development services increased. Transportation and Parks services also increased. An additional factor in the increase is also the net effect of the application of the GASB 68 implementation in 2014-15.

Management’s Discussion and Analysis

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



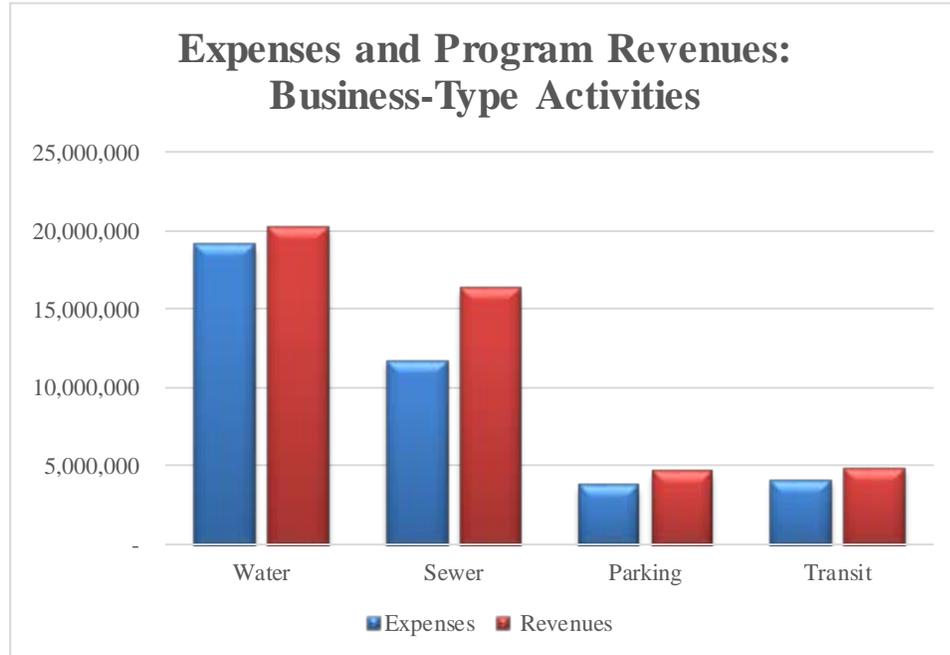
Business-Type Activities. The City’s Business-type activities increased \$6.7 million to \$186.8 million at June 30, 2017.

Revenue Sources: Business-Type Activities. Operating revenues for services reflect a decrease of \$2.0 million or 4.2% over the prior fiscal year. This reflects growth in service charges in the Parking fund and significant reductions in the Water and Sewer funds as follows:

1. **Water revenues.** Total operating revenues increased \$315,000. General water impact fees decreased by \$276,000 or 18% compared to the prior year which are collected for infrastructure to support new development.
2. **Sewer charges.** The overall decrease of \$192,000 over the prior year is from sewer charges affected by water use reduction as a consequence of the drought.
3. **Parking Fees.** In fiscal year 2016-17 the Parking Fund remained flat and met its revenue obligations which were \$4.7 million.

Program Expenses: Business Type Activities. The program expenses for the proprietary funds increased by \$1.7 million or 4.5% over the prior fiscal year. The increase reflects the fact that each of the Water and Sewer funds saw increases in their operating program costs by \$1.9 million due to increases in the costs of salaries, supplies and maintenance.

Management's Discussion and Analysis



The chart above shows Enterprise Funds revenues versus expenditures. As shown, revenues exceeded expenditures for all funds.

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, 2017, the City's governmental funds reported combined ending fund balances of \$52.6 million, or an increase of \$2.4 million compared to the prior fiscal year. The total fund balance of the governmental funds consists of the following:
 - Non-spendable fund balance of \$3.2 million represents prepaid items.
 - Restricted fund balance of \$2.3 million which have restrictions imposed by external parties or enabling legislation. Funds in this category include Debt Services fund and Supplemental Law Enforcement Funds.
 - Committed fund balance of \$26.6 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.

Management's Discussion and Analysis

- Assigned fund balance of \$17.8 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 \$2.7 million as of June 30, 2017.

Major Governmental Funds. In fiscal year 2016-17 there is one major governmental 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 Debt Service Fund, 2) the Los Osos Valley Road Sub-Area Fee Fund, 3) the Downtown Business Improvement District Fund, 4) the Tourism Business Improvement Fund, 5) the Gas Tax Fund, 6) the Transportation Development Act Fund, 7) the Community Development Block Grant Fund, 8) the Law Enforcement Grants Fund 9) the Public Art Contributions Fund and 10) Transportation Impact Fee Fund, and others. 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, 2017, these funds had an aggregate fund balance of \$26.1 million. Of this total, \$19.3 million or 74% is restricted for payment of debt service or specific future capital projects.

The remaining balance of \$6.8 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, 2017 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, 2017.

Management’s Discussion and Analysis

The following summarizes the original budget compared with the adjusted final budget for fiscal year 2016-17. 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.

BUDGETARY HIGHLIGHTS			
General Fund	Original Budget	Final Budget	Positive (Negative) Variance
Revenues	\$ 66,877,338	\$ 67,030,197	\$ 152,859
Expenditures	61,776,357	66,231,033	4,454,676
Other sources (uses)	(6,351,891)	(11,249,403)	(4,897,512)
Beginning fund balance	29,625,532	29,625,532	-
Ending fund balance	\$ 28,374,622	\$ 19,175,293	\$ (9,199,329)

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, transient occupancy tax (TOT) and subventions and grants were updated at Mid-Year and with the Financial Plan Supplement, resulting in an increase in overall budgeted revenues of approximately \$153,000 or 0.2% over the original budget estimate. The remaining increase to the originally budgeted revenues is the result of budget adjustments made subsequent to the Mid-Year budget update, presented and approved by the City Council in February 2017.

The following table contains a comparison of 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 \$405,000, while expenditures and other uses were below the final budget figure by \$7.7 million. The net amount of other sources was less than budgeted by \$402,000. The net result of these differences leads to the ending fund balance increasing by more than \$7.3 million over the amount anticipated in the budget.

BUDGET - ACTUAL COMPARISON			
General Fund	Final Budget	Actual	Positive (Negative) Variance
Revenues	\$ 67,030,197	\$ 67,434,696	\$ 404,499
Expenditures	66,231,033	58,912,698	(7,318,335)
Other sources (uses)	(11,249,403)	(11,651,376)	(401,973)
Beginning fund balance	29,625,532	29,625,532	-
Ending fund balance	\$ 19,175,293	\$ 26,496,154	\$ 7,320,861
Ending fund balance			
Nonspendable		3,173,248	3,173,248
Restricted		128,102	128,102
Committed		9,428,034	9,428,034
Assigned		11,043,478	11,043,478
Unassigned		2,723,292	2,723,292
Total ending fund balance	\$ 19,175,293	\$ 26,496,154	\$ 7,320,861

Management’s Discussion and Analysis

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, 2017, the City’s investment in capital assets for its governmental and business type activities amounts increased to \$372.5 million (net of accumulated depreciation).

The investment in capital assets includes land, 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	
	2017	2016	2017	2016	2017	2016
Nondepreciable capital assets	\$ 40,811,362	\$ 63,327,352	\$ 21,469,603	\$ 16,957,325	\$ 62,280,965	\$ 80,284,677
Depreciable capital assets (net of accumulated depreciation)	152,516,256	129,260,308	157,669,355	162,153,611	310,185,611	291,413,919
Total Capital Assets	\$ 193,327,618	\$ 192,587,660	\$ 179,138,958	\$ 179,110,936	\$ 372,466,576	\$ 371,698,596

Major capital asset expenditures during the fiscal year include the following:

- \$1.5 million for Bus Replacements
- \$869,000 road way sealing projects
- 509,000 Madonna lift Station
- \$450,000 Sinsheimer equipment replacement
- \$248,000 Street Sweeper
- \$240,000 Fire Pumper
- \$297,000 Police CAD software
- \$205,000 Utilities distribution System Improvements
- \$955,000 Fleet Replacement
- \$4.0 million from the Half Percent Sales Tax measure in multiple projects.
- \$214,000 for I.T equipment replacement.
- \$356,000 for facilities maintenance.

Additional information on the City’s capital assets can be found in Note 5 to the basic financial statements.

Management’s Discussion and Analysis

Long-Term Debt. At June 30, 2017, the City had \$80.0 million in long-term debt outstanding as summarized below:

Long- Term Debt	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Lease-revenue bonds	\$ 26,328,540	\$ 27,762,893	\$ 24,072,708	\$ 25,323,405	\$ 50,401,248	\$ 53,086,298
Lease-purchase financing	1,898,652	1,374,773			1,898,652	1,374,773
Installment sale agreement			7,366,468	7,932,327	7,366,468	7,932,327
Loans	591,647	679,314	16,709,160	17,647,622	17,300,807	18,326,936
Compensated absences	2,422,614	2,551,152	653,492	682,933	3,076,106	3,234,085
	\$ 31,241,453	\$ 32,368,132	\$ 48,801,828	\$ 51,586,287	\$ 80,043,281	\$ 83,954,419

This represents a decrease of \$3.9 million or 5% compared to the prior year.

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, 2017, 2% of the assessed valuation was \$136,170,000, while the City’s actual debt applicable to the computed limit was \$10,314,000. At June 30, 2017, 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 and Next Year’s Budgets and Rates

On June 20, 2017, the City Council adopted the 2017-19 Financial Plan and allocated \$142 million in fiscal year 2017-18 and \$203 million in fiscal year 2018-19. The significant increase in year two of the financial plan is due to planned debt issuances in the Sewer and Parking funds. Adequate resources are available to fund the proposed expenditures.

Sales Tax. The local half-percent sales 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 \$7.0 Million in 2017-18. 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 body. The REOC reviews, reports and makes recommendations directly to the City Council regarding revenues and expenditures of half-percent local sale tax.

Utility Rates. As approved by Council in 2015, the water base fee was increased from \$9.98 to \$12.33 and a 5% increase took effect on the volumetric fee. The drought surcharge was eliminated from base fee in March 2017.

There were no increases in Sewer rates.

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.

Requests for Additional Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,860,638	\$ 1,405,062	\$ 4,265,700
Investments	41,711,834	62,056,680	103,768,514
Taxes receivable	6,294,199		6,294,199
Accounts receivable	969,674	5,470,565	6,440,239
Accrued interest receivable	142,584	205,274	347,858
Due from other governments	107,919	1,390,141	1,498,060
Prepaid items and other assets	4,003,752	5,651,099	9,654,851
Cash held by fiscal agent	2,247,713	2,276,526	4,524,239
Investment in joint venture		906,000	906,000
Net other post-employment benefit asset	495,000		495,000
Nondepreciable capital assets	40,811,362	21,469,603	62,280,965
Depreciable capital assets (net of accumulated depreciation)	152,516,256	157,669,355	310,185,611
Total assets	<u>252,160,931</u>	<u>258,500,305</u>	<u>510,661,236</u>
Deferred Outflows of Resources			
Pension related	30,018,740	5,002,097	35,020,837
Unamortized loss on refunding of debt		158,894	158,894
Total deferred outflows of resources	<u>30,018,740</u>	<u>5,160,991</u>	<u>35,179,731</u>
Liabilities			
Accounts payable	2,913,261	2,544,102	5,457,363
Accrued salaries	585,370	32,191	617,561
Deposits payable		271,780	271,780
Unearned revenue	1,319,801		1,319,801
Interest payable	119,935	289,411	409,346
Other liabilities	138,921		138,921
Noncurrent liabilities:			
Due within one year	4,054,459	3,294,779	7,349,238
Due in more than one year	27,186,993	45,507,049	72,694,042
Net pension liability	113,347,324	22,779,230	136,126,554
Total liabilities	<u>149,666,064</u>	<u>74,718,542</u>	<u>224,384,606</u>
Deferred Inflows of Resources			
Pension related	6,641,523	2,095,610	8,737,133
Net Position			
Net investment in capital assets	165,100,426	131,149,516	296,249,942
Restricted for:			
Debt service	2,247,713	2,276,526	4,524,239
Grant program	20,786		20,786
Unrestricted	(41,496,841)	53,421,102	11,924,261
Total net position	<u>\$ 125,872,084</u>	<u>\$ 186,847,144</u>	<u>\$ 312,719,228</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, 2017

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 26,136,561	\$ 5,670,132	\$ 1,771,383	\$ 898,653	\$
Transportation	7,867,673	1,801,167	1,793,010	1,075,447	40,531
Culture and recreation	8,207,599	1,616,663	3,501,837		
Community development	12,494,304	2,162,300	8,144,128	514,606	
General government	11,895,116	(11,250,261)	549,339	95,516	
Interest on long-term debt	1,170,984				
Total governmental activities	67,772,237	-	15,759,697	2,584,222	40,531
Business-type activities:					
Water	19,069,967		20,180,931		
Sewer	11,683,262		16,272,533		
Parking	3,791,493		4,666,970		
Transit	4,076,871		666,296	4,180,386	
Total business-type activities	38,621,593		41,786,730	4,180,386	-
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					
Unrestricted investment earnings					
Other taxes					
Income from investment in joint venture					
Transfers					
Total general revenues and transfers					
Change in net position					
Net position, beginning of year					
Prior year restatement					
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**

Governmental Activities	Business-type Activities	Total
\$ (29,136,657)	\$	\$ (29,136,657)
(6,759,852)		(6,759,852)
(6,322,425)		(6,322,425)
(5,997,870)		(5,997,870)
-		-
(1,170,984)		(1,170,984)
<u>(49,387,787)</u>	<u>-</u>	<u>(49,387,787)</u>
	1,110,964	1,110,964
	4,589,271	4,589,271
	875,477	875,477
	769,811	769,811
<u>-</u>	<u>7,345,523</u>	<u>7,345,523</u>
16,737,005		16,737,005
7,331,660		7,331,660
10,756,477		10,756,477
7,381,989		7,381,989
5,539,407		5,539,407
4,353,912		4,353,912
1,557,128		1,557,128
2,372,249		2,372,249
260,169	182,261	442,430
737,826		737,826
	206,700	206,700
1,051,563	(1,051,563)	-
<u>58,079,385</u>	<u>(662,602)</u>	<u>57,416,783</u>
<u>8,691,598</u>	<u>6,682,921</u>	<u>15,374,519</u>
<u>116,930,486</u>	<u>180,164,223</u>	<u>297,094,709</u>
<u>250,000</u>		<u>250,000</u>
<u>117,180,486</u>	<u>180,164,223</u>	<u>297,344,709</u>
<u>\$ 125,872,084</u>	<u>\$ 186,847,144</u>	<u>\$ 312,719,228</u>

City of San Luis Obispo, California
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 326,898	\$ 2,533,740	\$ 2,860,638
Investments	19,639,015	22,072,819	41,711,834
Taxes receivable	6,294,199		6,294,199
Accounts receivable	321,204	340,141	661,345
Other receivables	308,329		308,329
Due from other governments		107,919	107,919
Due from other funds	128,102		128,102
Accrued interest receivable	77,309	65,275	142,584
Prepaid items	3,173,248	5,642	3,178,890
Cash held by fiscal agent		2,247,713	2,247,713
Total assets	<u>\$ 30,268,304</u>	<u>\$ 27,373,249</u>	<u>\$ 57,641,553</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 1,843,719	\$ 1,069,542	\$ 2,913,261
Accrued liabilities	584,679	691	585,370
Due to other funds		128,102	128,102
Unearned revenue	1,204,831	114,970	1,319,801
Other liabilities	138,921		138,921
Total liabilities	<u>3,772,150</u>	<u>1,313,305</u>	<u>5,085,455</u>
Fund balance:			
Nonspendable	3,173,248	5,642	3,178,890
Restricted for:			
Debt service	128,102	2,119,611	2,247,713
Law enforcement grant programs		20,786	20,786
Committed to:			
Affordable housing programs		5,054,332	5,054,332
General government programs	9,428,034	8,795,074	18,223,108
Impact fee programs		588,743	588,743
Open space programs		2,728,883	2,728,883
Assigned to:			
Contingency fund	10,902,368	900,000	11,802,368
Development services	41,110	5,846,873	5,887,983
City attorney	100,000		100,000
Unassigned	2,723,292		2,723,292
Total fund balance	<u>26,496,154</u>	<u>26,059,944</u>	<u>52,556,098</u>
Total liabilities and fund balance	<u>\$ 30,268,304</u>	<u>\$ 27,373,249</u>	<u>\$ 57,641,553</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, 2017

Total fund balance - governmental funds		\$ 52,556,098
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets at estimated historical cost	283,635,345	
Accumulated depreciation	<u>(90,307,727)</u>	193,327,618
Deferred outflows of resources are not current asset or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		30,018,740
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the governmental funds.		
		824,862
Net other post-employment benefit asset is not a current financial resource and, therefore, is not reported in governmental funds.		
		495,000
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	25,803,475	
Lease purchase financing	1,898,652	
Compensated absences	2,422,613	
Conservation loan	591,647	
Bond premium	525,065	
Accrued interest payable	<u>119,935</u>	(31,361,387)
Net pension liability is not a current financial resource and, therefore, is not reported in the governmental funds.		
		(113,347,324)
Deferred inflow of resources are not current assets or resources; and they are not due in the current period and therefore are not reporting in the governmental funds.		
		<u>(6,641,523)</u>
Total net position - governmental activities		<u>\$ 125,872,084</u>

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

City of San Luis Obispo, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Sales and use tax - general	\$ 16,737,005	\$	\$ 16,737,005
Sales and use tax - Half Percent Sales Tax	7,331,660		7,331,660
Sales tax - Prop 172	405,512		405,512
Property tax	10,756,477		10,756,477
Transient occupancy tax	7,381,989		7,381,989
Utility users tax	5,539,407		5,539,407
Property tax in lieu of VLF	4,353,912		4,353,912
Franchise taxes	1,557,128		1,557,128
Business tax	2,372,249		2,372,249
Real property transfer tax	332,314		332,314
Fines, forfeitures and penalties	139,534		139,534
Use of money and property	160,340	99,829	260,169
Subventions and grants	1,014,859	1,609,894	2,624,753
Charges for services	9,112,989	6,060,718	15,173,707
Miscellaneous	239,321	207,135	446,456
Total revenues	<u>67,434,696</u>	<u>7,977,576</u>	<u>75,412,272</u>
Expenditures:			
Current:			
General government	11,485,833	338,527	11,824,360
Public safety	27,262,887	828,860	28,091,747
Transportation	3,780,804	1,169,041	4,949,845
Leisure, cultural and social services	7,712,834	72,577	7,785,411
Community development	8,576,098	4,116,139	12,692,237
Debt service:			
Principal	87,667	2,013,629	2,101,296
Interest	6,575	1,208,929	1,215,504
Capital outlay:			
Public safety		1,772,454	1,772,454
Transportation		2,944,453	2,944,453
Leisure, cultural and social services		1,421,919	1,421,919
Community development		284,375	284,375
General government		89,825	89,825
Total expenditures	<u>58,912,698</u>	<u>16,260,728</u>	<u>75,173,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,521,998</u>	<u>(8,283,152)</u>	<u>238,846</u>

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

City of San Luis Obispo, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds, continued
For the Fiscal Year Ended June 30, 2017
Page 2

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):			
Issuance of debt	\$	\$ 1,141,468	\$ 1,141,468
Transfers in	2,043,830	13,695,206	15,739,036
Transfers out	(13,695,206)	(992,267)	(14,687,473)
Total other financing sources (uses)	<u>(11,651,376)</u>	<u>13,844,407</u>	<u>2,193,031</u>
Net change in fund balance	(3,129,378)	5,561,255	2,431,877
Fund balance, beginning of year	<u>29,625,532</u>	<u>20,498,689</u>	<u>50,124,221</u>
Fund balance, end of year	<u>\$ 26,496,154</u>	<u>\$ 26,059,944</u>	<u>\$ 52,556,098</u>

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

City of San Luis Obispo, California
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-wide Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Total net change in fund balance - governmental funds		\$ 2,431,877
Capital outlay net of depreciation expense and disposal.		
Expenditures for capital outlay - governmental funds	6,513,026	
Depreciation expense	<u>(5,765,746)</u>	747,280
Loss on disposal of capital asset		(7,322)
Changes in the net other post-employment benefit (OPEB) asset due to plan changes and changes in actuarial assumptions		245,000
Principal paid on long-term debt		2,101,296
Acquisition of new financing		(1,141,468)
Change in accrued interest on debt		6,207
Change in unamortized discount/premium (netted with debt)		38,313
Change in other long-term asset		145,642
Change in compensated absences		128,539
Change in net pension liability		<u>3,996,234</u>
Total change in net position - governmental activities		<u><u>\$ 8,691,598</u></u>

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

City of San Luis Obispo, California
Statement of Fund Net Position
Business-Type Activities – Enterprise Funds
June 30, 2017

	Enterprise Funds				Totals
	Water	Sewer	Parking	Transit	
Assets					
Current assets:					
Cash and cash equivalents	\$ 382,881	\$ 672,491	\$ 312,289	\$ 37,401	\$ 1,405,062
Investments	16,934,518	29,759,281	13,707,783	1,655,098	62,056,680
Accounts receivable	2,790,240	2,632,303	47,933	89	5,470,565
Accrued interest receivable	64,633	92,514	42,614	5,513	205,274
Prepayments	5,619,037	32,062			5,651,099
Due from other governments				1,390,141	1,390,141
Total current assets	<u>25,791,309</u>	<u>33,188,651</u>	<u>14,110,619</u>	<u>3,088,242</u>	<u>76,178,821</u>
Noncurrent assets:					
Cash and investments held by fiscal agent	1,623,009	60,225	593,292		2,276,526
Investment in joint venture	906,000				906,000
Capital assets:					
Land	945,926	2,176,114	5,947,455		9,069,495
Public art			74,100		74,100
Infrastructure	98,608,048	85,429,529	29,149,949	110,972	213,298,498
Buildings and improvements	19,134,912	5,024,388	888,420	5,055,076	30,102,796
Equipment	4,217,640	4,945,596	408,106	9,262,399	18,833,741
Construction in progress	1,372,947	10,403,373	502,344	47,344	12,326,008
Total capital assets	<u>124,279,473</u>	<u>107,979,000</u>	<u>36,970,374</u>	<u>14,475,791</u>	<u>283,704,638</u>
Less accumulated depreciation	<u>(50,574,950)</u>	<u>(34,366,405)</u>	<u>(12,284,292)</u>	<u>(7,340,033)</u>	<u>(104,565,680)</u>
Capital assets, net of accumulated depreciation	<u>73,704,523</u>	<u>73,612,595</u>	<u>24,686,082</u>	<u>7,135,758</u>	<u>179,138,958</u>
Total noncurrent assets	<u>76,233,532</u>	<u>73,672,820</u>	<u>25,279,374</u>	<u>7,135,758</u>	<u>182,321,484</u>
Total assets	<u>102,024,841</u>	<u>106,861,471</u>	<u>39,389,993</u>	<u>10,224,000</u>	<u>258,500,305</u>
Deferred Outflows of Resources					
Pension related	2,050,530	2,262,358	538,149	151,060	5,002,097
Unamortized loss on refunding of debt	158,894				158,894
Total deferred outflow of resources	<u>2,209,424</u>	<u>2,262,358</u>	<u>538,149</u>	<u>151,060</u>	<u>5,160,991</u>

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

City of San Luis Obispo, California
Statement of Fund Net Position
Business-Type Activities – Enterprise Funds, continued
June 30, 2017
Page 2

	Enterprise Funds				Totals
	Water	Sewer	Parking	Transit	
Liabilities					
Current liabilities:					
Accounts payable	\$ 493,190	\$ 1,597,029	\$ 116,507	\$ 337,376	\$ 2,544,102
Accrued liabilities	9,739	18,720	2,932	800	32,191
Compensated absences	259,484	210,341	24,122	16,240	510,187
Deposits payable	21,780		250,000		271,780
Interest payable	138,519	47,064	103,828		289,411
Current portion of long-term debt	1,379,482	907,052	498,058		2,784,592
Total current liabilities	2,302,194	2,780,206	995,447	354,416	6,432,263
Noncurrent liabilities:					
Compensated absences	60,730	73,545	6,814	2,216	143,305
Lease revenue bonds	15,855,977	428,260	6,552,586		22,836,823
Installment sale agreement		6,783,114			6,783,114
State loan/note payable	3,336,331	7,817,344	4,590,132		15,743,807
Net pension liability	9,387,364	10,170,853	2,604,377	616,636	22,779,230
Total noncurrent liabilities	28,640,402	25,273,116	13,753,909	618,852	68,286,279
Total liabilities	30,942,596	28,053,322	14,749,356	973,268	74,718,542
Deferred Inflows of Resources					
Pension related	863,605	935,684	239,593	56,728	2,095,610
Net Position					
Net investment in capital assets	53,291,627	57,676,825	13,045,306	7,135,758	131,149,516
Restricted:					
Debt service	1,623,009	60,225	593,292		2,276,526
Subsequent year expenditures	1,298,017	8,207,589	381,450	41,519	9,928,575
Unrestricted	16,215,411	14,190,184	10,919,145	2,167,787	43,492,527
Total net position	\$ 72,428,064	\$ 80,134,823	\$ 24,939,193	\$ 9,345,064	\$ 186,847,144

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 Position
Business-Type Activities – Enterprise Funds
For the Fiscal Year Ended June 30, 2017

	Enterprise Funds				
	Water	Sewer	Parking	Transit	Total
Operating revenues:					
Charges for sales and service	\$ 18,757,311	\$ 15,382,103	\$ 4,307,877	\$ 658,468	\$ 39,105,759
Impact fees	1,266,674	503,615			1,770,289
Fines and forfeitures			530,644		530,644
Other revenues	162,054	349,862	(171,551)		340,365
Total operating revenues	<u>20,186,039</u>	<u>16,235,580</u>	<u>4,666,970</u>	<u>658,468</u>	<u>41,747,057</u>
Operating expenses:					
Salaries and benefits	3,615,448	3,967,703	1,118,703	296,931	8,998,785
Supplies and maintenance	1,682,244	1,905,369	267,576	280,374	4,135,563
Contract services	8,842,359	807,408	600,146	2,551,097	12,801,010
General government	1,477,598	1,591,041	684,603	288,995	4,042,237
Depreciation	2,665,385	3,041,787	644,447	659,474	7,011,093
Total operating expenses	<u>18,283,034</u>	<u>11,313,308</u>	<u>3,315,475</u>	<u>4,076,871</u>	<u>36,988,688</u>
Operating income (loss)	<u>1,903,005</u>	<u>4,922,272</u>	<u>1,351,495</u>	<u>(3,418,403)</u>	<u>4,758,369</u>
Nonoperating revenues (expenses)					
Interest	63,970	62,376	52,476	3,439	182,261
Grants				4,180,386	4,180,386
Interest expense	(786,933)	(369,954)	(476,018)		(1,632,905)
Income from investment in joint venture	206,700				206,700
Miscellaneous nonoperating revenues (expenses)	(5,108)	36,953		7,828	39,673
Total nonoperating revenues (expenses)	<u>(521,371)</u>	<u>(270,625)</u>	<u>(423,542)</u>	<u>4,191,653</u>	<u>2,976,115</u>
Income before transfers and capital contributions	<u>1,381,634</u>	<u>4,651,647</u>	<u>927,953</u>	<u>773,250</u>	<u>7,734,484</u>
Transfers	(561,244)	(490,319)			(1,051,563)
Total transfers	<u>(561,244)</u>	<u>(490,319)</u>	<u>-</u>	<u>-</u>	<u>(1,051,563)</u>
Change in net position	820,390	4,161,328	927,953	773,250	6,682,921
Net position, beginning of year	<u>71,607,674</u>	<u>75,973,495</u>	<u>24,011,240</u>	<u>8,571,814</u>	<u>180,164,223</u>
Net position, end of year	<u>\$ 72,428,064</u>	<u>\$ 80,134,823</u>	<u>\$ 24,939,193</u>	<u>\$ 9,345,064</u>	<u>\$ 186,847,144</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, 2017

	Enterprise Funds				Total
	Water	Sewer	Parking	Transit	
Cash flows from operating activities:					
Cash received from customers	\$ 20,243,988	\$ 16,377,147	\$ 3,934,677	\$ 658,417	\$ 41,214,229
Cash payments to suppliers for goods and services	(10,225,911)	(2,049,692)	(816,110)	(2,699,111)	(15,790,824)
Cash payments to General Fund for interfund services	(1,477,598)	(1,591,041)	(684,603)	(288,995)	(4,042,237)
Cash payments to employees for services	(3,930,698)	(4,378,924)	(1,202,249)	(321,475)	(9,833,346)
Other cash payments	(5,108)				(5,108)
Other cash receipts		36,953		7,828	44,781
Net cash provided by (used in) operating activities	<u>4,604,673</u>	<u>8,394,443</u>	<u>1,231,715</u>	<u>(2,643,336)</u>	<u>11,587,495</u>
Cash flows from noncapital financing activities:					
Operating grants received				5,271,715	5,271,715
Transfers to other funds	(561,244)	(490,319)			(1,051,563)
Net cash provided by (used in) noncapital financing activities	<u>(561,244)</u>	<u>(490,319)</u>	<u>-</u>	<u>5,271,715</u>	<u>4,220,152</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(725,268)	(4,530,198)	(127,562)	(1,665,211)	(7,048,239)
Disposition of capital assets	9,124				9,124
Principal paid on debt financing	(1,394,025)	(879,011)	(481,982)		(2,755,018)
Interest paid on debt financing	(774,602)	(372,478)	(476,809)		(1,623,889)
Net cash used in capital and related financing activities	<u>(2,884,771)</u>	<u>(5,781,687)</u>	<u>(1,086,353)</u>	<u>(1,665,211)</u>	<u>(11,418,022)</u>
Cash flows from investing activities:					
Interest on investments	47,873	38,041	43,180	(190)	128,904
Net cash provided by investing activities	<u>47,873</u>	<u>38,041</u>	<u>43,180</u>	<u>(190)</u>	<u>128,904</u>
Net change in cash and cash equivalents	1,206,531	2,160,478	188,542	962,978	4,518,529
Cash and cash equivalents, beginning of year	<u>17,733,877</u>	<u>28,331,519</u>	<u>14,424,822</u>	<u>729,521</u>	<u>61,219,739</u>
Cash and cash equivalents, end of year	<u>\$ 18,940,408</u>	<u>\$ 30,491,997</u>	<u>\$ 14,613,364</u>	<u>\$ 1,692,499</u>	<u>\$ 65,738,268</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, continued
For the Fiscal Year Ended June 30, 2017
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)	\$ 1,903,005	\$ 4,922,272	\$ 1,351,495	\$(3,418,403)	\$ 4,758,369
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,665,385	3,041,787	644,447	659,474	7,011,093
Other revenues and expenses	(5,108)	36,953		7,828	39,673
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Accounts receivable	65,509	141,567	17,707	(51)	224,732
Prepaid expense	211,230	(32,062)			179,168
Accounts payable	87,462	695,147	51,612	132,360	966,581
Deposits payable	(7,560)		(750,000)		(757,560)
Accrued salaries and compensated absences	(108,550)	(196,863)	(27,563)	(9,280)	(342,256)
Deferred pensions and net pension liability	(206,700)	(214,358)	(55,983)	(15,264)	(492,305)
Net cash provided by (used in) operating activities	<u>\$ 4,604,673</u>	<u>\$ 8,394,443</u>	<u>\$ 1,231,715</u>	<u>\$(2,643,336)</u>	<u>\$ 11,587,495</u>
Reconciliation of cash and investments to the balance sheet:					
Cash and cash equivalents	\$ 382,881	\$ 672,491	\$ 312,289	\$ 37,401	\$ 1,405,062
Investments	16,934,518	29,759,281	13,707,783	1,655,098	62,056,680
Cash and investments held by fiscal agent	1,623,009	60,225	593,292		2,276,526
Total cash and investments	<u>\$ 18,940,408</u>	<u>\$ 30,491,997</u>	<u>\$ 14,613,364</u>	<u>\$ 1,692,499</u>	<u>\$ 65,738,268</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, 2017

Assets

Current assets:

Cash and cash equivalents	\$ 2,869,062
Investments	1,687,073
Accounts receivable	18,102
Accrued interest receivable	9,826
Other assets	35,064
Deferred outflows of resources - pension related	265,920
Capital assets, net of accumulated depreciation	<u>1,058,352</u>

Total assets	<u><u>\$ 5,943,399</u></u>
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Liabilities

Current liabilities:

Accounts payable	\$ 493,762
Accrued liabilities	28,988
Other liabilities	2,349,852
Deferred inflows of resources - pension related	111,456
Net pension liability	1,211,508
Due to agency participants	<u>1,747,833</u>

Total liabilities	<u><u>\$ 5,943,399</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, 2017

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City of San Luis Obispo, California
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City of San Luis Obispo, California
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City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2017

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 46,724, 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, building and safety, and other general government services.

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 nonfiduciary 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 to a significant extent 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 with 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.

City of San Luis Obispo, California

Notes to the Financial Statements

June 30, 2017

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Note 1: Summary of Significant Accounting Policies (Continued)

Separate 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.

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. 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 grant total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 126 for a complete list of Agency Funds.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 1: Summary of Significant Accounting Policies (Continued)

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.

Highly liquid investments with maturities of one year or less at time of purchase are stated at the amortized cost. All other investments are stated at fair value. Market value is used as fair value for those investments where market quotations are readily available.

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 inventorable 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.

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 6 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 are recorded at estimated fair market value at the date of donation. 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

City of San Luis Obispo, California
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Note 1: Summary of Significant Accounting Policies (Continued)

part of the capitalized value of the assets constructed. Detailed information on the City’s capital assets can be found in Note 5.

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 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.

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 fund types 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.

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Note 1: Summary of Significant Accounting Policies (Continued)

Net Pension Liability. The City recognizes a net pension liability, which represents the City's proportionate share of 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.

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.

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. Also included in this component are encumbrances which represent legal and binding obligations for the acquisition of future goods and services. 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.

City of San Luis Obispo, California

Notes to the Financial Statements

June 30, 2017

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Note 1: Summary of Significant Accounting Policies (Continued)

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.

City of San Luis Obispo, California

Notes to the Financial Statements

June 30, 2017

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Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2017 was the second year of the 2015-17 two-year cycle.
 - **Mid-Year Reviews.** The Council formally reviews the City's financial condition and amends appropriations, if necessary, each February.

Note 1: Summary of Significant Accounting Policies (Continued)

- **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 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.

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 2017 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. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at the end of the year are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Amounts encumbered at year end are re-appropriated in the following year.

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, transfers are made from these funds to reimburse the General Fund for these services. The transfers 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2017, 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.

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.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 2: Cash and Investments (Continued)

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, except for discount notes which are stated at amortized cost which approximates fair value, 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.

At June 30, 2017, cash and investments consisted of the following:

	Fair Value	Percent of Portfolio
Cash and cash equivalents	\$ 4,265,700	3.79%
State Local Agency Investment Fund	27,062,409	24.04%
U.S. Treasury Bond / Note	17,150,735	15.24%
Federal Agency Bond / Note	34,202,847	30.39%
Corporate Note	8,717,394	7.74%
Commercial Paper	7,656,133	6.80%
Negotiable Certificates of Deposit	8,904,157	7.91%
Non-Negotiable Certificates of Deposit	984,002	0.87%
Money Market Funds	1,578,983	1.40%
Guarantee Investment Contracts	2,036,093	1.81%
Total cash and investments	\$ 112,558,453	100.00%

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2017
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Note 2: Cash and Investments (Continued)

At June 30, 2017, cash and investments are reflected in the financial statements as follows:

	Governmental Funds	Enterprise Funds	Total
Cash and cash equivalents	\$ 2,860,638	\$ 1,405,062	\$ 4,265,700
Investments	41,711,834	62,056,680	103,768,514
Cash and investments held by fiscal agents	2,247,713	2,276,526	4,524,239
Total cash and investments	\$ 46,820,185	\$ 65,738,268	\$ 112,558,453

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.

The following is a summary of the fair value measurements as of June 30, 2017:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value hierarchy				
U.S. Treasury Bond / Note	\$ 17,150,735	\$ 17,150,735	\$	\$
Federal Agency Bond / Note	34,202,847		34,202,847	
Corporate Note	8,717,394		8,717,394	
Commercial Paper	7,656,133		7,656,133	
Negotiable Certificates of Deposit	8,904,157		8,904,157	
Total investments by fair value hierarchy	<u>\$ 76,631,266</u>	<u>\$ 17,150,735</u>	<u>\$ 59,480,531</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy				
State Local Agency Investment Fund	27,062,409			
Non-Negotiable Certificates of Deposit	984,002			
Money market funds	1,578,983			
Guarantee Investment Contracts	2,036,093			
Total investments not subject to fair value hierarchy	<u>31,661,487</u>			
Total investments measured at fair value	<u>\$ 108,292,753</u>			

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2017
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Note 2: Cash and Investments (Continued)

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 certificates of deposit, totaled \$21,156,737 at June 30, 2017 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.

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	Over Five Years
State Local Agency Investment Fund	\$ 27,062,409	\$	\$ 27,062,409	\$	\$
U.S. Treasury Bond / Note	17,150,735		815,441	15,292,585	1,042,709
Federal Agency Bond / Note	34,202,847		1,898,413	32,304,434	
Corporate Note	8,717,394			8,717,394	
Commercial Paper	7,656,133	2,361,374	5,294,759		
Negotiable Certificates of Deposit	8,904,157		818,206	8,085,951	
Non-Negotiable Certificates of Deposit	984,002		984,002		
Money Market Funds	1,578,983	1,578,983			
Guarantee Investment Contracts	2,036,093				2,036,093
Total maturities	\$ 108,292,753	\$ 3,940,357	\$ 36,873,230	\$ 64,400,364	\$ 3,078,802

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Note 2: Cash and Investments (Continued)

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.

The following table identifies the Standard & Poor’s credit quality ratings for those investments requiring this disclosure as of June 30, 2017:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>Not Rated</u>
Investments:								
State Local Agency Investment Fund	\$ 27,062,409	\$	\$	\$	\$	\$	\$	\$ 27,062,409
U.S. Treasury Bond / Note	17,150,735		15,591,416					1,559,319
Federal Agency Bond / Note	34,202,847		34,202,847					
Corporate Note	8,717,394	985,729	1,035,798	426,782	1,548,145	1,231,828	3,489,112	
Commercial Paper	7,656,133							7,656,133
Negotiable Certificates of Deposit	8,904,157				4,115,851	4,788,306		
Non-Negotiable Certificates of Deposit	984,002							984,002
Money Market Funds	1,578,983							1,578,983
Guarantee Investment Contracts	2,036,093							2,036,093
Total	<u>\$ 108,292,753</u>	<u>\$ 985,729</u>	<u>\$ 50,830,061</u>	<u>\$ 426,782</u>	<u>\$ 5,663,996</u>	<u>\$ 6,020,134</u>	<u>\$ 3,489,112</u>	<u>\$ 40,876,939</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.
- No more than 25% of the City’s portfolio shall be invested in collateralized certificates of deposit issued by financial institutions.

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Note 2: Cash and Investments (Continued)

- 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%.

Investments that exceed 5% of the portfolio by issuer are summarized below:

	<u>Fair Value</u>	<u>Percent of Portfolio</u>
Federal Home Loan Bank	\$ 11,935,381	11%
Federal National Mortgage Association	15,610,845	14%
Fannie Mae and Freddie Mac	6,656,621	6%

These U.S. government-sponsored enterprise agency securities are not explicitly guaranteed by the U.S. government. Approximately 15.8% of the City’s portfolio is comprised of U.S. Treasury securities, which are exempt from this disclosure.

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.

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Notes to the Financial Statements
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Note 3: Property Taxes (Continued)

- **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.

- **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, 2017 have been accrued since they will be collected within 60 days subsequent to year-end.

Note 4: Due from Other Governments

The following is a summary of amounts due to the City from other governmental agencies at June 30, 2017:

	County of San Luis Obispo	State of California	Other Agencies	Total
Other Governmental Funds	\$ 49,813	\$ 58,106	\$	\$ 107,919
Enterprise Funds:				
Transit Fund			1,390,141	1,390,141
Total	<u>\$ 49,813</u>	<u>\$ 58,106</u>	<u>\$ 1,390,141</u>	<u>\$ 1,498,060</u>

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Note 5: 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.

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases / Transfers	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,020,193	\$	\$	\$ 32,020,193
Construction in progress	30,660,529	3,344,709	(25,860,699)	8,144,539
Public art	646,630			646,630
Total capital assets not being depreciated	<u>63,327,352</u>	<u>3,344,709</u>	<u>(25,860,699)</u>	<u>40,811,362</u>
Capital assets being depreciated:				
Infrastructure	151,050,353	26,830,489		177,880,842
Accum. Depreciation	(51,230,145)	(3,251,195)		(54,481,340)
Buildings and improvements	35,824,133	697,116		36,521,249
Accum. Depreciation	(17,628,799)	(972,762)		(18,601,561)
Equipment	27,738,353	1,501,411	(817,872)	28,421,892
Accum. Depreciation	(16,493,587)	(1,541,789)	810,550	(17,224,826)
Total capital assets being depreciated, net	<u>129,260,308</u>	<u>23,263,270</u>	<u>(7,322)</u>	<u>152,516,256</u>
Governmental activities, capital assets, net	<u>192,587,660</u>	<u>26,607,979</u>	<u>(25,868,021)</u>	<u>193,327,618</u>

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2017
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Note 5: Capital Assets (Continued)

	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases / Transfers</u>	<u>Balance June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,069,495	\$	\$	\$ 9,069,495
Construction in progress	7,813,730	4,534,953	(22,675)	12,326,008
Public art	74,100			74,100
Total capital assets not being depreciated	<u>16,957,325</u>	<u>4,534,953</u>	<u>(22,675)</u>	<u>21,469,603</u>
Capital assets being depreciated:				
Infrastructure	213,298,498			213,298,498
Accum. Depreciation	(74,014,176)			(74,014,176)
Buildings and improvements	29,952,979	149,817		30,102,796
Accum. Depreciation	(12,919,950)			(12,919,950)
Equipment	16,727,768	2,386,142	(280,169)	18,833,741
Accum. Depreciation	(10,891,508)	(7,011,093)	271,047	(17,631,554)
Total capital assets being depreciated, net	<u>162,153,611</u>	<u>(4,475,134)</u>	<u>(9,122)</u>	<u>157,669,355</u>
Business-type activities, capital assets, net	<u>179,110,936</u>	<u>59,819</u>	<u>(31,797)</u>	<u>179,138,958</u>
Total Government-wide	<u>\$ 371,698,596</u>	<u>\$ 26,667,798</u>	<u>\$ (25,899,818)</u>	<u>\$ 372,466,576</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Public safety	\$ 1,062,645
Transportation	3,267,869
Culture and recreation	546,396
Community development	5,316
General government	883,520
Total depreciation - governmental activities	<u>5,765,746</u>
Business-type activities:	
Water	2,665,385
Sewer	3,041,787
Parking	644,447
Transit	659,474
Total depreciation - business-type activities	<u>7,011,093</u>
Total Government-wide	<u>\$ 12,776,839</u>

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Note 6: 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, 2017:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 27,199,515	\$	\$ (1,396,040)	\$ 25,803,475	\$ 1,454,115
Add: Unamortized bond premium	563,378		(38,313)	525,065	
Total revenue bonds	<u>27,762,893</u>		<u>(1,434,353)</u>	26,328,540	1,454,115
Lease-purchase financing	1,374,773	1,141,468	(617,589)	1,898,652	623,519
Compensated absences	2,551,152	2,422,614	(2,551,153)	2,422,613	1,888,279
Conservation Loan	679,314		(87,667)	591,647	88,546
Total long-term debt, governmental activities	<u>\$ 32,368,132</u>	<u>\$ 3,564,082</u>	<u>\$ (4,690,762)</u>	<u>\$ 31,241,452</u>	<u>\$ 4,054,459</u>
Business-type activities:					
Revenue bonds	\$ 24,840,500	\$	\$ (1,188,960)	\$ 23,651,540	\$ 1,235,885
Add: Unamortized bond premium	482,905		(61,737)	421,168	
Total revenue bonds	<u>25,323,405</u>		<u>(1,250,697)</u>	24,072,708	1,235,885
Loans	17,647,622		(938,462)	16,709,160	965,353
Installment sale agreements	7,932,327		(565,859)	7,366,468	583,354
Compensated absences	682,933	653,492	(682,933)	653,492	510,187
Total long-term debt, business-type activities	<u>51,586,287</u>	<u>653,492</u>	<u>(3,437,951)</u>	<u>48,801,828</u>	<u>3,294,779</u>
Total Government-wide	<u>\$ 83,954,419</u>	<u>\$ 4,217,574</u>	<u>\$ (8,128,713)</u>	<u>\$ 80,043,280</u>	<u>\$ 7,349,238</u>

Compensated absences in the governmental funds are generally liquidated by the General Fund on a pay as you go basis. Total interest incurred during the year ended June 30, 2017 was \$2,803,889 of which \$219,862 was capitalized into construction in progress. See Note 10 for detail of estimated claims and liabilities.

The San Luis Obispo Capital Improvement 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 6: Long-Term Debt (Continued)

Governmental Activities Summary:

Revenue Bonds

2005 Revenue Refunding Bonds. In 2005, the Board issued lease revenue refunding bonds in the amount of \$6,550,000 to refinance the 1996 lease revenue bonds. The purpose of these bonds was to construct several high priority capital improvement projects, including the fire station headquarters, seismic safety and HVAC improvements to City Hall, Mission Plaza expansion, and various properties and street lighting system purchases. The bonds bear interest from 3.4% to 4.5%, and are due in annual installments on June 1 through June 1, 2026 that range from \$195,000 to \$565,000. At June 30, 2017, the principal amount outstanding on the bonds was \$3,510,000. 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, 2017.

2006 Lease Revenue Bonds. In 2006, the Board issued lease revenue bonds in the amount of \$16,160,000 to finance the costs of acquisition and construction of public parking facilities and for purposes of the City's administrative office. Of the original bond issuance, \$7,433,600 was used for financing governmental activities related to this project and the remainder was used for business-type activities. The bonds bear interest from 4.00% to 4.70%, and are due in annual installments on June 1 through June 1, 2036 that range from \$116,100 to \$515,700. At June 30, 2017, the principal amount outstanding that pertains to governmental activities was \$5,729,300 of the total \$12,455,000 outstanding. 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, 2017.

2009 Lease Revenue Bonds. In 2009, the Board issued lease revenue bonds in the amount of \$10,705,000 to finance the public safety communications and emergency operations center project. Of the original bond issuance, \$9,067,135 was used for financing governmental activities related to this project and the remainder was used for business-type activities. The bonds bear interest from 3.0% to 5.75%, and are due in annual installments on June 1 through June 1, 2039 that range from \$355,740 to \$563,255. At June 30, 2017, the principal amount outstanding that pertains to governmental activities was \$5,319,175 of the total \$6,280,015 outstanding. 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, 2017.

In the Statement of Net Position, the 2009 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2009 bonds. At June 30, 2017, the unamortized premium was \$82,940.

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 is 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

City of San Luis Obispo, California
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Note 6: Long-Term Debt (Continued)

that range from \$210,000 to \$390,000. At June 30, 2017, the principal amount outstanding on the bonds was \$3,960,000. 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, 2017.

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, 2017, the unamortized premium was \$239,027.

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, 2017, the principal amount outstanding on the bonds was \$7,285,000. 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, 2017.

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, 2017, the unamortized premium was \$203,098.

At June 30, 2017, 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>
2018	\$ 1,454,115	\$ 1,112,399	\$ 2,566,514
2019	1,505,255	1,056,298	2,561,553
2020	1,103,250	996,729	2,099,979
2021	1,146,685	951,442	2,098,127
2022	1,189,355	902,688	2,092,043
2023-2027	6,483,245	3,688,784	10,172,029
2028-2032	5,004,265	2,392,644	7,396,909
2033-2037	4,412,040	1,317,657	5,729,697
2038-2042	2,320,265	465,789	2,786,054
2043-2045	1,185,000	72,300	1,257,300
	<u>\$ 25,803,475</u>	<u>\$ 12,956,730</u>	<u>\$ 38,760,205</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 \$371,098 included in equipment at June 30, 2017. 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, 2017 the principal amount outstanding is \$360,000.

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Note 6: Long-Term Debt (Continued)

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 \$91,790 included in equipment at June 30, 2017. 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. At June 30, 2017 the principal amount outstanding is \$225,328.

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 \$47,641 included in equipment at June 30, 2017. 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, 2017 the principal amount outstanding is \$392,516.

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 included in equipment at June 30, 2017. As the assets were placed into service on June 30, 2017, there was no accumulated depreciation and related expense for the year ended June 30, 2017. 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, 2017 the principal amount outstanding is \$920,808.

At June 30, 2017, 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>
2018	\$ 623,519	\$ 32,538	\$ 656,057
2019	637,678	22,282	659,960
2020	401,400	11,765	413,165
2021	236,055	4,013	240,068
	<u>\$ 1,898,652</u>	<u>\$ 70,598</u>	<u>\$ 1,969,250</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, 2017 the principal amount outstanding is \$591,647.

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Note 6: Long-Term Debt (Continued)

At June 30, 2017, 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>
2018	\$ 88,546	\$ 5,696	\$ 94,242
2019	89,434	4,809	94,243
2020	90,320	3,922	94,242
2021	91,236	3,007	94,243
2022	92,150	2,092	94,242
2023-2024	139,961	1,402	141,363
	<u>\$ 591,647</u>	<u>\$ 20,928</u>	<u>\$ 612,575</u>

Business-Type Activities Summary:

Revenue Bonds

2006 Lease Revenue Bonds. In 2006, the Board issued lease revenue bonds in the amount of \$16,160,000 to finance the costs of acquisition and construction of public parking facilities and for purposes of the City’s administrative office. Of the original bond issuance, \$8,726,400 was used for financing business-type activities related to this project and the remainder was used for governmental activities. The bonds bear interest from 4.00% to 4.70%, and are due in annual installments on June 1 through June 1, 2036 that range from \$116,100 to \$515,700. At June 30, 2017, the principal amount outstanding that pertains to business-type activities was \$6,725,700 of the total \$12,455,000 outstanding. 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, 2017.

In the Statement of Net Position, the 2006 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2006 bonds. At June 30, 2017, the unamortized premium was \$21,035.

2009 Lease Revenue Bonds. In 2009, the Board issued lease revenue bonds in the amount of \$10,705,000 to finance the public safety communications and emergency operations center project. Of the original bond issuance, \$1,637,865 was used for financing business-type activities related to this project and the remainder was used for governmental activities. The bonds bear interest from 3.0% to 5.75%, and are due in annual installments on June 1 through June 1, 2039 that range from \$355,740 to \$563,255. At June 30, 2017, the principal amount outstanding that pertains to business-type activities was \$960,840 of the total \$6,280,015 outstanding. 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, 2017.

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

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Note 6: Long-Term Debt (Continued)

from \$340,000 to \$550,000. At June 30, 2017, the principal amount outstanding on the bonds was \$2,990,000. 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, 2017.

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, 2017, the unamortized premium was \$400,133.

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, 2017, principal and interest paid and total customer net revenues were \$572,000 and \$4,504,147, respectively.

2006 Water Revenue Bonds. In 2006, the City issued water revenue bonds in the amount of \$16,905,000 to construct improvements to the water treatment plant. The bonds bear interest from 3.75% to 4.625%, and are due in annual installments on June 1 through June 1, 2036 that range from \$235,000 to \$985,000. At June 30, 2017, the principal amount outstanding on the bonds was \$12,975,000. 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, 2017.

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, 2017, principal and interest paid and total customer net revenues were \$1,030,948 and \$4,504,147, respectively.

At June 30, 2017, 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>
2018	\$ 1,235,885	\$ 1,055,366	\$ 2,291,251
2019	1,289,745	1,003,912	2,293,657
2020	1,251,750	952,039	2,203,789
2021	1,308,315	900,066	2,208,381
2022	1,365,655	845,210	2,210,865
2023-2027	5,296,755	3,449,504	8,746,259
2028-2032	5,925,745	2,254,989	8,180,734
2033-2037	5,862,960	744,506	6,607,466
2038-2039	114,730	10,004	124,734
	<u>\$ 23,651,540</u>	<u>\$ 11,215,596</u>	<u>\$ 34,867,136</u>

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Note 6: Long-Term Debt (Continued)

Loans

2004 State Water Control Board Loan. In 2004, the City obtained a note in the amount of \$8,883,200 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, 2017, the principal amount outstanding on the loan was \$3,767,598.

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, 2017, the principal amount outstanding on the loan was \$4,849,540.

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, 2017, the principal amount outstanding on the loan was \$8,092,022.

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, 2017, principal and interest paid and total customer net revenues were \$533,344 and \$7,339,725, respectively.

At June 30, 2017, 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>
2018	\$ 965,353	\$ 403,426	\$ 1,368,779
2019	993,026	386,268	1,379,294
2020	1,021,502	368,567	1,390,069
2021	1,050,806	350,305	1,401,111
2022	1,080,963	331,466	1,412,429
2023-2027	4,824,642	1,353,187	6,177,829
2028-2032	3,884,098	784,251	4,668,349
2033-2037	2,367,926	281,935	2,649,861
2038	520,844	8,362	529,206
	<u>\$ 16,709,160</u>	<u>\$ 4,267,767</u>	<u>\$ 20,976,927</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, 2017, the principal amount outstanding on the loan was \$1,110,000.

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Notes to the Financial Statements
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Note 6: Long-Term Debt (Continued)

US Bank 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, 2017, the principal amount outstanding on the loan was \$6,256,468.

At June 30, 2017, 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>
2018	\$ 583,354	\$ 218,689	\$ 802,043
2019	601,211	199,660	800,871
2020	619,441	179,994	799,435
2021	643,055	292,673	935,728
2022	662,064	138,685	800,749
2023-2027	3,060,087	389,484	3,449,571
2028-2029	1,197,256	34,935	1,232,191
	<u>\$ 7,366,468</u>	<u>\$ 1,454,120</u>	<u>\$ 8,820,588</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 7: Pension Plans and Other Post-Employment Benefits

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 five cost sharing employer plans for its safety employees (Safety Plans). The Miscellaneous Plan is described in the first section of the footnote under Agent-Multiple Employer Plan and the Safety Plans follow and are described in the second section of the footnote under Cost-Sharing Employer Plans. The portion of the Miscellaneous Plan that has been allocated to the Whale Rock Commission, an Agency Fund, is included in the Miscellaneous Plan summaries in this footnote. A summary of the government-wide balances for all Plans at June 30, 2017 are as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous Plan	\$ 72,545,301	\$ 17,149,822	\$ 6,673,921
Safety Plans	64,792,760	18,136,935	2,174,667
Less: Whale Rock Agency Fund	(1,211,507)	(265,920)	(111,455)
Total Government-Wide	<u>\$ 136,126,554</u>	<u>\$ 35,020,837</u>	<u>\$ 8,737,133</u>

Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

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.

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 PEPPRA 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 in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		
	Prior to December 6, 2012	On or after December 6, 2012	On or after January 1, 2013
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	8%	7%	6.25%
Required employer contribution rates	29.577%	29.577%	29.577%

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.

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

Employees Covered. As of the measurement date June 30, 2016, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous Plan</u>
Inactive employees or beneficiaries currently receiving benefits	367
Inactive employees entitled to but not yet receiving benefits	198
Active employees	<u>313</u>
Total	<u>878</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.

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions. The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Projected Salary Increase	Varies by Entry Age and Service (1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

- (1) Depending on age, service and type of employment.
- (2) Derived using CalPERS' Membership Data for all Funds
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a 2010 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

Change in Assumptions. There were no changes in assumptions for the June 30, 2016 measurement date.

Discount Rate. The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

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

<u>Asset Class</u>	<u>Miscellaneous Plan</u>		
	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%

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

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

Changes in the Net Pension Liability

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
Balance at June 30, 2015	\$ 183,043,680	\$ 118,212,543	\$ 64,831,137
Changes during the year:			
Service cost	3,580,882		3,580,882
Interest on the total pension liability	13,688,523		13,688,523
Differences between Expected and actual experience	(1,160,933)		(1,160,933)
Contribution - employer		6,122,173	(6,122,173)
Contribution - employee		1,666,606	(1,666,606)
Net investment income		677,557	(677,557)
Benefit payments, including refunds of employee contributions	(9,476,508)	(9,476,508)	-
Administrative expense		(72,028)	72,028
Net changes	6,631,964	(1,082,200)	7,714,164
Balance at June 30, 2016	\$ 189,675,644	\$ 117,130,343	\$ 72,545,301

City of San Luis Obispo, California
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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

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:

	<u>Miscellaneous Plan</u>	
1% Decrease		6.65%
Net Pension Liability	\$	96,186,671
Current Discount Rate		7.65%
Net Pension Liability	\$	72,545,301
1% Increase		8.65%
Net Pension Liability	\$	52,850,381

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

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

For the year ended June 30, 2017, the City’s pension expense for the Miscellaneous Plan was \$5,584,518, of which \$5,494,910 was recognized pension expense for the City and \$89,608 was recognized as pension expense for Whale Rock Agency Fund. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,776,945	\$
Changes in assumptions		1,019,242
Differences between expected and actual experiences		1,585,218
Net differences between projected and actual earnings on plan investments	10,372,877	4,069,461
Total	<u>\$ 17,149,822</u>	<u>\$ 6,673,921</u>

Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

The deferred outflows of resources related to contributions subsequent to the measurement date of \$6,776,945 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Measurement Period	
Ended June 30	Amount
2017	\$ (1,346,899)
2018	483,605
2019	2,905,312
2020	1,656,938
	<u>\$ 3,698,956</u>

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Cost-Sharing Employer Plans

General Information about the Pension Plans

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 safety cost-sharing multiple-employer plans. The Safety Plans consist of Safety Tier 1 (police and fire), Police Tier 2, Fire Tier 2, Police PEPRAs and Fire PEPRAs.

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.

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, 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	9%	9%	9%	9%
Required employer contribution rates	21.230%	21.230%	16.312%	18.301%

	Police PEPRA	Fire PEPRA
	On or after	On or after
	January 1, 2013	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	12.250%	12.250%
Required employer contribution rates	12.821%	12.821%

The Safety Tier 1 plans are 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 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Members of the Police Officers Association contribute 3% of pay toward the cost of the City's share of the annual required contribution.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

For the year ended June 30, 2017, the contributions recognized as part of pension expense were as follows:

Contributions - employer	<u>\$ 4,650,871</u>
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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability as follows:

Plan's Proportionate Share of the Net Pension Liability	<u>\$ 64,792,760</u>
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The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The 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 June 30, 2015 and 2016 was as follows:

	<u>Proportionate Share</u>
Percentage share at 6/30/2015	1.365393%
Percentage share at 6/30/2016	<u>1.251014%</u>
Change - Increase/(Decrease)	<u><u>-0.11438%</u></u>

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

For the year ended June 30, 2017, the City recognized pension expense of \$3,432,845 for the Safety Plans. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety - All Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,299,915	\$
Changes in assumptions		1,768,951
Differences between expected and actual experiences		405,716
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,204,273	
Net differences between projected and actual earnings on plan investments	8,690,774	
Adjustment due to differences in proportions	941,973	
Total	\$ 18,136,935	\$ 2,174,667

Pension contributions subsequent to the measurement date of \$6,299,915 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety - All Plans	
Measurement Period Ended June 30	Amount
2017	\$ 1,590,308
2018	1,567,344
2019	4,242,240
2020	2,262,461
	\$ 9,662,353

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

Actuarial Assumptions. The total pension liabilities in the June 30, 2015 actuarial valuations for all Safety Plans were determined using the following actuarial assumptions:

	<u>Safety - All Plans</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service (1)
Post Retirement Benefit Increase	(2)
Mortality	(3)

- (1) Depending on age, service and type of employment.
- (2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
- (3) Derived using CalPERS' Membership Data for all Funds

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

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

Change in Assumptions. There were no changes in assumptions for the June 30, 2016 measurement date.

Discount Rate. The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

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

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

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

Asset Class	Safety - All Plans		
	Current Target Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%

- (a) An expected inflation of 2.5% used for this period
- (b) An expected inflation of 3.0% used for this period

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate for all 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		6.65%
Net Pension Liability	\$	96,992,274
Current Discount Rate		7.65%
Net Pension Liability	\$	64,792,760
1% Increase		8.65%
Net Pension Liability	\$	26,045,304

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, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Other Post-Employment Benefits (OPEB)

The City’s primary OPEB cost obligation is for retiree health benefits under the election to participate in the California Public Employees’ Retirement System (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). The required employer contribution was \$128.00 per employee per month in 2016-17. Retirees pay the differential monthly amount of the premium, which varies depending on the health benefits they select.

Additionally, the City has established certain post-retirement health care benefits available to executive management employees appointed prior to August 2000. For 5 former employees, the City contributes to the cost of the retiree health insurance premiums if they elect to remain members of the City’s group health plan. This provision ceases upon the death of the employee or upon the retired employee reaching age 65.

During the fiscal year ended June 30, 2009, the City entered into an agreement with California Employers’ Retiree Benefit Trust (CERBT) to pre-fund the City’s OPEB liability.

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

Funding Policy. 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.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB standards. The City’s ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The ARC for 2016-17 was \$1,182,000.

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB disclosure information in aggregate with other CERBT participating employers. That report may be obtained by contacting CalPERS, 400 P Street, Sacramento, CA 95814.

For fiscal year 2016-17, the City contributed \$1,432,000 to the Plan, which fully funded the ARC. The City paid \$253,500 to the CalPERS Health Benefit Program and retirees during the year and \$604,500 to the CERBT. In addition, the City contributed an additional \$574,000 to prefund benefits and pay down a portion of the implied subsidy.

Annual OPEB Cost and Net OPEB Obligation (Asset). The following table shows the components of the City’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City’s OPEB obligation (asset):

Annual required contribution	\$ 1,182,000
Interest on net OPEB obligation	(18,000)
Amortization on net OPEB obligation	23,000
Annual OPEB cost	<u>1,187,000</u>
Contributions made	<u>(1,432,000)</u>
Change in net OPEB obligation	(245,000)
Net OPEB asset - beginning of year	<u>(250,000)</u>
Net OPEB asset - end of year	<u><u>\$ (495,000)</u></u>

The City’s Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above) and the Net OPEB Obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 1,187,000	\$ 1,432,000	121%	(495,000)
6/30/2016	607,000	857,000	141%	(250,000)
6/30/2015	588,000	588,000	100%	-

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Note 7: Pension Plans and Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2015, the plan’s most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 13,173,000
Actuarial value of plan assets	4,788,000
Unfunded actuarial accrued liability (UAAL)	<u>8,385,000</u>
Funded ratio (actuarial value of plan assets/AAL)	36.3%
Covered payroll (active Plan members)	29,989,000
UAAL as a percentage of covered payroll	28.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. The schedule presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.00% investment rate of return (net of administrative expenses), which is below the expected 7.61% long-term investment return on CERBT investments and a 3% inflation assumption. The projected health care cost trend rates range from 8-8.3% for 2015 down to 5% after 2021. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years based on a level percentage of payroll. The remaining amortization period at June 30, 2017 was 22 years.

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Note 8: Interfund Transactions

Interfund receivable and payable balances as of June 30, 2017 consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 128,102	\$
Nonmajor Governmental Funds:		128,102
Total	<u>\$ 128,102</u>	<u>\$ 128,102</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, 2017 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,043,830	\$ 13,695,206
Nonmajor Governmental Funds	13,695,206	992,267
Enterprise Funds		1,051,563
Total	<u>\$ 15,739,036</u>	<u>\$ 15,739,036</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;

City of San Luis Obispo, California

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

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 their 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, 2017:

	Joint Venture	City's Investment in Joint Venture
Total assets	\$ 3,077,380	\$ 1,694,100
Total liabilities	1,431,570	788,100
Fund balance	<u>1,645,810</u>	<u>906,000</u>
Total revenues	\$ 1,411,000	\$ 776,800
Total expenditures	<u>1,035,680</u>	<u>570,100</u>
Excess of revenues over expenditures	<u>\$ 375,320</u>	<u>\$ 206,700</u>

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

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

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 2016-17 the City contributed approximately \$583,204 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 3,380 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,

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

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.

The City is required to make payments under its agreement solely from the revenues of its water system. The City agreed to establish, fix 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 2016-17 and five year projections for the 2015 bonds and the 2007 bonds that will remaining outstanding following the refunding.

Nacimiento Water Supply Obligations		
Actual 2017	\$	6,525,373
Projected:		
2018		4,986,702
2019		4,985,758
2020		4,945,455
2021		4,948,523
2022		4,945,814
2023-27		24,734,250
2028-32		24,733,649
2033-37		24,740,562
2038-41		20,630,935

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 §

Note 10: Risk Management

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.

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 reasonable 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 2016-17. 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.

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Note 10: Risk Management (Continued)

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 2016-17.

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.

The last actuarial study to determine the undiscounted outstanding claims liability was completed for the year ended June 30, 2017. 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, 2017 is calculated as follows:

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Note 10: Risk Management (Continued)

Self-insurance activity as of and for the year ended June 30, 2017 is summarized as follows:

Interest earnings	\$ 8,756
Claims expense	\$ (110,865)
Estimated liability for reported claims and settlement expenses	\$ (661,150)
Assets on deposit	1,486,012
Estimated unpaid claims asset	<u>\$ 824,862</u>

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

Estimated unpaid claims asset June 30, 2015	\$ 364,128
(Claim payments and related expenditures) reimbursement	9,286
Change in estimated claims asset June 30, 2016	301,103
Interest earnings	<u>4,703</u>
Estimated unpaid claims asset June 30, 2016	679,220
(Claim payments and related expenditures) reimbursement	110,865
Change in estimated claims asset June 30, 2017	87,473
Interest earnings	8,756
Withdrawal	<u>(61,452)</u>
Estimated unpaid claims asset June 30, 2017	<u>\$ 824,862</u>

Note 11: Operating Lease

The City entered into an operating lease in October 2014 for the use of various office equipment. Total cost for the lease was \$20,282 for the year ended June 30, 2017. At June 30, 2017, the future minimum lease payments were as follows:

<u>For the Year Ending June 30,</u>	
2018	\$ 20,629
2019	20,982
2020	<u>10,625</u>
	<u>\$ 52,236</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.

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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.

Note 13: Construction and Other Significant Commitments

Construction and other significant commitments as of June 30, 2017, including encumbrances outstanding at year-end, are as follows:

General Fund	\$ 4,088,582
Special Revenue Funds	55,418
Capital Project Funds	3,297,771
Enterprise Funds:	
Water	1,298,017
Sewer	8,207,589
Parking	381,450
Transit	41,519
	<hr/>
Total	\$ 17,370,346
	<hr/> <hr/>

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

Note 14: Fund Balance Deficiency

At June 30, 2017, the City had a negative fund balance in the Downtown BID Fund of \$5,457.

Note 15: Subsequent Event

Events subsequent to June 30, 2017 have been evaluated through December 20, 2017, which is the date that the financial statements are available to be issued. Management identified the below subsequent event that required disclosure.

Diablo Power Plant Closure Settlement Agreement

On December 13, 2016, the Council approved a Settlement Agreement with Pacific Gas and Electric Company (PG&E) related to the Diablo Power Plant Closure Joint Proposal. The agreement includes a payment by PG&E of \$10 million to the Economic Development Fund to ease the local economic impacts of the plant’s closure. Of this amount, the City will receive \$1.82 million. In addition, the agreement includes \$75 million to the Essential Services Mitigation Fund to offset the potential negative impacts to essential public services, which will be paid out through the County in nine equal

Note 15: Subsequent Event (Continued)

installments through 2025. The County will redistribute the funds to 71 local agencies whose budgets are impacted by the inevitable decrease in unitary tax funding from the power plant. Finally, the agreement includes continued funding of offsite community and local emergency planning efforts over the course of 15 to 25 years. In the winter of 2017, an administrative judge proposed a decision that would negate the agreement that is currently pending and under review. As of the date of the report, the outcome is still unknown.

Note 16: New Accounting Standards

Accounting Standards Adopted

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. This statement does not apply to the City and has no impact on these financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Statement No. 78 addresses a practice issue regarding the scope and applicability of Statement No. 68 for pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of Statement No. 79 are effective for reporting periods beginning after June 15, 2016. Implementation of this statement did not have a material impact on the City's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The provisions of Statement No. 80 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

Note 16: New Accounting Standards (Continued)

New Accounting Standards

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In November 2016, GASB issued Statement No. 83, *Capital 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. Management has not yet determined the impact of this Statement on its financial statements.

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.

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Note 16: New Accounting Standards (Continued)

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 is meant to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

Additionally, 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.

Note 17: Prior Year Restatement

During 2017, a prior year restatement was recorded to properly record the City's additional contribution made to the CalPERS Health Benefit Program for other post-employment benefits. The effect was to increase the net other post-employment benefit asset and beginning net position by \$250,000 for Governmental Activities.



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes and franchise fees:				
Sales and use tax - general	\$ 17,297,334	\$ 17,297,334	\$ 16,737,005	\$ (560,329)
Sales and use tax - Half Percent Sales Tax	7,886,000	7,391,000	7,331,660	(59,340)
Sales tax - Prop 172	428,443	428,443	405,512	(22,931)
Property tax	10,510,789	10,510,789	10,756,477	245,688
Transient occupancy tax	7,186,067	7,186,067	7,381,989	195,922
Utility users tax	5,562,000	5,562,000	5,539,407	(22,593)
Property tax in lieu of VLF	4,365,153	4,365,153	4,353,912	(11,241)
Franchise taxes	1,557,383	1,557,383	1,557,128	(255)
Business tax	2,395,090	2,395,090	2,372,249	(22,841)
Real property transfer tax	301,000	301,000	332,314	31,314
Total taxes	<u>57,489,259</u>	<u>56,994,259</u>	<u>56,767,653</u>	<u>(226,606)</u>
Fines, forfeitures and penalties	<u>156,000</u>	<u>156,000</u>	<u>139,534</u>	<u>(16,466)</u>
Use of money and property	<u>331,700</u>	<u>331,700</u>	<u>160,340</u>	<u>(171,360)</u>
Subventions and grants:				
Homeowners' property tax relief	74,000	74,000	74,911	911
Other in-lieu	22,000	22,000	20,660	(1,340)
Police training grant (POST)	40,000	40,000	9,702	(30,298)
COPS grant AB 3229	100,000	100,000	100,000	-
Mutual aid reimbursements		585,252	787,411	202,159
State SB90 refunds			3,579	3,579
Transportation grants	85,000	85,000		(85,000)
Other State and Federal grants	2,000	19,418	18,596	(822)
Total subventions and grants	<u>323,000</u>	<u>925,670</u>	<u>1,014,859</u>	<u>89,189</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2017
Page 2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Charges for services:				
Public safety:				
Police	\$ 450,300	\$ 458,032	\$ 620,601	\$ 162,569
Fire:				
Cal Poly fire services	276,125	276,125	276,125	-
Medical emergency recovery	173,000	173,000	176,716	3,716
Fire safety/hazardous materials permits	130,000	130,000	136,576	6,576
Multi-dwelling unit inspections	194,000	194,000	194,912	912
Other fire revenues	105,000	115,044	125,176	10,132
Community development:				
Planning and zoning fees	490,913	490,913	597,831	106,918
Construction plan and check inspections	3,174,134	3,174,134	3,407,409	233,275
Infrastructure plan check and inspections	525,050	525,050	799,796	274,746
Fire plan check and inspections	350,000	350,000	431,886	81,886
Encroachment permits	140,626	140,626	148,618	7,992
RHIP Fees	435,000	435,000	130,461	(304,539)
Culture and recreation:				
Adult athletic fees	122,400	122,400	107,447	(14,953)
Youth athletic fees	33,700	33,700	6,250	(27,450)
Skatepark	2,000	2,000		(2,000)
Instruction fees	91,000	91,000	77,271	(13,729)
Special event fees	92,700	92,700	67,368	(25,332)
Rental and use fees	161,500	161,500	183,475	21,975
Children services	610,000	613,570	720,822	107,252
Teens & seniors	1,500	1,500	497	(1,003)
Aquatics	249,700	260,410	259,616	(794)
Golf course	291,700	292,847	234,899	(57,948)
General government:				
Other service charges	422,031	425,719	409,237	(16,482)
Total charges for services	<u>8,522,379</u>	<u>8,559,270</u>	<u>9,112,989</u>	<u>553,719</u>
Other revenues:				
Insurance refunds	20,000	20,000	77,795	57,795
Sale of surplus property			9,996	9,996
Other	35,000	43,298	151,530	108,232
Total other revenues	<u>55,000</u>	<u>63,298</u>	<u>239,321</u>	<u>176,023</u>
Total Revenues	<u>66,877,338</u>	<u>67,030,197</u>	<u>67,434,696</u>	<u>404,499</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2017
Page 3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Public Safety:				
Police protection:				
Administration	\$ 1,596,342	\$ 1,737,840	\$ 1,559,179	\$ 178,661
Investigations	2,698,157	2,809,066	2,675,812	133,254
Neighborhood services	252,559	240,232	230,415	9,817
Support services	2,602,839	2,759,474	2,414,266	345,208
Patrol services	7,588,547	7,913,800	7,732,841	180,959
Traffic safety	832,486	965,880	827,889	137,991
Total police protection	<u>15,570,930</u>	<u>16,426,292</u>	<u>15,440,402</u>	<u>985,890</u>
Fire and environmental safety:				
Administration	951,213	996,328	880,871	115,457
Emergency response	8,227,432	9,265,392	9,425,296	(159,904)
Fire Apparatus Services	387,121	429,891	341,281	88,610
Hazard protection	970,745	1,028,528	912,853	115,675
Training	113,050	269,270	156,975	112,295
Technical services	33,650	56,746	42,208	14,538
Disaster preparedness	15,825	73,424	63,001	10,423
Total fire and environmental safety	<u>10,699,036</u>	<u>12,119,579</u>	<u>11,822,485</u>	<u>297,094</u>
Total public safety	<u>26,269,966</u>	<u>28,545,871</u>	<u>27,262,887</u>	<u>1,282,984</u>
Transportation:				
Transportation planning and engineering	884,566	1,302,729	1,112,187	190,542
Street and sidewalk maintenance	1,362,462	1,472,504	1,283,164	189,340
Traffic signals and street lights	546,948	555,706	502,050	53,656
Creek and flood protection	900,365	973,897	883,403	90,494
Total transportation	<u>3,694,341</u>	<u>4,304,836</u>	<u>3,780,804</u>	<u>524,032</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2017
Page 4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and Recreation:				
Recreation programs:				
Recreation administration	\$ 762,023	\$ 785,956	\$ 731,561	\$ 54,395
Aquatics/Sinsheimer park facilities	399,016	402,533	402,050	483
Children's services	926,730	943,568	896,747	46,821
Facilities	225,073	232,295	216,065	16,230
Special events	277,352	279,381	254,379	25,002
Recreational sports	335,492	339,521	324,149	15,372
Golf course	616,852	623,653	614,220	9,433
Ranger services	482,365	486,574	481,340	5,234
Maintenance programs:				
Swim center maintenance	480,829	483,375	441,527	41,848
Parks and landscape maintenance	2,589,093	2,620,148	2,235,288	384,860
Tree maintenance	504,311	539,241	556,092	(16,851)
Cultural and social service programs:				
Human relations	280,200	280,200	249,796	30,404
Cultural activities	312,896	312,896	309,620	3,276
Total leisure, cultural and social services	<u>8,192,232</u>	<u>8,329,341</u>	<u>7,712,834</u>	<u>616,507</u>
Community Development:				
Planning:				
Commissions and communities	40,169	46,954	31,328	15,626
Community development administration	887,224	884,969	787,611	97,358
Long-range planning	995,613	1,167,461	765,403	402,058
Development review	1,099,866	1,170,586	1,057,165	113,421
Development services	119,751	173,148	106,319	66,829
Natural resource protection	374,986	392,467	392,717	(250)
Construction regulation:				
Building and safety	1,721,816	2,056,085	1,944,590	111,495
Engineering development review	715,456	720,959	639,879	81,080
Rental housing inspection	417,028	464,674	366,943	97,731
CIP project engineering	2,161,814	2,091,996	1,831,513	260,483
Economic health:				
Community promotion	403,610	415,358	405,301	10,057
Economic development	247,423	284,152	247,329	36,823
Total community development	<u>9,184,756</u>	<u>9,868,809</u>	<u>8,576,098</u>	<u>1,292,711</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2017
Page 5

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Legislation:				
Council	\$ 166,339	\$ 166,339	\$ 155,161	\$ 11,178
General administration:				
City administration	1,030,446	1,089,258	978,227	111,031
Public works administration	1,017,668	1,053,822	956,918	96,904
Legal services:				
City attorney	780,351	1,400,948	1,051,513	349,435
City clerk services:				
Administration and records	710,425	888,317	638,203	250,114
Organization support services:				
Human resource administration	1,047,886	1,163,535	947,446	216,089
Risk management	4,005,489	4,007,518	3,092,073	915,445
Finance and information technology administration	879,400	1,067,283	671,627	395,656
Revenue management	550,245	563,271	472,301	90,970
Accounting	742,167	920,876	911,558	9,318
Finance non departmental	1,613,282	789,708	150,000	639,708
Network services	2,693,842	2,812,787	2,589,844	222,943
Geographic information services	501,140	574,766	652,811	(78,045)
Support services	384,800	339,142	223,952	115,190
Wellness program	21,700	21,700	13,685	8,015
Building and vehicle maintenance:				
Buildings	1,213,828	1,235,914	1,183,301	52,613
Vehicle and equipment maintenance	1,240,801	1,251,739	1,056,202	195,537
Total general government	18,599,809	19,346,923	15,744,822	3,602,101
before cost reimbursement	(4,164,747)	(4,164,747)	(4,164,747)	-
Cost reimbursement (Note 3 to RSI)	14,435,062	15,182,176	11,580,075	3,602,101
Total general government	61,776,357	66,231,033	58,912,698	7,318,335
Total Expenditures	61,776,357	66,231,033	58,912,698	7,318,335
Excess of Revenues Over Expenditures	5,100,981	799,164	8,521,998	(7,722,834)

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2017
Page 6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	\$ 2,353,342	\$ 2,428,705	\$ 2,043,830	\$ 384,875
Transfers out	(8,705,233)	(13,678,108)	(13,695,206)	17,098
Total other financing uses	<u>(6,351,891)</u>	<u>(11,249,403)</u>	<u>(11,651,376)</u>	<u>401,973</u>
Net Change in Fund Balance	(1,250,910)	(10,450,239)	(3,129,378)	(7,320,861)
Fund Balance, Beginning of the Year	29,625,532	29,625,532	29,625,532	-
Fund Balance, End of Year	<u>\$ 28,374,622</u>	<u>\$ 19,175,293</u>	<u>\$ 26,496,154</u>	<u>\$ (7,320,861)</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of Funding Progress for
Other Post-Employment Benefits (OPEB)
For the Fiscal Year Ended June 30, 2017

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) as a percentage of the annual covered payroll as of the three most recent actuarial reports for the period ending June 30, 2016.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2015	\$4,788,000	\$ 13,173,000	\$ 8,385,000	36.3%	\$29,989,000	28.0%
6/30/2013	\$2,527,000	\$ 6,954,000	\$ 4,427,000	36.3%	\$27,163,000	16.3%
6/30/2011	\$1,611,000	\$ 6,063,000	\$ 4,452,000	26.6%	\$26,960,000	16.5%

See notes to required supplementary information.

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, 2017
Last 10 Years *

Fiscal Year	2016-17	2015-16	2014-15
Measurement Period	2015-16	2014-15	2013-14
Total pension liability:			
Service Cost	\$ 3,580,882	\$ 3,578,172	\$ 3,703,087
Interest on total pension liability	13,688,523	13,193,597	12,756,967
Difference between expected and actual experience	(1,160,933)	(2,433,791)	
Changes in assumptions		(3,057,724)	
Benefit payments, including refunds of employee contributions	(9,476,508)	(8,808,668)	(8,258,611)
Net change in total pension liability	6,631,964	2,471,586	8,201,443
Total pension liability - beginning	183,043,680	180,572,094	172,370,651
Total pension liability - ending (a)	\$ 189,675,644	\$ 183,043,680	\$ 180,572,094
Plan fiduciary net position:			
Contributions - employer	\$ 6,122,173	\$ 5,027,356	\$ 4,631,254
Contributions - employee	1,666,606	1,509,834	1,664,654
Net investment income	677,557	2,673,657	17,746,607
Benefit payments	(9,476,508)	(8,808,668)	(8,258,611)
Administrative expense	(72,028)	(133,069)	
Net change in plan fiduciary net position	(1,082,200)	269,110	15,783,904
Plan fiduciary net position - beginning	118,212,543	117,943,433	102,159,529
Plan fiduciary net position - ending (b)	\$ 117,130,343	\$ 118,212,543	\$ 117,943,433
Net pension liability (asset) - ending (a) - (b)	\$ 72,545,301	\$ 64,831,137	\$ 62,628,661
Plan fiduciary net position as a percentage of the total pension liability	61.75%	64.58%	65.32%
Covered - employee payroll	\$ 20,499,668	\$ 19,769,997	\$ 19,235,818
Net pension liability as percentage of covered-employee payroll	353.89%	327.93%	325.58%

* Fiscal year 2017 was the 3rd year of implementation therefore only three 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, 2016.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the Plan Contributions
Miscellaneous Agent Multiple-Employer Plan
June 30, 2017
Last 10 Years *

Fiscal Year	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Actuarially determined contribution	\$ 6,776,945	\$ 6,122,173	\$ 5,027,356	\$ 4,631,254
Contributions in relation to the actuarially determined contributions	<u>(6,776,945)</u>	<u>(6,122,173)</u>	<u>(5,027,356)</u>	<u>(4,631,254)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	21,841,841	20,499,668	19,769,997	19,235,818
Contributions as a percentage of covered-employee payroll	31.03%	29.86%	25.43%	24.08%

* Fiscal year 2017 was the 3rd year of implementation therefore only three 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, 2016.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the City's Proportionate Share of the Net Pension Liability
Safety Cost-Sharing Plans
As of June 30, 2017
Last 10 Years *

Fiscal Year	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Measurement Period	2015-16	2014-15	2013-14
Employer's Proportion of the Collective Net Pension Liability	1.2510%	1.3654%	1.3754%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 64,792,760	\$ 56,260,280	\$ 51,592,420
Employer's Covered-Employee Payroll	\$ 10,643,123	\$ 10,849,863	\$ 10,768,119
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	608.78%	518.53%	479.12%
Plan's Share of the Fiduciary Net Position as a Percentage of the Employer's Total Pension Liability	72.69%	77.27%	78.83%

* Fiscal year 2017 was the 3rd year of implementation therefore only three 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, 2016.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the City's Contributions
Safety Cost-Sharing Plans
As of June 30, 2017
Last 10 Years *

Fiscal Year	2016-17	2015-16	2014-15	2013-14
Actuarially determined contribution	\$ 5,549,915	\$ 5,074,217	\$ 4,350,871	\$ 4,226,211
Contributions in relation to the actuarially determined contributions	(6,299,915)	(5,824,217)	(4,650,871)	(5,161,211)
Contribution deficiency (excess)	\$ (750,000)	\$ (750,000)	\$ (300,000)	\$ (935,000)
Covered-employee payroll	10,614,437	10,643,123	10,849,863	10,768,119
Contributions as a percentage of covered-employee payroll	59.35%	54.72%	42.87%	47.93%

* Fiscal year 2017 was the 3rd year of implementation therefore only three 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, 2016.

See notes to required supplementary information.

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2017

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, 2017 expenditures exceeded appropriations in the General Fund as noted below. This does not represent a violation of City budget policies because no department's total expenditures exceeded their total appropriations within the General Fund.

Department/Division	Budget Variance
Fire and environmental safety:	
Emergency Response	(159,904)
Recreation programs:	
Tree maintenance	(16,851)
Planning:	
Natural resource protection	(250)
Organizational support services:	
Geographic information services	(78,045)

Other Post-Employment Benefits Plan Schedule of Funding Progress

1. The schedule shows an analysis of actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) as a percentage of the annual covered payroll as of the most recent actuarial report for the period ending June 30, 2015. The actuarial report for the period ending June 30, 2015 was used to determine the 2015-17 ARC.
2. This schedule of funding progress presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2017
Page 2

Schedule of the Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan

1. *Benefit changes.* The figures shown do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two years Additional Service Credit (a.k.a. Golden Handshakes).
2. *Changes in assumptions.* 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.

Schedule of the Plan Contributions—Miscellaneous Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial cost method	Entry Age Normal
Amortization method	For details, see June 30, 2013 Funding Valuation Report.
Remaining amortization period	For details, see June 30, 2013 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of the City’s Proportionate Share of the Net Pension Liability – Cost Sharing

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.

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2017
Page 3

Schedule of the City's Contributions – Cost Sharing

1. *Benefit changes.* The figures shown do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 as they have minimal cost impact.
2. *Changes in assumptions.* 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.



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

City of San Luis Obispo, California
Half Percent Sales Tax Measure Funding Schedule
For the Fiscal Year Ended June 30, 2017

The following summarizes revenues and expenditures for the current year for the Half Percent Sales Tax Measure priorities.

	<u>Budget</u>	<u>Actual</u>		
Revenues				
Local Sales Tax Fund	\$ 7,391,000	\$ 7,331,660		
Local Sales Tax Fund	50,000	44,796		
	<u>7,441,000</u>	<u>7,376,456</u>		
Expenditures				
Operating Programs:				
Community Development	256,639	226,895		
Public Works	1,137,787	1,049,972		
Parks	129,530	114,116		
Police	786,655	730,840		
Fire	5,000	5,000		
	<u>2,315,611</u>	<u>2,126,823</u>		
Capital Programs:				
Administration				
Completed Projects	201,516	4,491	\$	\$ - *
Octagon Barn Facility	202,718	17,965		184,753
Laguna Lake Dredge/Mgt	166,368	114,045	6,861	45,462
Open Space Protection	600,000	139,143		460,857
	<u>1,170,602</u>	<u>275,644</u>	<u>6,861</u>	<u>691,072</u>
Public Works				
Street R & R Main Account	33,679			33,679
Master street R	1,290,693	166,825		1,123,868
Street R & R Main Account	90,235	9,075	40,690	40,470
Road Sealing 2016	868,620	868,620		-
Master CMP Replacement	1,542,697	372,207		1,170,490
Downtown Renewal	6,000			6,000
Sidewalk Repair	241,361	63,832		177,529
Street asphalt grind	89,100		89,100	-
CMR replacement 2016	279,771	279,771		-
Streets backhoe	127,793	127,793		-
Street marking replacement	20,000	14,247		5,753
3/4 Ton Pickups	69,000	64,977		4,023
Signal Truck	91,000		91,000	-
Broad & Buchon Curb Ramp	16,475	16,475		-
Madonna & LOVR Rehab	362,111	39,820	195,417	126,874
Buchon Santa Rosa Storm Drain	3,875	3,858		17
LOVR Crack Sealing	43,000	42,628		372
Sidewalk Repair 16-17	23,500	19,499		4,001
Sidewalk Access Improvement	45,000			45,000
Traffic Safety Report	28,196	25,196	4,000	(1,000)
Bicycle Facility Improvement	62,318	34,325	27,993	-
Traffic Operation Report Implementation	30,000	19,091		10,909

City of San Luis Obispo, California
Half Percent Sales Tax Measure Funding Schedule, continued
For the Fiscal Year Ended June 30, 2017
Page 2

Capital Programs:	Budget	Actual	Encumbrances	Carryover
Public Works - continued				
Bob Jones Octagon Barn	\$ 42,531	\$	\$	\$ 42,531
BTP Implementation	222,664	27,919		194,745
Bike Bridge/Phillips	250,000			250,000
Safe Route to School	44,800	206		44,594
Monterey/Oso Traffic Signal	221,764	4,136		217,628
Islay Hill Pathway	31,346	31,346		-
Higuera Crosswalk	43,500	43,500		-
RRST Laurel & Orcutt	150,695	150,695		-
Neighborhood Traffic	20,000	19,648		352
Parking Structure Assessment	8,333			8,333
	<u>6,400,057</u>	<u>2,445,689</u>	<u>448,200</u>	<u>3,506,168</u>
Parks				
Bike Pathway Main	38,859	450		38,409
Parks Major Maintenance	466,670	42,020	5,672	418,978
Railroad Trail Maintenance 2016	89,795	89,795		-
Mission Plaza Railroad	80,000			80,000
Islay/French/Santa Rosa Improvement		2,207		(2,207)
French & Islay Tennis	15,000	12,370		2,630
Mission Plaza Railing	60,000	125		59,875
Enhanced Tree Maintenance	185,000	184,106	894	
Golf Course Restroom	9,620	9,620		-
Open Space Maintenance	512,638	266,166	91,915	154,557
Golf Compact Pickup	28,500	24,436		4,064
	<u>1,486,082</u>	<u>631,295</u>	<u>98,481</u>	<u>756,306</u>
Public Safety				
Thinkstream CAD	25,000			25,000
911 Phone System	217,402	9,634		207,768
Police CAD Hardware	313,358	297,532	18,417	(2,591)
Police Vehicles	292,692	83,094	90,856	118,742
Fire Prevention Support	(5,260)	(5,260)		-
Fire Station 2 Dorm Remodel	153,521	153,521		-
Fire Epcr Records Support	52,195	35,465		16,730
Ambulance Pkg Support	180,000	54,991	124,881	128
Emergency Resp Support	120,907	95,443	11,836	13,628
Fire ComandVehicle	10,000	3,500	-	6,500
	<u>1,359,815</u>	<u>727,920</u>	<u>245,990</u>	<u>385,905</u>
Capital Expenditure	<u>\$ 10,416,556</u>	<u>\$ 4,080,548</u>	<u>\$ 799,532</u>	<u>\$ 5,339,451</u>
Net Change in Fund Balance	(5,291,167)	1,169,085		
Fund balance, beginning of year	<u>4,732,397</u>	<u>4,732,397</u>		
Fund balance, end of year	<u>\$ (558,770)</u>	<u>\$ 5,901,482</u>		

* Due to the nature of these projects, no carryover into the following fiscal year.

City of San Luis Obispo, California
Half Percent Sales Tax Measure Funding Schedule
For the Fiscal Year Ended June 30, 2017

The following summarizes revenues and expenditures for the year ended June 30, 2017 for the Half Percent Sales Tax Measure* priorities.

Revenues:	
Sales and use tax - Measure G 1/2 cent add-on tax	\$ 7,331,660
Use of money and property	44,796
Total revenues	<u>7,376,456</u>
Expenditures:	
Current:	
Public safety	735,840
Transportation	1,049,972
Culture and recreation	114,116
Community development	226,895
Capital outlay	
Public safety	727,920
Transportation	2,445,689
Culture and recreation	631,295
General government	275,644
Total expenditures	<u>6,207,371</u>
Excess of revenues over expenditures	<u>1,169,085</u>
Net change in fund balance	1,169,085
Fund balance, beginning of year	<u>4,732,397</u>
Fund balance, end of year	<u><u>\$ 5,901,482</u></u>

* The Half Percent 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, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

The City maintains the following nonmajor governmental funds:

Special Revenue Funds

The City has established the following eight 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, 2017
Page 2

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.

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.

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.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017
Page 3

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.

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.

Capital Improvement Board 2005 Refunding Revenue Bonds. These bonds were issued to refinance the 1996 Lease Revenue Bonds. The original 1996 bonds were issued 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.

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.

Capital Improvement Board 2006 Lease Revenue Bonds. The bonds were issued to finance the purchase of a parking structure and office building at 919 Palm Street. Debt service related to the parking structure is recorded directly in the Parking Fund while debt service related to the City office building 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.

Capital Improvement Board 2009 Lease Revenue Bonds. The bonds were issued to finance the construction of the Public Safety Communications and Emergency Operations Center project. Debt service obligations on the bonds are recorded in the Water, Sewer and Parking and Debt Service Funds based on a proportionate share of the project benefits.

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.

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.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017
Page 4

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.

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.

City of San Luis Obispo, California
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds			
	Downtown BID	Transportation Development Act (TDA)	Tourism BID	Gas Tax
Assets				
Cash and cash equivalents	\$	\$	\$ 7,130	\$
Investments			315,512	
Accounts receivable			200,977	
Due from other governments				
Accrued interest receivable			765	
Prepaid expense				
Cash held by fiscal agent				
Total assets	\$ -	\$ -	\$ 524,384	\$ -
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 5,457	\$	\$ 94,355	\$
Accrued liabilities			596	
Due to other funds				
Unearned revenue				
Total liabilities	5,457	-	94,951	-
Fund balance:				
Unspendable				
Restricted for:				
Debt service				
Law enforcement grant programs				
Committed to:				
Affordable housing programs				
Impact fee programs				
Open space programs				
Parkland development programs				
Assigned to:				
Contingency fund				
Subsequent years expenditures	(5,457)		429,433	
Total fund balance	(5,457)	-	429,433	-
Total liabilities and fund balance	\$ -	\$ -	\$ 524,384	\$ -

Special Revenue Funds

Community Development Block Grant (CDBG)	Law Enforcement Grants	Public Art Contributions	Insurance
\$ 76,868	\$	\$ 10,367	\$ 1,017,485
	21,560	458,752	
49,813		1,452	1,547
<u>\$ 126,681</u>	<u>\$ 21,560</u>	<u>\$ 470,571</u>	<u>\$ 1,019,032</u>
\$ 95	\$ 774	\$ 1,693	\$
	-		
<u>95</u>	<u>774</u>	<u>1,693</u>	<u>-</u>
	20,786		
		468,878	
<u>126,586</u>	<u>20,786</u>	<u>468,878</u>	<u>1,019,032</u>
<u>126,586</u>	<u>20,786</u>	<u>468,878</u>	<u>1,019,032</u>
<u>\$ 126,681</u>	<u>\$ 21,560</u>	<u>\$ 470,571</u>	<u>\$ 1,019,032</u>

City of San Luis Obispo, California
Combining Balance Sheet
Nonmajor Governmental Funds, continued
For the Fiscal Year Ended June 30, 2017
Page 2

	Capital Projects Funds				
	Capital Outlay	Parkland Development	Open Space Protection	Airport Area Impact Fee	LOVR Sub- Area Fee
Assets					
Cash and cash equivalents	\$ 525,199	\$ 49,798	\$ 12,974	\$ 24,433	\$ 16,130
Investments	2,140,093	2,203,685	574,126	1,081,202	713,785
Accounts receivable	117,604				
Due from other governments	58,106				
Accrued interest receivable	3,255	6,522	1,643	3,335	2,282
Prepaid expense					
Cash held by fiscal agent					
Total assets	\$ 2,844,257	\$ 2,260,005	\$ 588,743	\$ 1,108,970	\$ 732,197
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 241,955	\$	\$	\$	\$ 603,250
Accrued liabilities					
Due to other funds					
Unearned revenue	114,970				
Total liabilities	356,925	-	-	-	603,250
Fund balance:					
Unspendable					
Restricted for:					
Debt service					
Law enforcement grant programs					
Committed to:					
Affordable housing programs	2,487,332				
Impact fee programs				1,108,970	128,947
Open space programs			588,743		
Parkland development programs		2,260,005			
Assigned to:					
Contingency fund					
Subsequent years expenditures					
Total fund balance	2,487,332	2,260,005	588,743	1,108,970	128,947
Total liabilities and fund balance	\$ 2,844,257	\$ 2,260,005	\$ 588,743	\$ 1,108,970	\$ 732,197

Capital Projects Funds

Waste Water Impact Fee	Fleet Replacement	Info Tech Replacement	Affordable Housing	Transportation Impact Fee	Infrastructure	Debt Service	Total Nonmajor Governmental Funds
\$ 150,206	\$ 35,313 1,562,680	\$ 70,167 3,105,052	\$ 56,549 2,502,399	\$ 167,574 7,415,533	\$ 313,547	\$	\$ 2,533,740 22,072,819 340,141 107,919 65,275 5,642 2,247,713
<u>\$ 150,206</u>	<u>\$ 1,601,345</u>	<u>\$ 3,184,883</u>	<u>\$ 2,567,000</u>	<u>\$ 7,605,567</u>	<u>\$ 314,493</u>	<u>\$ 2,253,355</u>	<u>\$ 27,373,249</u>
\$	\$ 56,461	\$ 17,187	\$	\$ 48,410	\$	\$	\$ 1,069,542 691 128,102 114,970
<u>-</u>	<u>56,461</u>	<u>17,187</u>	<u>-</u>	<u>48,410</u>	<u>-</u>	<u>128,102</u>	<u>1,313,305</u>
						5,642	5,642
						2,119,611	2,119,611 20,786
			2,567,000	7,557,157			5,054,332 8,795,074 588,743 2,728,883
150,206	500,000 1,044,884	400,000 2,767,696			314,493		900,000 5,846,873
<u>150,206</u>	<u>1,544,884</u>	<u>3,167,696</u>	<u>2,567,000</u>	<u>7,557,157</u>	<u>314,493</u>	<u>2,125,253</u>	<u>26,059,944</u>
<u>\$ 150,206</u>	<u>\$ 1,601,345</u>	<u>\$ 3,184,883</u>	<u>\$ 2,567,000</u>	<u>\$ 7,605,567</u>	<u>\$ 314,493</u>	<u>\$ 2,253,355</u>	<u>\$ 27,373,249</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Downtown BID</u>	<u>Transportation Development Act (TDA)</u>	<u>Tourism BID</u>	<u>Gas Tax</u>
Revenues:				
Use of money and property	\$	\$	\$ 2,744	\$
Subventions and grants		40,501		913,428
Charges for services	225,894		1,478,345	
Other revenues				
Total revenues	<u>225,894</u>	<u>40,501</u>	<u>1,481,089</u>	<u>913,428</u>
Expenditures:				
Current:				
General Government				
Public safety				
Transportation				
Leisure, cultural and social services				
Community development	232,473		1,363,063	
Debt service:				
Principal				
Interest				
Capital:				
General Government				
Public safety				
Transportation				
Leisure, cultural and social services				
Community development				
Total expenditures	<u>232,473</u>	<u>-</u>	<u>1,363,063</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,579)</u>	<u>40,501</u>	<u>118,026</u>	<u>913,428</u>
Other financing sources (uses):				
Issuance of debt				
Transfers in				
Transfers out		(40,501)	(28,868)	(913,428)
Total other financing sources (uses)	<u>-</u>	<u>(40,501)</u>	<u>(28,868)</u>	<u>(913,428)</u>
Net change in fund balance	(6,579)	-	89,158	-
Fund balance, beginning of year	<u>1,122</u>	<u>-</u>	<u>340,275</u>	<u>-</u>

Special Revenue Funds

Community Development Block Grant (CDBG)	Law Enforcement Grants	Public Art Contributions	Insurance
\$ 187,100	\$ 141,359 2,523	\$ 4,294 138,868	\$ 6,391
<u>187,100</u>	<u>143,882</u>	<u>143,162</u>	<u>6,391</u>
129,260	78,860	35,594	317,109 750,000
101,548	58,258	62,499	
<u>230,808</u>	<u>137,118</u>	<u>98,093</u>	<u>1,067,109</u>
<u>(43,708)</u>	<u>6,764</u>	<u>45,069</u>	<u>(1,060,718)</u>
153,969	(9,470)		1,739,898
<u>153,969</u>	<u>(9,470)</u>	<u>-</u>	<u>1,739,898</u>
110,261	(2,706)	45,069	679,180
<u>16,325</u>	<u>23,492</u>	<u>423,809</u>	<u>339,852</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds, continued
For the Fiscal Year Ended June 30, 2017
Page 2

Capital Projects Funds

	Capital Outlay	Parkland Development	Open Space Protection	Airport Area Impact Fee	LOVR Sub- Area Fee
Revenues:					
Use of money and property	\$ 6,537	\$ 16,450	\$ 4,697	\$ 9,577	\$ 5,946
Subventions and grants	264,154		63,352		
Charges for services		505,886	7,419	24,437	422,858
Other revenues	29,510				
Total revenues	<u>300,201</u>	<u>522,336</u>	<u>75,468</u>	<u>34,014</u>	<u>428,804</u>
Expenditures:					
Current:					
General Government					
Public safety					
Transportation	740,489	4,142			423,344
Leisure, cultural and social services	36,983				
Community development	876,924				30,000
Debt service:					
Principal					
Interest					
Capital:					
General Government					
Public safety	571,848				
Transportation	2,328,516			5,000	10,482
Leisure, cultural and social services	1,246,805				
Community development			36,074		
Total expenditures	<u>5,801,565</u>	<u>4,142</u>	<u>36,074</u>	<u>5,000</u>	<u>463,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,501,364)</u>	<u>518,194</u>	<u>39,394</u>	<u>29,014</u>	<u>(35,022)</u>
Other financing sources (uses):					
Issuance of debt					
Transfers in	5,034,473	900,000			
Transfers out					
Total other financing sources (uses)	<u>5,034,473</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(466,891)	1,418,194	39,394	29,014	(35,022)
Fund balance, beginning of year	<u>2,954,223</u>	<u>841,811</u>	<u>549,349</u>	<u>1,079,956</u>	<u>163,969</u>

Capital Projects Funds

Waste Water Impact	Fleet Replacement	Info Tech Replacement	Affordable Housing	Transportation Impact Fee	Infrastructure	Debt Service	Total Nonmajor Governmental Funds
\$ 771	\$ 10,898	\$ 27,552	\$ 5,246	\$ (7,641)	\$ 2,728	\$ 3,639	\$ 99,829
149,435			1,489,668	1,615,385			1,609,894
	177,625						6,060,718
150,206	188,523	27,552	1,494,914	1,607,744	2,728	3,639	207,135
							7,977,576
						21,418	338,527
	1,066						828,860
			1,460,739	23,680			1,169,041
							72,577
							4,116,139
						2,013,629	2,013,629
						1,208,929	1,208,929
	89,825						89,825
	920,585	221,763					1,772,454
	252,320			246,587			2,944,453
	112,615						1,421,919
	218,301		30,000				284,375
-	1,594,712	221,763	1,490,739	270,267	-	3,243,976	16,260,728
150,206	(1,406,189)	(194,211)	4,175	1,337,477	2,728	(3,240,337)	(8,283,152)
	1,141,468						1,141,468
		2,621,000				3,245,866	13,695,206
							(992,267)
-	1,141,468	2,621,000	-	-	-	3,245,866	13,844,407
150,206	(264,721)	2,426,789	4,175	1,337,477	2,728	5,529	5,561,255
-	1,809,605	740,907	2,562,825	6,219,680	311,765	2,119,724	20,498,689

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Downtown Business Improvement District Fund
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services				
Assessments	\$ 214,000	\$ 214,000	\$ 225,894	\$ 11,894
Total Revenues	<u>214,000</u>	<u>214,000</u>	<u>225,894</u>	<u>11,894</u>
Expenditures:				
Current				
Community development	214,000	214,000	232,473	18,473
Total Expenditures	<u>214,000</u>	<u>214,000</u>	<u>232,473</u>	<u>18,473</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(6,579)</u>	<u>(6,579)</u>
Net Change in Fund Balance	-	-	(6,579)	(6,579)
Fund Balance, Beginning of Year	<u>1,122</u>	<u>1,122</u>	<u>1,122</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,122</u>	<u>\$ 1,122</u>	<u>\$ (5,457)</u>	<u>\$ (6,579)</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Transportation Development Act (TDA)
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 41,100	\$ 41,100	\$ 40,501	\$ (599)
Total Revenues	<u>41,100</u>	<u>41,100</u>	<u>40,501</u>	<u>(599)</u>
Excess of Revenues Over Expenditures	41,100	41,100	40,501	(599)
Other Financing Uses:				
Operating transfers out	<u>(41,100)</u>	<u>(41,100)</u>	<u>(40,501)</u>	<u>599</u>
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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Tourism Business Improvement District Fund
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,100	\$ 1,100	\$ 2,744	\$ 1,644
Assessments	1,433,975	1,433,975	1,478,345	44,370
Total Revenues	<u>1,435,075</u>	<u>1,435,075</u>	<u>1,481,089</u>	<u>46,014</u>
Expenditures:				
Current				
Community development	1,411,394	1,557,624	1,363,063	(194,561)
Total Expenditures	<u>1,411,394</u>	<u>1,557,624</u>	<u>1,363,063</u>	<u>(194,561)</u>
Excess of Revenues Over (Under) Expenditures	23,681	(122,549)	118,026	240,575
Other Financing Uses:				
Operating transfers out	<u>(28,679)</u>	<u>(28,679)</u>	<u>(28,868)</u>	<u>(189)</u>
Net Change in Fund Balance	(4,998)	(151,228)	89,158	240,386
Fund Balance, Beginning of Year	<u>340,275</u>	<u>340,275</u>	<u>340,275</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 335,277</u></u>	<u><u>\$ 189,047</u></u>	<u><u>\$ 429,433</u></u>	<u><u>\$ 240,386</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Gas Tax Fund
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 965,000	\$ 965,000	\$ 913,428	\$ (51,572)
Total Revenues	<u>965,000</u>	<u>965,000</u>	<u>913,428</u>	<u>(51,572)</u>
Excess of Revenues Over Expenditures	965,000	965,000	913,428	(51,572)
Other Financing Uses:				
Operating transfers out	<u>(965,000)</u>	<u>(965,000)</u>	<u>(913,428)</u>	<u>51,572</u>
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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 405,515	\$ 405,515	\$ 187,100	\$ (218,415)
Total Revenues	<u>405,515</u>	<u>405,515</u>	<u>187,100</u>	<u>(218,415)</u>
Expenditures:				
Current				
Community development	417,924	545,824	129,260	(416,564)
Transportation	105,000	209,999	101,548	(108,451)
Total Expenditures	<u>522,924</u>	<u>755,823</u>	<u>230,808</u>	<u>(525,015)</u>
Excess of Revenues Over (Under) Expenditures	(117,409)	(350,308)	(43,708)	306,600
Other Financing Uses:				
Operating transfers in	<u>153,969</u>	<u>153,969</u>	<u>153,969</u>	<u>-</u>
Net Change in Fund Balance	36,560	(196,339)	110,261	306,600
Fund Balance, Beginning of Year	<u>16,325</u>	<u>16,325</u>	<u>16,325</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 52,885</u>	<u>\$ (180,014)</u>	<u>\$ 126,586</u>	<u>\$ 306,600</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Law Enforcement Grants Fund
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 320,818	\$ 163,966	\$ 141,359	\$ (22,607)
Charges for services		2,000	2,523	523
Total Revenues	<u>320,818</u>	<u>165,966</u>	<u>143,882</u>	<u>(22,084)</u>
Expenditures:				
Public Safety	319,593	104,483	78,860	(25,623)
Capital Projects	69,000	127,865	58,258	(69,607)
Total Expenditures	<u>388,593</u>	<u>232,348</u>	<u>137,118</u>	<u>(95,230)</u>
Excess of Revenues Over (Under) Expenditures	<u>(67,775)</u>	<u>(66,382)</u>	<u>6,764</u>	<u>73,146</u>
Other Financing Uses:				
Operating transfers out	<u>(9,470)</u>	<u>(9,470)</u>	<u>(9,470)</u>	<u>-</u>
Net Change in Fund Balance	(77,245)	(75,852)	(2,706)	73,146
Fund Balance, Beginning of Year	<u>23,492</u>	<u>23,492</u>	<u>23,492</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (53,753)</u>	<u>\$ (52,360)</u>	<u>\$ 20,786</u>	<u>\$ 73,146</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Public Art Contributions Fund
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,100	\$ 2,100	\$ 4,294	\$ 2,194
Other revenues	40,000	40,000	138,868	98,868
Total Revenues	<u>42,100</u>	<u>42,100</u>	<u>143,162</u>	<u>101,062</u>
Expenditures:				
Leisure, cultural and social services			35,594	35,594
Capital Projects	39,900	314,097	62,499	(251,598)
Total Expenditures	<u>39,900</u>	<u>314,097</u>	<u>98,093</u>	<u>(216,004)</u>
Excess of Revenues Over (Under) Expenditures	2,200	(271,997)	45,069	317,066
Other Financing Uses:				
Operating transfers in	39,900	39,900		(39,900)
Net Change in Fund Balance	42,100	(232,097)	45,069	277,166
Fund Balance, Beginning of Year	<u>423,809</u>	<u>423,809</u>	<u>423,809</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 465,909</u>	<u>\$ 191,712</u>	<u>\$ 468,878</u>	<u>\$ 277,166</u>

City of San Luis Obispo, California
Agency Funds
For the Fiscal Year Ended June 30, 2017

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.

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

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

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, 2017

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Whale Rock Fund				
Assets				
Cash and cash equivalents	\$ 14,576	\$ 49,958	\$ 26,410	\$ 38,124
Investments	1,445,201	1,410,599	1,168,727	1,687,073
Accounts receivable	42,392	597,435	621,725	18,102
Accrued interest receivable	3,590	5,609	3,590	5,609
Prepaid expense	-	4,200		4,200
Deferred outflows of resources - pensions	162,511	227,150	123,741	265,920
Capital assets, net of accumulated depreciation	983,829	81,106	6,583	1,058,352
Total Assets	\$ 2,652,099	\$ 2,376,057	\$ 1,950,776	\$ 3,077,380
Liabilities				
Accounts payable	\$ 75,071	\$ 520,861	\$ 538,465	\$ 57,467
Accrued salaries	32,206	16,436	19,716	28,926
Other liabilities	30,976	2,001	10,764	22,213
Net pension liability	1,082,681	257,654	128,827	1,211,508
Deferred inflows of resources - pensions	163,079	51,625	103,248	111,456
Due to agency participants	1,268,086	6,237,613	5,859,889	1,645,810
Total Liabilities	\$ 2,652,099	\$ 7,086,190	\$ 6,660,909	\$ 3,077,380
	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Jack House Fund				
Assets				
Cash and cash equivalents	\$ 14,215	\$ 7,925	\$ 6,245	\$ 15,895
Accounts receivable	98		98	-
Accrued interest receivable	33	47	33	47
Total Assets	\$ 14,346	\$ 7,972	\$ 6,376	\$ 15,942
Liabilities				
Accounts payable	\$ 7	\$ 1,662	\$ 1,663	\$ 6
Other liabilities	14,339	7,840	6,243	15,936
Total Liabilities	\$ 14,346	\$ 9,502	\$ 7,906	\$ 15,942

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2017
Page 2

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Narcotics Task Force Fund				
Assets				
Cash and cash equivalents	\$ 47		\$ 47	\$ -
Total Assets	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ -</u>
Liabilities				
Due to agency participants	\$ 47		\$ 47	\$ -
Total Liabilities	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ -</u>
	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Bomb Task Force Fund				
Assets				
Cash and cash equivalents	\$ 268,523	\$ 38,827	\$ 6,408	\$ 300,942
Accrued interest receivable	656	909	656	909
Total Assets	<u>\$ 269,179</u>	<u>\$ 39,736</u>	<u>\$ 7,064</u>	<u>\$ 301,851</u>
Liabilities				
Accounts payable	\$ 587	\$ 306,176	\$ 5,994	\$ 300,769
Due to agency participants	268,592	39,081	306,591	1,082
Total Liabilities	<u>\$ 269,179</u>	<u>\$ 345,257</u>	<u>\$ 312,585</u>	<u>\$ 301,851</u>
	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Hazardous Materials Task Force Fund				
Assets				
Cash and cash equivalents	\$ 89,148	\$ 68,387	\$ 52,554	\$ 104,981
Accrued interest receivable	222	328	222	328
Total Assets	<u>\$ 89,370</u>	<u>\$ 68,715</u>	<u>\$ 52,776</u>	<u>\$ 105,309</u>
Liabilities				
Accounts payable	\$ 9,901	\$ 31,438	\$ 37,033	\$ 4,306
Accrued salaries	\$ 625	63	626	62
Due to agency participants	78,844	69,119	47,022	100,941
Total Liabilities	<u>\$ 89,370</u>	<u>\$ 100,620</u>	<u>\$ 84,681</u>	<u>\$ 105,309</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, 2017
Page 3

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 1,350,555	\$ 1,313,885	\$ 1,261,633	\$ 1,402,807
Accounts receivable	520	73,682	74,202	-
Other assets	30,864			30,864
Total Assets	<u>\$ 1,381,939</u>	<u>\$ 1,387,567</u>	<u>\$ 1,335,835</u>	<u>\$ 1,433,671</u>
Liabilities				
Accounts payable	\$ 48,835	\$ 1,216,936	\$ 1,159,124	\$ 106,647
Other liabilities	1,333,104	1,440,414	1,446,494	1,327,024
Total Liabilities	<u>\$ 1,381,939</u>	<u>\$ 2,657,350</u>	<u>\$ 2,605,618</u>	<u>\$ 1,433,671</u>
	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Duvall Fund				
Assets				
Cash and cash equivalents	\$ 157,995	\$ 1,510	\$ 219	\$ 159,286
Accrued interest receivable	386	481	387	480
Total Assets	<u>\$ 158,381</u>	<u>\$ 1,991</u>	<u>\$ 606</u>	<u>\$ 159,766</u>
Liabilities				
Other liabilities	\$ 158,381	\$ 1,604	\$ 219	\$ 159,766
Total Liabilities	<u>\$ 158,381</u>	<u>\$ 1,604</u>	<u>\$ 219</u>	<u>\$ 159,766</u>
	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Boysen Ranch Conservation Easement				
Assets				
Cash and cash equivalents	\$ 395,275	\$ 3,777	\$ 547	\$ 398,505
Accrued interest receivable	965	1,202	965	1,202
Total Assets	<u>\$ 396,240</u>	<u>\$ 4,979</u>	<u>\$ 1,512</u>	<u>\$ 399,707</u>
Liabilities				
Accounts payable	\$ 24,567			\$ 24,567
Other liabilities	371,673	4,014	547	375,140
Total Liabilities	<u>\$ 396,240</u>	<u>\$ 4,014</u>	<u>\$ 547</u>	<u>\$ 399,707</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, 2017
Page 4

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
PEG - City of San Luis Obispo				
Assets				
Cash and cash equivalents	\$ 136,418	\$ 44,474	\$ 1,547	\$ 179,345
Accounts receivable	9,911		9,911	-
Accrued interest receivable	325	488	325	488
Total Assets	\$ 146,654	\$ 44,962	\$ 11,783	\$ 179,833
Liabilities				
Other liabilities	\$ 146,654	\$ 34,726	\$ 1,547	\$ 179,833
Total Liabilities	\$ 146,654	\$ 34,726	\$ 1,547	\$ 179,833
	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
PEG - SLCUSD				
Assets				
Cash and cash equivalents	\$ 227,883	\$ 41,633	\$ 339	\$ 269,177
Accounts receivable	9,910		9,910	-
Accrued interest receivable	548	763	548	763
Total Assets	\$ 231,647	\$ 42,396	\$ 10,797	\$ 269,940
Liabilities				
Other liabilities	\$ 238,341	\$ 31,937	\$ 338	\$ 269,940
Total Liabilities	\$ 231,647	\$ 31,937	\$ 338	\$ 269,940

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2017
Page 5

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,654,635	\$ 1,570,376	\$ 1,355,949	\$ 2,869,062
Investments	1,445,201	1,410,599	1,168,727	1,687,073
Accounts receivable	62,831	671,117	715,846	18,102
Accrued interest receivable	6,725	9,827	6,504	9,826
Other assets	30,864	4,200		35,064
Deferred outflows of resources	162,511	227,150	123,741	265,920
Capital assets, net of accumulated depreciation	983,829	81,106	6,583	1,058,352
Total Assets	<u>\$ 5,346,596</u>	<u>\$ 3,974,375</u>	<u>\$ 3,377,350</u>	<u>\$ 5,943,399</u>
Liabilities				
Accounts payable	\$ 158,968	\$ 2,077,073	\$ 1,742,279	\$ 493,762
Accrued salaries	32,831	16,499	20,342	28,988
Other liabilities	2,293,468	1,522,536	1,466,152	2,349,852
Net pension liability	1,082,681	257,654	128,827	1,211,508
Deferred inflows of resources	163,079	51,625	103,248	111,456
Due to agency participants	1,615,569	6,345,813	6,213,549	1,747,833
Total Liabilities	<u>\$ 5,346,596</u>	<u>\$ 10,271,200</u>	<u>\$ 9,674,397</u>	<u>\$ 5,943,399</u>



STATISTICAL SECTION (UNAUDITED)

City of San Luis Obispo, California
Statistical Section Overview
June 30, 2017

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 Positions by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Governmental activities:										
Net investment in capital assets	\$ 121,247,100	\$ 119,425,100	\$ 129,416,800	\$ 133,145,800	\$ 141,686,600	\$ 142,239,500	\$ 145,266,043	\$ 150,430,226	\$ 163,449,992	\$ 165,100,426
Restricted	1,822,300	2,510,500	2,569,800	2,543,800	2,620,700	2,374,800	4,825,662	2,350,838	2,762,387	2,268,499
Unrestricted	<u>30,935,700</u>	<u>38,928,500</u>	<u>26,204,500</u>	<u>26,401,500</u>	<u>23,583,000</u>	<u>29,927,200</u>	<u>(66,610,104)</u>	<u>(57,421,778)</u>	<u>(49,031,893)</u>	<u>(41,496,841)</u>
Total governmental activities net position	<u>\$ 154,005,100</u>	<u>\$ 160,864,100</u>	<u>\$ 158,191,100</u>	<u>\$ 162,091,100</u>	<u>\$ 167,890,300</u>	<u>\$ 174,541,500</u>	<u>\$ 83,481,601</u>	<u>\$ 95,359,286</u>	<u>\$ 117,180,486</u>	<u>\$ 125,872,084</u>
Business-type activities:										
Net investment in capital assets	\$ 102,540,500	\$ 109,675,900	\$ 112,395,800	\$ 117,314,700	\$ 119,957,600	\$ 123,510,200	\$ 119,116,303	\$ 125,801,845	\$ 128,390,611	\$ 131,149,516
Restricted	2,506,200	3,918,600	2,763,700	2,777,100	2,293,900	2,254,200	2,248,979	2,261,213	2,278,392	2,276,526
Unrestricted	<u>31,873,200</u>	<u>31,329,500</u>	<u>38,245,900</u>	<u>36,493,600</u>	<u>37,759,000</u>	<u>41,712,200</u>	<u>35,224,987</u>	<u>42,117,143</u>	<u>49,495,220</u>	<u>53,421,102</u>
Total business-type activities net position	<u>\$ 136,919,900</u>	<u>\$ 144,924,000</u>	<u>\$ 153,405,400</u>	<u>\$ 156,585,400</u>	<u>\$ 160,010,500</u>	<u>\$ 167,476,600</u>	<u>\$ 156,590,269</u>	<u>\$ 170,180,201</u>	<u>\$ 180,164,223</u>	<u>\$ 186,847,144</u>
Primary government (City wide totals):										
Net investment in capital assets	\$ 223,787,600	\$ 229,101,000	\$ 241,812,600	\$ 250,460,500	\$ 261,644,200	\$ 265,749,700	\$ 264,382,346	\$ 276,232,071	\$ 291,840,603	\$ 296,249,942
Restricted	4,328,500	6,429,100	5,333,500	5,320,900	4,914,600	4,629,000	7,074,641	4,612,051	5,040,779	4,545,025
Unrestricted	<u>62,808,900</u>	<u>70,258,000</u>	<u>64,450,400</u>	<u>62,895,100</u>	<u>61,342,000</u>	<u>71,639,400</u>	<u>(31,385,117)</u>	<u>(15,304,635)</u>	<u>463,327</u>	<u>11,924,261</u>
Total primary government net position	<u>\$ 290,925,000</u>	<u>\$ 305,788,100</u>	<u>\$ 311,596,500</u>	<u>\$ 318,676,500</u>	<u>\$ 327,900,800</u>	<u>\$ 342,018,100</u>	<u>\$ 240,071,870</u>	<u>\$ 265,539,487</u>	<u>\$ 297,344,709</u>	<u>\$ 312,719,228</u>

Schedule 2
City of San Luis Obispo, California
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For The Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Expenses:										
Governmental activities:										
Public safety	\$ 28,189,900	\$ 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
Transportation	6,463,200	6,619,300	7,116,400	8,809,400	7,778,000	8,551,500	8,975,047	11,457,311	8,792,028	9,668,840
Leisure, cultural and social services	9,518,400	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
Community development	7,822,300	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
Interest on long-term debt	950,600	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
Total governmental activities expenses	<u>52,944,400</u>	<u>54,913,600</u>	<u>56,617,700</u>	<u>54,298,100</u>	<u>55,252,400</u>	<u>57,573,500</u>	<u>60,271,589</u>	<u>60,647,572</u>	<u>62,171,137</u>	<u>67,127,382</u>
Business-type activities:										
Water	10,656,200	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
Sewer	8,511,300	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
Parking	3,416,400	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
Transit	3,060,100	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
Golf	633,600	722,100	708,400	724,100						
Total business-type activities expenses	<u>26,277,600</u>	<u>28,409,100</u>	<u>27,974,600</u>	<u>33,375,500</u>	<u>34,362,500</u>	<u>34,790,900</u>	<u>35,918,961</u>	<u>34,811,086</u>	<u>36,967,046</u>	<u>38,621,593</u>
Total primary government expenses	<u>\$ 79,222,000</u>	<u>\$ 83,322,700</u>	<u>\$ 84,592,300</u>	<u>\$ 87,673,600</u>	<u>\$ 89,614,900</u>	<u>\$ 92,364,400</u>	<u>\$ 96,190,550</u>	<u>\$ 95,458,658</u>	<u>\$ 99,138,183</u>	<u>\$ 105,748,975</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,441,200	\$ 1,508,600	\$ 1,501,500	\$ 1,745,200	\$ 1,750,700	\$ 1,599,000	\$ 1,589,278	\$ 1,697,748	\$ 1,673,800	\$ 1,771,383
Transportation	1,150,000	1,492,800	241,700	2,690,200	418,000	221,200	1,321,323	1,270,787	1,691,757	1,793,010
Leisure, cultural and social services	2,190,500	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
Community development	3,981,400	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
Operating grants and contributions	2,835,700	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
Capital grants and contributions	1,985,500	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
Total governmental activities program revenues	<u>13,584,300</u>	<u>16,570,500</u>	<u>10,964,400</u>	<u>13,974,600</u>	<u>12,740,600</u>	<u>12,680,000</u>	<u>17,032,995</u>	<u>22,755,268</u>	<u>25,411,982</u>	<u>17,739,595</u>

Schedule 2
City of San Luis Obispo, California
Changes in Net Position, continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Business-type activities:										
Charges for services:										
Water	\$ 12,691,900	\$ 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
Sewer	10,205,500	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
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
Transit	520,500	607,000	551,600	593,100	552,900	682,700	688,585	649,899	659,471	666,296
Golf	349,000	382,200	394,600	364,000						
Operating grants and contributions	1,841,500	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
Capital grants and contributions	1,960,900	1,627,300	952,300	1,242,000	750,900	731,300	82,359	60,063		
Total business-type activities programs revenues	<u>27,569,300</u>	<u>33,938,000</u>	<u>34,782,000</u>	<u>35,603,000</u>	<u>38,882,400</u>	<u>43,141,100</u>	<u>44,135,435</u>	<u>47,217,901</u>	<u>47,302,010</u>	<u>45,967,116</u>
Total primary government program revenues	<u>\$ 41,153,600</u>	<u>\$ 50,508,500</u>	<u>\$ 45,746,400</u>	<u>\$ 49,577,600</u>	<u>\$ 51,623,000</u>	<u>\$ 55,821,100</u>	<u>\$ 61,168,430</u>	<u>\$ 69,973,169</u>	<u>\$ 72,713,992</u>	<u>\$ 63,706,711</u>
Net Revenues (Expenses):										
Governmental activities	\$ (39,360,100)	\$ (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)
Business-type activities	<u>1,291,700</u>	<u>5,528,900</u>	<u>6,807,400</u>	<u>2,227,500</u>	<u>4,519,900</u>	<u>8,350,200</u>	<u>8,216,474</u>	<u>12,406,815</u>	<u>10,334,964</u>	<u>7,345,523</u>
Total primary government	<u>\$ (38,068,400)</u>	<u>\$ (32,814,200)</u>	<u>\$ (38,845,900)</u>	<u>\$ (38,096,000)</u>	<u>\$ (37,991,900)</u>	<u>\$ (36,543,300)</u>	<u>\$ (35,022,120)</u>	<u>\$ (25,485,489)</u>	<u>\$ (26,424,191)</u>	<u>\$ (42,042,264)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Sales and use taxes	\$ 19,578,300	\$ 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
Property taxes	8,374,200	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
Transient occupancy tax	5,054,700	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
Utility users tax	4,177,700	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
Property tax in-lieu of vehicle license fees	3,280,100	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
Other taxes and fees	4,228,100	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
Investment earnings	1,605,300	1,775,300	1,239,500	742,500	770,100	237,100	566,931	467,348	825,760	997,995
Miscellaneous and other	478,400	400,800	339,600	414,700	227,200	349,900	679,127	707,781		
Gain (loss) on disposal of capital assets	(337,100)		(3,400)			(11,000)				
Prior period adjustment						2,657,100	(833,234)			
Cumulative change in accounting principle (GASB 65)						(345,400)				
Transfers	(462,000)	(335,000)	(301,500)	(227,200)	1,820,900	115,100	(73,771)	(329,452)	1,436,048	1,051,563
Total governmental activities	<u>45,977,700</u>	<u>45,202,200</u>	<u>42,980,300</u>	<u>44,223,500</u>	<u>48,311,000</u>	<u>51,544,700</u>	<u>51,313,072</u>	<u>53,746,122</u>	<u>58,580,355</u>	<u>58,079,385</u>

Schedule 2
City of San Luis Obispo, California
Changes in Net Position, continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Business-type activities										
Investment earnings	\$ 1,413,400	\$ 1,699,600	\$ 1,372,500	\$ 725,300	\$ 726,100	\$ 73,500	\$ 364,551	\$ 361,627	\$ 845,906	\$ 182,261
Cumulative change in accounting principle						(842,600)				
Income from investment in joint venture									239,200	206,700
Transfers	462,000	335,000	301,500	227,200	(1,820,900)	(115,100)	73,771	329,452	(1,436,048)	(1,051,563)
Total business-type activities	<u>1,875,400</u>	<u>2,034,600</u>	<u>1,674,000</u>	<u>952,500</u>	<u>(1,094,800)</u>	<u>(884,200)</u>	<u>438,322</u>	<u>691,079</u>	<u>(350,942)</u>	<u>(662,602)</u>
Total primary government	<u>\$ 47,853,100</u>	<u>\$ 47,236,800</u>	<u>\$ 44,654,300</u>	<u>\$ 45,176,000</u>	<u>\$ 47,216,200</u>	<u>\$ 50,660,500</u>	<u>\$ 51,751,394</u>	<u>\$ 54,437,201</u>	<u>\$ 58,229,413</u>	<u>\$ 57,416,783</u>
Change in net position:										
Governmental activities	\$ 6,617,600	\$ 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
Business-type activities	<u>3,167,100</u>	<u>7,563,500</u>	<u>8,481,400</u>	<u>3,180,000</u>	<u>3,425,100</u>	<u>7,466,000</u>	<u>8,654,796</u>	<u>13,097,894</u>	<u>9,984,022</u>	<u>6,682,921</u>
Total primary government	<u>\$ 9,784,700</u>	<u>\$ 14,422,600</u>	<u>\$ 5,808,400</u>	<u>\$ 7,080,000</u>	<u>\$ 9,224,300</u>	<u>\$ 14,117,200</u>	<u>\$ 16,729,274</u>	<u>\$ 28,951,712</u>	<u>\$ 31,805,222</u>	<u>\$ 15,374,519</u>

Schedule 3
City of San Luis Obispo, California
Governmental Activities Tax and Franchise Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

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
2007-08	\$ 13,581,700	\$ 5,996,600	\$ 8,374,200	\$ 5,054,700	\$ 4,177,700	\$ 3,280,100	\$ 2,361,700	\$ 1,866,400	\$ 288,100	\$ 44,981,200
2008-09	12,070,700	5,641,400	8,788,400	4,679,500	4,358,500	3,504,700	2,439,400	1,878,500	234,300	43,595,400
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

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.
- 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 with the property tax roll.
- In November 2006, voters in San Luis Obispo approved a local sales and use tax measure (Measure Y) increasing the City rate by 1/2%, which became effective April 1, 2007. The sales tax measure has a sunset provision of 8 years.
- 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 of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
General fund:										
Reserved	\$ 808,100	\$ 291,500	\$ 201,800	\$	\$	\$	\$	\$	\$	\$
Unreserved:										
Designated	1,093,900	125,000	923,500							
Undesignated	12,927,100	13,575,400	9,988,800							
Nonspendable:										
Prepaid items						2,777,000	3,191,055	60,181	56,020	3,173,248
Restricted for: (Note 1)										
Debt service				258,100	602,800	331,600	312,037	303,126	489,056	128,102
Committed to: (Note 1)										
General government programs				317,500	1,288,200	1,768,200	4,973,497	3,942,459	4,468,863	9,428,034
Assigned to:										
Contingency Fund							10,458,000	10,486,931	11,092,782	10,902,368
Development Services								1,848,386	382,396	41,110
Safety Fire								97,239		
City Attorney										100,000
Subsequent years expenditures				8,200	11,900				2,716,534	
Unassigned				12,324,100	11,781,500	14,060,900	1,382,590	7,828,485	10,419,881	2,723,292
Total general fund	<u>14,829,100</u>	<u>13,991,900</u>	<u>11,114,100</u>	<u>12,907,900</u>	<u>13,684,400</u>	<u>18,937,700</u>	<u>20,317,179</u>	<u>24,566,807</u>	<u>29,625,532</u>	<u>26,496,154</u>

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

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
All other governmental funds:										
Reserved	8,557,100	10,038,200	6,932,600							
Unreserved reported in:										
Capital projects funds	10,962,000	19,748,900	1,245,000							
Special revenue funds	585,500	626,900	920,300							
Nonspendable										5,642
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
Law enforcement grant programs				42,000	20,500	22,900	27,145	16,886	23,492	20,786
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
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	
General government programs							4,743,552	1,084,221	7,463,605	8,795,074
Impact Fees Programs				4,350,000	4,069,800	3,542,700	411,592	9,410,273	549,349	588,743
Open space programs					183,400	194,300	1,582,425	983,402	1,265,620	2,728,883
Parkland development programs				998,900	1,057,100	1,209,600				
Public art programs				293,700	373,700	347,400				
Assigned to:										
Contingency fund										900,000
Subsequent years expenditures				8,997,800	4,359,300	5,413,900	3,552,319	2,606,757	3,559,851	5,846,873
Unassigned						(2,500)	1,039	(83)		
Total all other governmental funds	<u>20,104,600</u>		<u>9,097,900</u>	<u>18,605,600</u>	<u>14,544,400</u>	<u>15,352,400</u>	<u>21,353,232</u>	<u>22,476,959</u>	<u>20,498,689</u>	<u>26,059,944</u>
Total all governmental funds	<u>\$ 34,933,700</u>	<u>\$ 13,991,900</u>	<u>\$ 20,212,000</u>	<u>\$ 31,513,500</u>	<u>\$ 28,228,800</u>	<u>\$ 34,290,100</u>	<u>\$ 41,670,411</u>	<u>\$ 47,043,766</u>	<u>\$ 50,124,221</u>	<u>\$ 52,556,098</u>

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)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Revenues:										
Taxes										
Sales and Use - general	\$ 13,581,700	\$ 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
Sales and Use - Measure Y	5,996,600	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
Prop. 172 Public Safety	288,400	308,400	257,900	271,300	307,400	327,700	391,567	409,590	405,066	405,512
Property	8,374,200	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
Transient Occupancy	5,054,700	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
Utility Users	4,177,700	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
Property tax in-lieu of VLF (Note 1)	3,280,100	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
Franchise Fees	2,361,700	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
Business Tax	1,866,400	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
Real Property Transfer	213,000	159,100	129,000	133,700	144,000	256,300	287,560	298,191	366,088	332,314
Fines, forfeitures and penalties	228,200	261,000	201,700	171,400	174,300	159,700	150,185	184,320	172,353	139,534
Use of money and property	1,605,300	1,775,300	1,239,500	742,500	770,100	237,100	566,931	467,348	825,760	260,169
Vehicle License Fees (Note 1)	190,300	166,500	135,000	205,600	45,600	19,300				
Other subventions and grants	4,679,000	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	8,409,500	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
Other revenues	633,800	1,810,300	398,000	270,500	36,500	526,500	357,469	217,710	242,744	446,456
Total revenues	<u>60,940,600</u>	<u>63,293,600</u>	<u>54,769,900</u>	<u>59,074,300</u>	<u>59,857,300</u>	<u>62,778,240</u>	<u>69,884,645</u>	<u>77,787,061</u>	<u>82,954,329</u>	<u>75,412,272</u>

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds, continued
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Expenditures:										
Current:										
General Government	6,333,900	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
Public safety	25,055,900	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
Transportation	2,539,800	3,224,200	3,019,700	2,901,900	2,865,100	2,798,200	2,882,241	2,969,111	3,317,177	4,949,845
Leisure, cultural and social services	6,398,600	6,598,900	6,279,900	6,268,700	6,704,200	6,790,300	7,155,619	7,250,398	7,428,198	7,785,411
Community development	6,341,600	6,280,800	6,690,200	7,053,500	6,986,300	7,777,400	8,389,957	10,047,272	10,770,827	12,692,237
Debt service:										
Principal	1,124,300	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
Interest	953,700	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
Capital:										
Public safety	1,541,500	1,652,700	4,704,400	494,100	447,900	457,700	892,351	2,371,865	1,220,759	1,772,454
Transportation	6,404,200	6,177,600	4,237,200	6,913,200	9,121,000	5,228,300	4,859,863	14,302,937	15,038,306	2,944,453
Leisure, cultural and social services	670,200	1,213,900	1,188,500	584,500	862,000	395,500	1,272,510	2,399,211	1,463,269	1,421,919
Community development (Note 2)	1,270,000	1,382,500	3,893,700	884,100	705,300	70,900	939,017	123,258	149,537	284,375
General government	1,053,400	869,700	3,076,800	1,731,400	274,900	429,700	145,199	1,684,045	590,263	89,825
Total expenditures	<u>59,687,100</u>	<u>62,271,600</u>	<u>67,456,400</u>	<u>60,225,400</u>	<u>62,800,100</u>	<u>59,380,400</u>	<u>63,280,627</u>	<u>80,958,782</u>	<u>81,998,422</u>	<u>75,173,426</u>
Excess of revenues over(under) expenditures	<u>1,253,500</u>	<u>1,022,000</u>	<u>(12,686,500)</u>	<u>(1,151,100)</u>	<u>(2,942,800)</u>	<u>3,397,840</u>	<u>6,604,018</u>	<u>(3,171,722)</u>	<u>955,907</u>	<u>238,846</u>

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds, continued
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
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
Cost of debt issuance						(11,500)				
Payment to refunded bond escrow agent		(281,800)			(5,442,200)					
Transfers in	15,350,100	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
Transfers out	(15,812,100)	(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)
Total other financing sources(uses)	<u>(462,000)</u>	<u>8,450,200</u>	<u>(301,500)</u>	<u>1,246,700</u>	<u>(341,900)</u>	<u>103,600</u>	<u>777,004</u>	<u>8,042,871</u>	<u>2,124,548</u>	<u>2,193,031</u>
Net change in fund balance	<u>\$ 791,500</u>	<u>\$ 9,472,200</u>	<u>\$ (12,988,000)</u>	<u>\$ 95,600</u>	<u>\$ (3,284,700)</u>	<u>\$ 3,501,440</u>	<u>\$ 7,381,022</u>	<u>\$ 4,871,150</u>	<u>\$ 3,080,455</u>	<u>\$ 2,431,877</u>
Debt service as a percentage of noncapital expenditures	<u>5.15%</u>	<u>4.93%</u>	<u>7.24%</u>	<u>7.61%</u>	<u>6.68%</u>	<u>6.62%</u>	<u>5.98%</u>	<u>8.92%</u>	<u>5.20%</u>	<u>5.08%</u>

Notes:

- 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.
- 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 Expenditure Trends by Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Staffing:										
Salaries and wages:										
Regular salaries	\$ 22,745,800	\$ 24,310,100	\$ 24,180,400	\$ 23,848,400	\$ 23,432,400	\$ 23,214,900	\$ 23,242,170	\$ 23,804,510	\$ 24,790,947	\$ 26,944,188
Temporary salaries	2,026,800	1,851,700	1,592,700	1,507,300	1,626,900	1,812,700	2,191,214	2,137,487	1,964,521	1,793,360
Overtime	2,876,000	3,009,200	2,397,500	2,162,500	2,763,100	3,309,000	3,018,181	3,222,698	3,473,489	3,604,336
Benefits:										
Retirement	7,485,200	8,006,100	7,915,900	7,899,200	8,444,000	7,661,900	7,637,931	7,943,827	9,323,782	10,394,523
Group health/disability ins (Note 1)	2,710,000	3,579,400	3,744,200	3,407,500	3,441,700	3,463,500	3,387,101	3,319,117	3,828,238	4,129,004
Medicare	339,600	363,700	370,300	367,100	371,200	384,400	393,913	408,889	418,704	455,966
Unemployment Reimbursements	42,900	24,100	87,600	35,500	26,200	28,800	31,634	48,588	5,159	150,929
Total staffing	<u>38,226,300</u>	<u>41,144,300</u>	<u>40,288,600</u>	<u>39,227,500</u>	<u>40,105,500</u>	<u>39,875,200</u>	<u>39,902,144</u>	<u>40,885,116</u>	<u>43,804,840</u>	<u>47,472,306</u>
Contract services	4,546,400	4,228,700	3,812,400	3,728,100	4,306,000	5,208,900	5,725,290	5,903,638	6,271,607	6,962,949
Other operating expenditures										
Communications & utilities	1,539,700	1,662,000	1,538,000	1,629,500	1,658,000	1,842,300	2,034,997	1,945,243	2,192,384	2,023,057
Rents & leases	142,100	147,700	130,500	141,800	136,800	139,600	197,104	159,718	164,729	170,288
Insurance:										
General liability & property	1,054,900	1,051,500	1,447,300	1,434,600	1,475,600	1,320,700	1,425,450	1,646,605	1,847,422	1,273,133
Workers compensation	1,514,400	1,017,000	760,500	447,100	594,400	918,000	1,405,916	1,631,585	2,019,722	1,627,423
Other operating expenditures	2,699,900	3,061,900	2,399,300	2,544,400	2,696,500	2,910,900	2,991,619	3,635,542	3,079,347	3,345,191
Total operating expenditures	<u>6,951,000</u>	<u>6,940,100</u>	<u>6,275,600</u>	<u>6,197,400</u>	<u>6,561,300</u>	<u>7,131,500</u>	<u>8,055,086</u>	<u>9,018,693</u>	<u>9,303,604</u>	<u>8,439,092</u>
Minor capital	162,500	90,600	38,300	10,800	14,200	99,400	195,473	78,414	92,853	203,098
Total program expenditures	49,886,200	52,403,700	50,414,900	49,163,800	50,987,000	52,315,000	53,877,993	55,885,861	59,472,903	63,077,445
Reimbursed expenditures	(4,075,300)	(4,210,800)	(4,264,000)	(4,449,900)	(3,774,900)	(3,732,100)	(3,897,420)	(3,451,208)	(4,008,992)	(4,164,747)
Total general fund operating expenditures	<u>\$ 45,810,900</u>	<u>\$ 48,192,900</u>	<u>\$ 46,150,900</u>	<u>\$ 44,713,900</u>	<u>\$ 47,212,100</u>	<u>\$ 48,582,900</u>	<u>\$ 49,980,573</u>	<u>\$ 52,434,653</u>	<u>\$ 55,463,911</u>	<u>\$ 58,912,698</u>

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 and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

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
2007-08 (Note 3)	\$ 42,600,200	\$ 5,456,264,900	\$ 5,678,500	\$ 254,783,200	\$ 5,716,726,600	1.00%	\$ 5,716,726,600	100%
2008-09	42,384,800	5,828,492,800	5,582,800	274,186,700	6,108,262,300	1.00%	6,108,262,300	100%
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%

- 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.
 3. The decrease in value of utility taxable property in 2007-08 is due to a federally mandated decrease in the assessment ratio on railroad property.

Source: HDL CAFR Statistical report

Schedule 8
City of San Luis Obispo, California
Property Tax Rates
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

	For The Fiscal Year Ended June 30									
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Proposition 13 maximum tax rate (Note 2)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Voter approved indebtedness:										
State water project	0.002	0.002	0.002	0.003	0.003	0.004	0.004	0.004	0.004	0.004
Elementary and high school										
Bond and lease agreements	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total (Notes 1 and 3)	<u>1.002</u>	<u>1.002</u>	<u>1.002</u>	<u>1.003</u>	<u>1.003</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>

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 2008-09:

	<u>Base</u> <u>Rate</u>	<u>ERAF</u> <u>Allocation</u>	<u>Net</u> <u>Apportionment</u>
San Luis Coastal Unified School District	36.1		36.1
San Luis Obispo County - General Fund	30.32	(8.2)	22.12
City of San Luis Obispo	18.36 *	(3.5)	14.86
San Luis Obispo Community College District	6.4		6.4
County School Services	3.8		3.8
City/County Library	2.00	(0.3)	1.7
Port San Luis Harbor	1.6	(0.4)	1.2
Other Agencies	1.3	(0.1)	1.2
Education Revenue Augmentation Fund (ERAF)		12.5	12.5
Total	<u>100%</u>	<u>0%</u>	<u>100%</u>

*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 2016-17 Annual Tax Increment Tables

Schedule 9
City of San Luis Obispo, California
Principal Property Taxpayers
Current Year and Nine Years Ago
For the Fiscal Year Ended June 30

Owner	2016-17				2007-08			
	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	\$ 108,841,060	1	1.47%				
CAP VIII Mustang- LLC	4	88,660	2	1.20%	6	\$ 72,225,000	1	1.26%
Sierra Vista Hospital Inc.	8	79,118,227	3	1.07%				
SLO Promenade Limited Partnership	10	51,187,920	4	0.69%				
Irish Hills Plaza West II LLC	6	47,679,734	5	0.64%				
Charles Pasquini Jr Trust	3	41,369,437	6	0.56%				
Costco Wholesale Corporation	1	34,514,007	7	0.47%	1	31,228,392	4	0.55%
Bre Atlas Property Owner LLC	1	31,735,475	8	0.43%				
Marigold Center LLC	9	30,379,566	9	0.41%	9	24,336,783	6	0.43%
Target Corporation	1	29,812,552	10	0.40%				
Alta Vista Park Homeowners Association					97	61,358,138	2	
Catholic Healthcare West					5	34,329,506	3	0.72%
City of San Luis Obispo					144	29,196,776	5	0.61%
SLO Promenade Limited Partnership					7	27,815,641	6	0.58%
John E. & Carole D. King					13	28,310,959	7	0.59%
KLA SLO LLC					7	27,815,641	8	0.58%
Charter Communications Properties					4	23,619,263	9	0.49%
Total		\$ 454,726,638		7.34%		\$ 360,236,099		5.81%

Source: HDL CAFR report.

Schedule 10
City of San Luis Obispo, California
Secured Property Tax Roll Levies and Collections
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Total Secured Tax Levy (Notes 1 and 2)	Current Year Collections	Percent Collected	Current Year Delinquencies (Note 3)	Percent Delinquent (Note 3)
2007-08	\$ 7,868,700	\$ 7,868,700	100%	0	0
2008-09	8,335,400	8,335,400	100%	0	0
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

Notes:

1. 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.
2. 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.
3. 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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sales										
<i>In Thousands of Dollars</i>										
Apparel stores	\$ 61,772	\$ 61,356	\$ 65,608	\$ 70,582	\$ 71,429	\$ 73,127	\$ 74,471	\$ 74,789	\$ 76,524	\$ 74,403
General merchandise stores	149,346	145,821	121,921	123,191	148,757	171,797	173,947	179,557	182,541	179,528
Food and drug stores	41,636	41,704	40,841	39,120	40,607	40,860	42,030	43,229	44,868	44,458
Eating & drinking places	122,697	124,278	120,619	120,852	128,855	143,991	149,144	160,568	173,381	179,147
Building materials & farm tools	123,467	113,130	96,091	93,904	104,754	113,532	128,144	135,269	141,800	144,151
Auto dealers & supplies	246,477	199,923	161,310	178,569	193,060	227,556	269,601	287,764	303,902	305,823
Service stations	84,971	89,586	72,158	85,795	105,178	109,224	104,740	103,130	89,773	79,736
Other retail stores	283,609	273,252	247,942	249,820	257,455	264,363	262,935	268,495	276,790	281,091
Total retail stores	1,113,975	1,049,050	926,490	961,833	1,050,095	1,144,450	1,205,012	1,252,801	1,289,579	1,288,337
All other outlets	260,221	252,563	223,240	235,062	278,827	269,489	285,688	300,748	348,998	381,638
Total	1,374,196	1,301,613	1,149,730	1,196,895	1,328,922	1,413,939	1,490,700	1,553,549	1,638,577	1,669,975
Permits										
Apparel stores	91	103	113	120	111	122	131	103	175	163
General merchandise stores	20	27	14	14	14	12	12	14	25	39
Food and drug stores	33	34	42	45	49	53	55	53	58	60
Eating & drinking places	187	196	180	185	188	204	213	239	233	254
Home furnishings & appliances	74	73	88	91	86	88	84	81	88	129
Building materials & farm tools	30	30	40	40	39	41	39	39	41	47
Auto dealers & supplies	63	58	69	70	64	62	60	65	59	98
Service stations	24	21	21	21	17	17	17	17	17	21
Other retail stores	358	348	610	590	579	602	661	722	584	540
Total retail stores	880	890	1,177	1,176	1,147	1,201	1,272	1,333	1,280	1,351
All other outlets	1,074	1,024	672	688	656	666	664	678	872	1,074
Total	1,954	1,914	1,849	1,864	1,803	1,867	1,936	2,011	2,152	2,425

Source: State Board of Equalization, State of California *Taxable Sales in California*, and *The HDL Companies*.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

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

Effective Date	End Date	State 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%

Notes:

1. 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.
2. Sales tax only. The use tax was enacted effective July 1, 1935.

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

3. 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%.
4. 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.
5. 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, 2016 and 2015

	<u>2017</u>		<u>2016</u>	
	<u>No. of Certificates</u>	<u>Percent</u>	<u>No. of Certificates</u>	<u>Percent</u>
Construction	1,019	12.6%	993	13.1%
Manufacturing	144	1.8%	132	1.7%
Transportation/Utilities	40	0.5%	31	0.4%
Wholesale	140	1.7%	139	1.8%
Retail	1,035	12.7%	819	10.8%
Professional	1,152	14.2%	871	11.5%
Residential Rental	2,430	29.9%	2,509	33.0%
Commercial Rental	313	3.9%	228	3.0%
Services	1,845	22.7%	1,875	24.7%
Total business certificates issued	<u>8,118</u>	<u>100%</u>	<u>7,597</u>	<u>100%</u>
Home occupations	740	9.1%	614	8.1%
Located outside City limits	1,699	20.9%	2,018	26.6%
Located in Downtown Business Improvement District	615	7.6%	612	8.1%

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
For the Fiscal Year Ended June 30

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			
2007-08	\$ 21,994,400	\$ 258,900	\$	\$ 35,345,600	\$ 1,400,400	\$ 2,050,000	\$ 23,600,700	\$ 84,650,000	1,894	1.48%
2008-09	29,949,300	211,200		35,330,700	1,142,100	2,050,000	31,219,700	99,903,000	2,232	1.64%
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	1.00%

Sources:
City of San Luis Obispo Finance Department

Note: Beginning in fiscal year 2015-16, governmental activities and business-type activities bond balances are shown net of the unamortized bond premiums.

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
For the Fiscal Year Ended June 30

Fiscal Year	Population	Net Taxable Assessed Value	General Bonded Debt	Service Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2007-08	44,697	\$ 5,716,726,600	0	0	0	0.0%	0
2008-09	44,750	6,108,262,300	0	0	0	0.0%	0
2009-10	44,948	6,291,559,300	0	0	0	0.0%	0
2010-11	45,418	6,270,234,200	0	0	0	0.0%	0
2011-12	45,308	6,176,832,100	0	0	0	0.0%	0
2012-13	45,541	6,261,931,900	0	0	0	0.0%	0
2013-14	45,473	6,454,835,328	0	0	0	0.0%	0
2014-15	45,484	6,814,727,785	0	0	0	0.0%	0
2015-16	46,377	7,275,544,122	0	0	0	0.0%	0
2015-17	46,724	7,702,282,828	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 2015-17 Reports -Asset Value and demographic tables

Schedule 16
City of San Luis Obispo, California
District and Overlapping Long-Term Debt
Fiscal Year Ended June 30, 2016

	Percent Applicable to the City of San Luis Obispo	Amount Applicable to the City of San Luis Obispo as of June 30, 2017
Direct long-term debt:		
City of San Luis Obispo 2005 Refunding Revenue Bonds (1996)	100.000%	\$ 3,510,000
City of San Luis Obispo 2006 Lease Revenue Bonds	100.000%	12,455,000
City of San Luis Obispo 2006 Water Revenue Bonds	100.000%	12,975,000
City of San Luis Obispo 2009 Lease Revenue Bonds	100.000%	6,280,015
City of San Luis Obispo 2012 Refunding Revenue Bonds (2001)	100.000%	3,960,000
City of San Luis Obispo 2012 Water Revenue Refunding Bonds (2002)	100.000%	2,990,000
City of San Luis Obispo 2014 LOVR lease Revenue Bonds	100.000%	7,285,000
		49,455,015
Overlapping long-term debt (percentage of overlapping agency's assessed valuation located within boundaries of the City): (Note 1)		
San Luis Obispo County Certificates of Participation	16.014%	4,097,983
San Luis Obispo County Pension Obligations	16.014%	15,057,868
San Luis Community College District Certificates of Participation	15.951%	1,151,662
City of San Luis Obispo Lease Revenue Bonds	100.000%	33,490,000
		53,797,513
Less: City of San Luis Obispo obligations supported by enterprise revenues		7,686,540
Total gross direct and overlapping long-term debt		46,110,973
Less self-supporting issues:		
City of San Luis Obispo 2006 Lease Revenue Bonds - Parking Fund supported portion		6,725,700
City of San Luis Obispo 2006 Water Revenue Bonds		12,975,000
City of San Luis Obispo 2009 Lease Revenue Bonds - Parking/Sewer/Water Funds supported portion		960,855
City of San Luis Obispo 2012 Water Revenue Refunding Bonds (2002)		2,990,000
Total self-supporting issues		23,651,555
		\$ 22,459,418
Ratio of long-term debt to assessed valuation and population		
Gross Assessed Valuation		\$ 7,702,282,828
Population		46,724

Schedule 16
City of San Luis Obispo, California
District and Overlapping Long-Term Debt, continued
Fiscal Year Ended June 30, 2016

	Amount	Percent of Gross Assessed Valuation	Per Capita Long-Term Debt
Direct and Overlapping Debt:			
Gross	\$46,110,973	0.6%	\$986.88
Net	22,459,418	0.3%	481
Direct Debt:			
Gross	\$49,455,015	0.6%	\$1,058.45
Net	25,803,460	0.3%	552

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

Note: The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City, divided by the district's total taxable assessed value.

Schedule 17
City of San Luis Obispo, California
Computation of Legal Debt Margins
Last Ten Fiscal Years
(amounts expressed in thousands)
For the Fiscal Year Ended June 30

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Legal debt limit	\$ 214,377	\$ 229,059	\$ 235,815	\$ 234,887	\$ 231,384	\$ 234,822	\$ 241,812	\$ 244,175	\$ 272,833	\$ 288,836
Total debt applicable to limit										
Legal debt margin	214,377	229,059	235,815	234,887	231,384	234,822	241,812	244,175	272,833	288,836
Total debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2016-17

Gross Assessed Valuation	<u>\$ 7,702,282,828</u>
Legal Debt Limit - 3.75% of Gross Assessed Valuation	<u>\$ 288,835,606</u>
Long-term Debt:	
Revenue Bonds Secured by Capital Leases	\$ 33,490
Water Revenue Bonds	<u>15,965</u>
	49,455
Less deductions allowed by law:	
Revenue Bonds Secured by Capital Leases	33,490
Water Revenue Bonds	<u>15,965</u>
	49,455
Total debt applicable to computed limit	<u>\$0</u>
Legal debt margin	<u>\$ 288,835,606</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 18
City of San Luis Obispo, California
Revenue Bond Coverage – Water Fund
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Operating Revenues	Less Development Impact Fees	Other Revenues	Operating & Maintenance Expenses	Net Revenue Available for Bond Debt Service	Bonded Debt Service Requirements			Coverage	Coverage With Impact Fees
						Principal	Interest	Total		
2007-08	\$ 12,668,800	\$ (1,386,300)	\$ 759,100	\$ (7,111,600)	\$ 4,930,000	\$ 1,392,100	\$ 1,243,000	\$ 2,635,100	187%	240%
2008-09	13,447,400	(663,000)	1,339,700	(7,877,500)	6,246,600	1,420,300	1,200,368	2,620,668	238%	264%
2009-10	13,755,800	(448,200)	719,800	(7,603,500)	6,423,900	1,078,960	1,171,884	2,250,844	285%	305%
2010-11	14,256,100	(639,600)	384,500	(12,389,200)	1,611,800	1,107,790	1,137,021	2,244,811	72%	100%
2011-12	16,266,300	(643,200)	825,400	(13,666,100)	2,782,400	1,146,885	1,137,445	2,284,330	122%	150%
2012-13	18,250,700	(1,578,100)	97,500	(13,353,300)	3,416,800	1,096,215	995,419	2,091,634	163%	239%
2013-14	19,676,199	(819,477)	215,915	(13,996,427)	5,076,210	1,160,700	964,148	2,124,848	239%	277%
2014-15	20,552,417	(2,471,501)	59,594	(13,451,298)	4,689,212	1,285,686	906,775	2,192,461	214%	327%
2015-16	20,137,422	(1,543,268)	53,731	(14,056,603)	4,591,282	1,245,486	881,318	2,126,804	216%	288%
2016-17	19,873,517	(1,266,674)	410,484	(14,754,114)	4,263,213	1,290,748	837,657	2,128,405	200%	260%

- Notes:
1. Debt service requirements include 2012 Refunding Revenue Bonds, 2006 Refunding Revenue Bonds, and the 2004 state revolving loan
 2. Principal and interest amounts do not include the subordinate private placement loan retired in 2013.
 3. Net revenues available for debt service exclude development impact fees.
 4. Operating expenses exclude depreciation and amortization.

Source: City of San Luis Obispo Utilities Department

Schedule 19
City of San Luis Obispo, California
Revenue Bond Coverage – Parking Fund
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Bond Debt Service	Bonded Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007-08	\$ 4,027,500	\$ (2,032,500)	\$ 1,995,000	\$ 400,100	\$ 480,700	\$ 880,800	226%
2008-09	4,007,900	(2,344,300)	1,663,600	415,800	462,500	878,300	189%
2009-10	3,788,300	(2,142,400)	1,645,900	599,600	449,200	1,048,800	157%
2010-11	3,730,100	(2,190,200)	1,539,900	621,800	428,700	1,050,500	147%
2011-12	3,688,200	(2,351,400)	1,336,800	642,600	408,100	1,050,700	127%
2012-13	4,726,000	(2,440,600)	2,285,400	663,500	386,000	1,049,500	218%
2013-14	4,122,860	(2,488,797)	1,634,063	690,600	361,822	1,052,422	155%
2014-15	4,905,494	(2,409,027)	2,496,467	447,962	504,407	952,369	262%
2015-16	4,606,249	(2,757,299)	1,848,950	466,185	501,631	967,816	191%
2016-17	4,659,562	(2,671,028)	1,988,534	481,981	487,407	969,388	205%

Notes:

1. 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.
2. Operating expenses exclude depreciation.

Source: City of San Luis Obispo Finance Department.

Schedule 20
City of San Luis Obispo, California
Demographic and Economic Statistics
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Population (1)	Median Household Income (2)	Median Age (1)	Public Elementary and Secondary School Enrollment (4)	Cuesta Community College Enrollment (3)	Unemployment Rate (1)
2007-08	44,697	49,827	30.1	6,982	8,983	4.30%
2008-09	44,750	42,526	37.3	7,123	9,720	9.10%
2009-10	44,948	40,579	27.0	7,112	8,433	9.70%
2010-11	45,418	53,978	23.4	7,226	7,890	9.60%
2011-12	45,308	57,365	24.5	7,402	7,339	7.50%
2012-13	45,541	58,630	24.5	7,368	7,289	6.40%
2013-14	45,473	59,628	25.3	7,366	7,389	5.70%
2014-15	45,484	63,474	25.0	7,520	6,850	5.90%
2015-16	46,117	62,648	25.0	7,110	6,691	4.90%
2016-17	46,724	64,014	25.4	7,538	6,741	4.50%

Sources:

1. 2016-17 CAFR Statistical Reports by The HdL Companies.

2. <http://www.california-demographics.com/san-luis-obispo-county-demographics>

3. Cuesta Community College Admissions Office.

Note: Enrolled students (head count) San Luis Obispo campus only

4. San Luis Coastal Unified School District Annual Community Report.

Note; The boundaries of SLCUSD are significantly larger than the City. The above school enrollment information also includes these outlying areas, most notably Los Osos, Morro Bay, and Avila Beach.

Schedule 21
City of San Luis Obispo, California
Principal Employers
Current Year and Nine Years Ago
For the Fiscal Year Ended June 30

Employer	2016-17			2007-08		
	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%	2,426	2	6.77%
County of San Luis Obispo	2,920	2	11.63%	2,601	1	7.26%
Dept of State Hospitals - Atascadero	2,000	3	7.97%	2,100	3	5.86%
P.G. & E (Diablo Canyon)	1,866	4	7.43%	1,719	5	4.80%
California Men's Colony	1,517	5	6.04%	1,768	4	4.93%
Cal Poly Foundation (Corporation)	1,400	6	5.58%	145	27	0.40%
Tenet Health Care Corp.	1,305	7	5.20%	N/A	N/A	N/A
Compass Health	1,200	8	4.78%	N/A	N/A	N/A
Lucia Mar Unified School District	1,000	9	3.98%	1,100	6	3.07%
Paso Robles Public Schools	935	10	3.73%	831	8	2.32%
Total	17,143		68.30%	12,690		35.41%

Note: Source for the 2016-17 employers information is the 2016 Pacific Coast Business Times (The List). This information represents employers in San Luis Obispo County.

Schedule 22
City of San Luis Obispo, California
Regular Authorized Positions
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Public Safety										
Police										
Sworn	64.0	64.0	59.0	59.0	57.0	57.0	60.0	60.0	61.0	61.0
Non-sworn	28.0	28.0	27.5	27.5	26.5	25.5	25.5	25.5	25.5	25.5
Fire										
Sworn	44.0	44.0	44.0	44.0	44.0	44.0	49.0	49.0	50.0	47.0
Non-sworn	10.0	10.0	9.8	9.0	7.8	6.8	4.0	4.0	4.0	10.0
Public Utilities	66.8	66.8	63.8	63.8	60.9	61.9	64.8	64.8	67.1	69.1
Transportation	32.0	32.0	30.0	29.2	31.8	31.8	28.9	28.9	36.8	36.8
Leisure, Cultural and Social Services	33.0	33.0	33.0	33.0	32.0	32.0	34.0	34.0	35.0	35.0
Community Development	40.3	40.3	37.3	37.3	42.8	43.8	39.5	40.0	51.0	51.0
General Government	58.5	59.5	54.8	54.8	50.5	52.2	56.0	56.0	57.0	61.0
Total	376.6	377.6	359.2	357.6	353.3	355.0	361.7	362.2	387.4	396.4
Ratio of Sworn Police Personnel per 1,000 Population:*	1.43	1.43	1.31	1.30	1.26	1.25	1.32	1.32	1.33	1.31
Ratio of Sworn Fire Personnel per 1,000 Population:*	0.98	0.98	0.98	0.97	0.97	0.97	1.08	1.08	1.06	1.01

*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
For the Fiscal Year Ended June 30

Function/Program:	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Police:										
Calls for police/fire service	33,580	33,211	32,057	32,074	34,751	36,236	34,659	36,515	38,300	39,620
Incident numbers issued	29,275	28,855	27,555	27,595	29,991	31,156	29,277	31,048	32,542	33,360
Police reports written	8,053	7,839	7,454	7,661	8,322	9,192	8,665	8,435	8,852	8,675
Traffic citations issued	6,389	7,099	*							
Other citations issued	703	1,315	*							
Violations cited	6,389	8,410	8,471	5,939	8,119	7,213	5,793	6,648	7,673	7,649
Citations issued	5,811	7,737	7,398	5,380	7,718	6,665	5,275	6,204	7,038	7,030
Collision reports	871	693	718	728	669	643	625	630	587	608
Violent crimes:**	163	136	140	126	134	117	158	237	173	177
Willful homicide**	3				2	1				
Forcible rape**	27	32	30	27	24	18	31	44	29	38
Robbery**	39	38	39	35	34	19	26	25	13	21
Aggravated assault**	99	66	71	64	74	79	101	168	131	118
Property crimes:**	702	649	620	640	714	804	713	542	637	731
Burglary**	312	334	324	372	330	414	328	206	225	251
Motor vehicle theft**	84	55	68	54	107	81	63	71	87	95
Larceny-theft:**	1,450	1,328	1,240	1,260	1,345	1,476	1,384	1,162	1,335	1,730
Over \$400**	306	260	228	214	277	309	322	265	325	385
\$400 and under**	1,144	1,068	1,012	1,046	1,068	1,167	1,062	897	1,010	1,345
Fire:										
Medical responses***(Note 4)	2,788	2,613	3,325	2,799	2,856	2,985	3,232	3,417	3,540	4,538
Fire suppression responses***(Note 4)	321	110	133	101	102	95	105	111	151	143
Hazardous materials responses***(Note 4)	29	26	36	23	17	21	15	21	22	21
Other responses***(Note 4)	1,302	1,897	1,224	1,528	1,552	1,812	1,840	1,929	2,158	1,799
<i>Total service responses***</i>	<i>4,440</i>	<i>4,646</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>
Fire and life-safety inspections***	1,684	1,977	1,110	2,489	2,431	2,494	644	2,476	2,516	3,756
Arson investigations***	38	29	47	22	18	49	44	17	44	8
Education activities (# of people)***	18,000	15,000	14,000	20,106	23,120	23,377	23,945	23,697	23,680	23,575

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Public Utilities:										
Water/Sewer customer accounts	14,380	14,682	14,875	14,734	14,695	14,742	14,899	14,953	15,167	15,188
Miles of sewerline	133	137	137	137	137	137	197	139.6		138
Miles of waterline		182	182	185	185	187	187	*187	191	197
Water service line repairs and renewals*****	225	142	95	86	50	66	58	60	50	50
Sewer main stoppages	8	12	10	9	7	12	15	13		11
Acre feet of water delivered - Nacimiento				981	2,321	663	1,506	839	3574	3817
Acre feet of water delivered - Salinas	1,944	2,473	2,736	2,640	2,149	2,378	1,444	1,986	8	273
Acre feet of water delivered - Whale Rock	4,855	4,280	3,402		1,277	2,875	3,212	2,615	1,375	949
Transportation:										
Signals and lights:										
Intersections with traffic signals			60	67			70	68	70	70
Traffic signal service requests			100	80			85	80	85	90
Streetlights operated & maintained			220	2,230			2,300	2,300	2,300	2,300
Streetlight service requests			285	500			180	175	45	50
Parking spaces:										
Estimated miles of paved streets	125	125	125	130	132	132	133	133	133	133
Pavement condition index	74	74	73	74	72	71	72	72	71	71
Number of street lights	2,300	2,300	2,179	2,270	2,270	2,270	2,300	2,300	2,300	2,300
Traffic collisions	865	789	708	597	621	593	660	720	531	482
Parking spaces provided (lot, garage & street)	3,059	3,060	3,059	3,067	3,065	3,071	3,119	3176	2953	2892
Parking citations written	39,234	40,062	30,087	30,278	26,515	28,690	23,957	20,690	24,213	23,348
Total transit passengers	1,003,805	1,032,232	1,019,852	1,045,299	1,118,519	1,109,600	1,122,000	1,099,274	1,209,708	1,131,716

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Leisure, Cultural and Social Services:										
Open space acres maintained	3,015	3,015	3,420	3,420	3,510	3,510	3,510	3,510	3,510	35,100
Open space easement acres	2,482	3,139	3,161	161	3,200	3,200	3,200	3,200	3,200	3,200
Trail mileage	35	38	40	40	45	47	49	49	52	52
Total golf rounds played	40,216	42,438	34,376	32,228	34,699	33,067	34,766	33,674	30,572	28,196
Acres of park landscape maintained	157	157	157	157	157	157	157	157	157	157
Trees in City jurisdiction	18,600	18,600	17,779	18,700	18,700	18,700	18,700	19,000	20,000	20,000
Children's services enrollment totals	920	816	900	1,664	1,755	1,605	2,338	2,360	2,115	2,115
Triathlon:										
participants, spectators and volunteers	6,470	6,600	6,700	5,400	6,000	6,525	6,000	5,500	5,200	5,000
Annual senior attendance (total)	13,915	14,576	14,250	14,500	14,000	14,200	*	*	*	265
Facility permits processed	1,645	1,273	1,971	1,806	1,803	1,269	1,416	836	1,305	1,073
Annual aquatics attendance (total)	55,691	61,264	60,052	56,676	56,042	67,000	73,903	83,107	68,403	96,687
Adult athletic teams registered	235	229	255	245	320	325	338	320	325	325
Youth athletic participants registered	1,500	1,625	1,650	1,320	1,400	1,300	1,200	1,350	1,300	1,150
Special event applications processed	55	53	57	68	78	84	103	103	77	101
Banner permits processed	62	71	65	72	86	76	82	47	87	87
Instructional class enrollments	1,905	2,017	1,837	1,628	1,400	1,308	1,424	1,751	1,151	1,724

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Community Development:										
Housing characteristics:										
Single family units	10,729	10,793	10,808		10,951	10,969	10,994	11,133	11,230	11,306
2-4 units	2,337	2,337	2,350		2,634	2,650	2,656	2,692	2,695	2,789
5 or more unit structures	5,654	5,654	5,702		5,596	5,596	5,647	5,767	5,804	6,038
Mobile homes	1,502	1,534	1,534		1,482	1,482	1,482	1,482	1,482	1,482
Total	20,222	20,318	20,394	-	20,663	20,697	20,779	21,074	21,211	21,615
Housing units (replaces above categories)				20,578						
Households (replaces above categories)				1,361						
Building permits issued (Note 1):	544	475	438	442	463	566	511	597	584	584
Residential:										
Single family residential (Note 2)	25	28	16	7	13	48	59	114	97	62
Multi-family residential	19	5	5	3	10	6	8	32	5	13
Non-residential	19	4	1	7	5	7	9	27	13	14
Other permits:										
Additions, alternations, demolitions (Note 4)	498	454	416	499	459	530	458	460	522	545
Other improvements										
Total	561	491	438	516	487	591	534	1,230	1,221	1,218
Approximate value of building permits (in thousands)										
Residential:										
Single family residential	\$ 6,172	\$ 6,800	\$ 4,424	\$ 6,085	\$ 3,278	\$ 15,698	\$ 15,412	\$ 36,722	\$ 26,441	\$ 16,340
Multi-family residential	11,843	4,286	2,528	926	3,847	1,560	6,744	26,499	13,500	15,022
Non-residential	20,340	10,482	525	16,608	5,142	1,935	15,310	9,791	11,484	56,308
Other permits:										
Additions, alternations, demolitions (Note 4)	21,741	21,080	26,464	15,948	16,589	20,761	19,139	22,897	30,230	24,787
Other improvements										
Total	\$ 60,096	\$ 42,648	\$ 33,941	\$ 39,567	\$ 28,856	\$ 39,954	\$ 56,605	\$ 95,909	\$ 81,655	\$ 112,457
Building inspections conducted	8,477	10,371	8,359	10,210	13,685	10,543	8,996	6,641	7,195	10,745
Home occupation permits processed	149	175	146	126	117	142	129	113	163	144
Development permit applications received	286	223	194	172	148	217	311	293	253	236

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
General Government:										
Business tax certificates issued:										
Located outside city limits	1,452	1,487	1,548	1,569	1,670	1,670	1,472	1,602	2,018	1,699
Total certificates issued	7,297	7,458	7,090	6,873	7,086	7,086	6,934	7,805	7,597	8,118
Human resources recruitments (total)	96	46	46	42	59	91	105	129	103	103
Fleet vehicles maintained	241	280	301							
City-wide fleet & equipment assets				290	290	290	290	300	318	323
Replaces prior category										
Telephone lines managed	800	925	1,003	1,003	1,024	981	995	1,037	1,005	998
Cell phones supported****	260	343	348	351	338	344	383	460	453	476
IT users supported	450	450	450	450	498	498	490	511	515	467

* 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.

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
For the Fiscal Year Ended June 30

Fiscal Year	Historic Connections	Increase/ (Decrease)	Sales Revenues	Increase/ (Decrease)	Deliveries In Acre Feet	Increase/ (Decrease)
2007-08	14,380	0.84%	\$ 10,950,284	12.98%	6,988	0%
2008-09	14,493	0.79%	12,447,592	13.67%	6,320	-10%
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%

Source: City of San Luis Obispo Utilities Department.

Schedule 25
City of San Luis Obispo, California
Water and Sewer Rates
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

As of June 30 of Each Year	Water Rates (Note 1)		Sewer Rates (Monthly)		
	Monthly Consumption	Price per hcf*	Single family dwelling	Multi-family dwelling	Commercial
2008	0-5 hcf	\$3.71	\$5.00 min. charge per dwelling unit	\$5.00 min. charge per account	\$5.00 min. charge per account
	6-25 hcf	\$4.64			
	26 + hcf (note 2)	\$5.81	\$5.05/unit volume charge**	\$5.05/unit volume charge**	\$5.05/unit volume charge
2009	0-5 hcf	\$4.19	\$5.50 min. charge per dwelling unit	\$5.50 min. charge per account	\$5.50 min. charge per account
	6-25 hcf	\$5.24			
	26 + hcf (note 2)	\$6.57	\$5.56/unit volume charge**	\$5.56/unit volume charge**	\$5.56/unit volume charge
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			
	26 + hcf (note 2)	\$7.36	\$6.63/unit volume charge **	\$6.63/unit volume charge**	\$6.63/unit volume charge
2011	0-5 hcf	\$5.21	\$6.55 min. charge per dwelling unit	\$6.55 min. charge per account	\$6.55 min. charge per account
	6-25 hcf	\$6.52			
	26 + hcf (note 2)	\$8.17	\$7.22/unit volume charge **	\$7.22/unit volume charge **	\$7.22/unit volume charge **
2012	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			
	26 + hcf (note 2)	\$8.99		\$7.73/unit volume charge **	\$7.73/unit volume charge **
2013	Base Fee	\$5.00	\$7.73 min. charge per dwelling unit	\$7.73 min. charge per account	\$7.73 min. charge per account
	0-8 hcf	\$6.56			
	8 + hcf	\$8.20	\$8.52/unit volume charge **	\$8.52/unit volume charge **	\$8.52/unit volume charge **
2014	Base Fee	\$5.28	\$7.96 min. charge per dwelling unit	\$7.96 min. charge per dwelling unit	\$7.96 min. charge per dwelling unit
	1-8 hcf	6.92			
	8 + hcf	8.65	\$8.77/unit volume charge**	\$8.77/unit volume charge**	\$8.77/unit volume charge**
2015	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			
	8 + hcf	8.65	\$9.17/unit volume charge**	\$9.17/unit volume charge**	\$9.17/unit volume charge**

Schedule 25
City of San Luis Obispo, California
Water and Sewer Rates, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

As of June 30 of Each Year	Water Rates (Note 1)		Sewer Rates (Monthly)		
	Monthly Consumption	Price per hcf*	Single family dwelling	Multi-family dwelling	Commercial
2016	Base Fee	\$9.98	\$8.57 min. charge per	\$8.57 min. charge per	\$8.57 min. charge per
	Base Fee Drought Surcha	0.74	dwelling unit	dwelling unit	dwelling unit
	1-8 hcf	6.92	\$9.44/unit volume charge**	\$9.44/unit volume charge**	\$9.44/unit volume charge**
	Drought Surcharge	1.1			
	9 + hcf	8.65			
	Drought Surcharge	1.37			
2017	Base Fee	\$12.33	\$8.57 min. charge per	\$8.57 min. charge per	\$8.57 min. charge per
	1-8 hcf	7.27	dwelling unit	dwelling unit	dwelling unit
	9 + hcf	9.08	\$9.44/unit volume charge**	\$9.44/unit volume charge**	\$9.44/unit volume charge**

*hcf = 100 cubic feet

** Total monthly volume charge capped based on average winter water consumption.

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, 2016

<u>Name</u>	<u>Service Type</u>	<u>Water Use (acre-feet)</u>	<u>Percent of Total</u>
City of San Luis Obispo Parks	Landscape	60.50	19.1%
Silver City Mobile Home Park	Mobile Homes	47.03	14.9%
Mustang Village	Apartments	36.78	11.6%
Sierra Vista Hospital	Care Facilities	32.34	10.2%
Creekside Mobile Homes	Mobile Homes	27.29	8.6%
Laguna Lake Mobile Homes	Mobile Homes	24.96	7.9%
Irish Hills Hamlet	Apartments	23.91	7.6%
Embassy Suites	Hotel	22.87	7.2%
Chumash Village	Mobile Homes	20.77	6.6%
SLO Coastal Unified School District	School	20.23	6.4%
Total		<u>316.7</u>	<u>100.00%</u>

Source: City of San Luis Obispo - Utilities Department

