

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings, court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes, although interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. For a more complete description, see “CONCLUDING INFORMATION – Tax Matters.”

**\$9,685,000
CITY OF PACIFICA
2019 TAXABLE PENSION OBLIGATION REFUNDING BONDS**

Dated: Date of Delivery

Due: June 1; see inside cover

The Bonds. The above-captioned bonds (the “Bonds”) will be issued as fully registered bonds in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“DTC”), New York, New York. Individual purchases of the Bonds will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2020, and principal payable on the Bonds will be paid on June 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, San Francisco, California, as trustee (the “Trustee”), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS.”

Purpose. The Bonds are being issued by the City of Pacifica (the “City”) to (i) refund in full the City’s 2010 Taxable Pension Obligation Bonds (the “2010 Bonds”), which are currently outstanding in the principal amount of \$8,955,000, and (ii) pay costs of issuing the Bonds. See “PLAN OF FINANCING.”

No Redemption. The Bonds are not subject to redemption prior to maturity. See “THE BONDS – No Redemption of Bonds.”

Security. Payment of the principal of and interest on the Bonds is not limited to any special source of funds and is payable from any legally available moneys or funds of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds. See “SECURITY FOR THE BONDS” and “RISK FACTORS.”

No Reserve Fund. The City has not established a debt service reserve fund for the Bonds.

MATURITY SCHEDULE
(See inside cover)

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED “RISK FACTORS”, FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE BONDS. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THIS OFFICIAL STATEMENT.

The Bonds are offered when, as and if sold and issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Schiff Hardin LLP, San Francisco, California. It is anticipated that the Bonds in book-entry form, will be available for delivery to DTC in New York, New York, on or about October 23, 2019.



\$9,685,000
CITY OF PACIFICA
2019 TAXABLE PENSION OBLIGATION REFUNDING BONDS

MATURITY SCHEDULE
(Base CUSIP:† 69511A)

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
2022	\$830,000	2.243%	2.243%	100.000	AP9
2023	890,000	2.268	2.268	100.000	AQ7
2024	950,000	2.368	2.368	100.000	AR5
2025	1,015,000	2.563	2.563	100.000	AS3
2026	1,080,000	2.663	2.663	100.000	AT1
2027	1,160,000	2.860	2.860	100.000	AU8
2028	1,235,000	2.910	2.910	100.000	AV6
2029	1,315,000	2.960	2.960	100.000	AW4
2030	1,210,000	3.060	3.060	100.000	AX2

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the City nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

CITY OF PACIFICA, CALIFORNIA

CITY COUNCIL

Sue Vaterlaus, *Mayor*
Deirdre Martin, *Mayor Pro Tem*
Sue Beckmeyer, *Council Member*
Mary Bier, *Council Member*
Mike O'Neill, *Council Member*

CITY STAFF

Kevin Woodhouse, *City Manager*
Lorenzo Hines Jr., *Assistant City Manager*
Sheila Tioyao, *Financial Services Manager*

MUNICIPAL ADVISOR

Backstrom McCarley Berry & Co., LLC
San Francisco, California

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San Francisco, California

UNDERWRITER'S COUNSEL

Schiff Hardin LLP
San Francisco, California

TRUSTEE and ESCROW AGENT

U.S. Bank National Association
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

DISSEMINATION AGENT

Digital Assurance Certification
Orlando, Florida

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Underwriter's Statement. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture of Trust or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

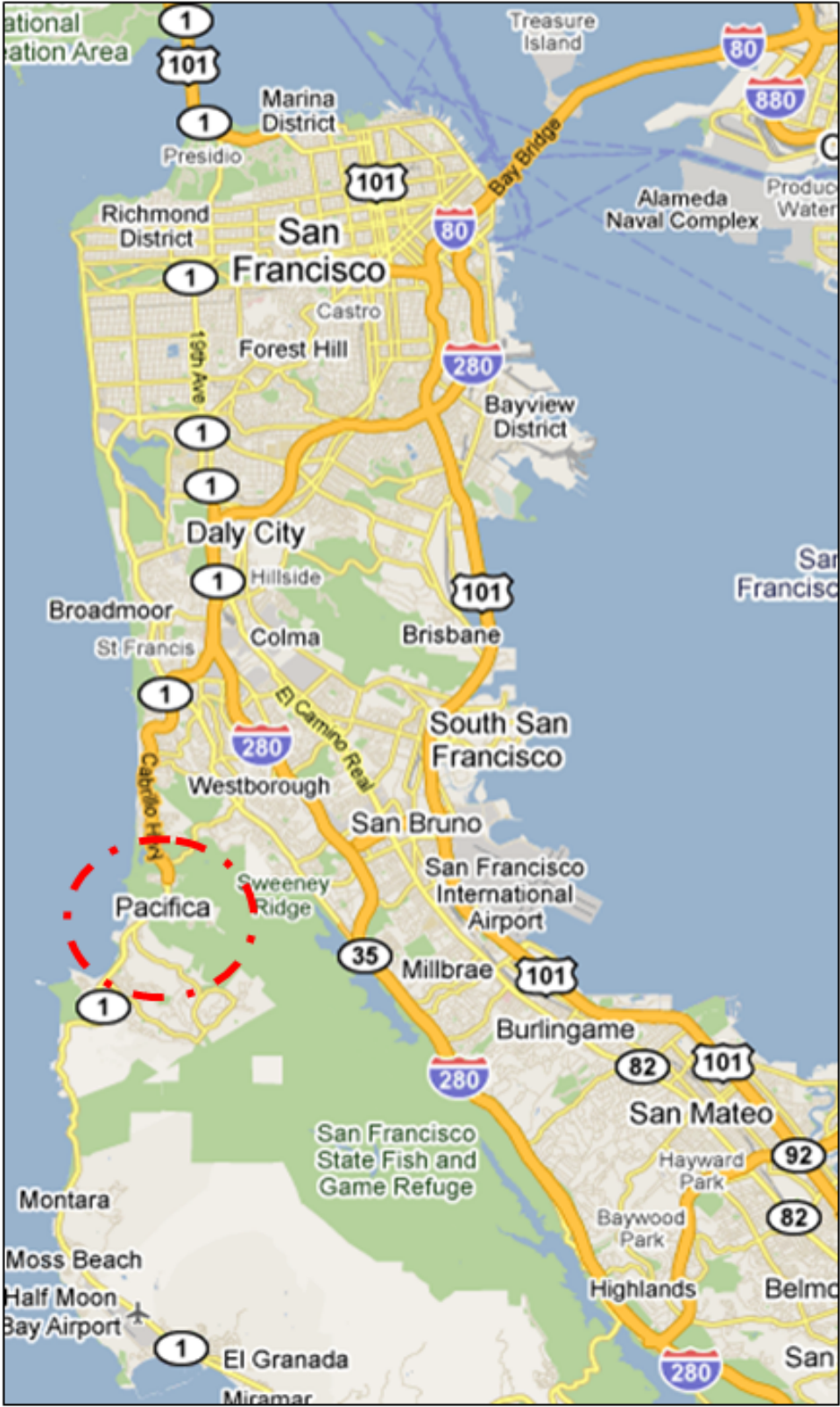
City Website. The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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Location Map



\$9,685,000
CITY OF PACIFICA
2019 TAXABLE PENSION OBLIGATION REFUNDING BONDS

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement.

General

The purpose of this Official Statement (which includes the cover page and the Appendices) is to provide information concerning the issuance of the captioned 2019 Taxable Pension Obligation Refunding Bonds (the “**Bonds**”).

The City

The City of Pacifica (the “**City**”) is located on the Pacific Coast directly south of San Francisco on the Bay Area peninsula in San Mateo County. The City encompasses approximately 12.6 square miles, with a population estimated to be 38,674 as of January 1, 2019. The City was incorporated on November 22, 1957 under the general laws of the State and has a council-manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The legislative body selects a City Manager to administer the affairs of the City, a City Attorney, and members of advisory commissions and committees.

The City provides public safety (police, fire and civil defense), highways and street, sanitation, health and social services, culture/recreation, public improvements, planning and zoning and general administrative services. Water, garbage, gas and electric utilities are provided directly through private agencies not under City operations.

For other selected information concerning the City, see “Appendix A – City of Pacifica and County of San Mateo General Demographic and Financial Information.”

Authority for the Bonds

The Bonds are being issued pursuant to the provisions of an Indenture of Trust, dated as of October 1, 2019 (the “**Indenture of Trust**”), between the City and U.S. Bank National Association, as trustee (the “**Trustee**”).

Purpose

The proceeds of the sale of the Bonds will be used to (i) refund in full the City of Pacifica 2010 Taxable Pension Obligation Bonds (the “**2010 Bonds**”) currently outstanding in the principal amount of \$8,955,000 and (ii) pay costs of issuance of the Bonds. See “PLAN OF FINANCING.”

The City is a member of the California Public Employees' Retirement System ("**PERS**") and, as such, is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "**Retirement Law**"), and the contract between the City and the Board of Administration of PERS, effective January 1, 1959, as amended (the "**PERS Contract**"), to make contributions to PERS to (a) fund pension benefits for City employees who are members of PERS, (b) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

In 2006, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Section 53511 of the Government Code, filed a complaint in the Superior Court of the State of California in and for the County of San Mateo seeking judicial validation of the proceedings and transactions relating to the issuance of the 2010 Bonds and certain other matters. On December 12, 2008, the court entered a default judgment (the "**Validation Judgment**") to the effect, among other things, that the 2010 Bonds are valid, legal and binding obligations of the City and in conformity with all applicable provisions of law.

Security for the Bonds

The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City covenants pursuant to the Indenture of Trust to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the Indenture of Trust, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City covenants to promptly adopt the same.

See "SECURITY FOR THE BONDS" and "Appendix B – Summary of Certain Provisions of the Indenture."

No Redemption

The Bonds are not subject to optional or mandatory redemption prior to their stated maturities. See "THE BONDS – No Redemption of the Bonds."

Limited Obligations

The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Continuing Disclosure

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE."

Summaries Not Definitive

The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See "Appendix B – Summary of Certain Provisions of the Indenture" for summaries of certain of such definitions.

Copies of the documents described in this Official Statement will be available at the City Manager's office, City of Pacifica, 170 Santa Maria Avenue, Pacifica, CA 94044.

PLAN OF FINANCING

General

The Bonds are being issued to: (i) refund in full the 2010 Bonds and (ii) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Refunding of 2010 Bonds

In order to refinance obligations of the City relating to PERS, the City has previously issued its \$20,510,000 original principal amount of City of Pacifica 2010 Taxable Pension Obligation Bonds (the "**2010 Bonds**") under an Indenture of Trust dated as of May 1, 2010, between the City and U.S. Bank National Association, as trustee.

In order to refund the 2010 Bonds, a portion of the proceeds of the Bonds will be deposited into an escrow account established under an Escrow Agreement dated as of October 1, 2019 by and between the City and U.S. Bank National Association, as escrow agent. The 2010 Bonds are anticipated to be refunded on or about June 1, 2020. The mathematical sufficiency of the anticipated receipts from the Federal Securities and uninvested moneys deposited with the Escrow Agent to pay the principal and interest of the 2010 Bonds will be verified by Causey Demgen & Moore, Inc., Certified Public Accountants, Denver, Colorado (the "**Verification Agent**"). See "CONCLUDING INFORMATION – Verification."

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The proceeds to be received from the sale of the Bonds are anticipated to be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	\$9,685,000.00
Transfer from 2010 Bonds Debt Service Fund	177.71
<i>Total Sources:</i>	\$9,685,177.71

USES OF FUNDS:

Deposit to Escrow Fund	\$9,470,190.67
Costs of Issuance Fund ⁽¹⁾	214,987.04
<i>Total Uses:</i>	\$9,685,177.71

- (1) Includes Underwriter's discount, legal fees, trustee fees, Verification Agent fees, printing expenses, and other costs of issuing the Bonds. For information regarding the Underwriter's discount, see "CONCLUDING INFORMATION – Underwriting."

THE BONDS

General

The Bonds will be issued in the form of fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000, and will be dated the date of issuance to the original purchaser. The Bonds will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Bonds, all payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC “Participants” (as defined in Appendix F) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in Appendix F) will be the responsibility of the Participants, as more fully described in “Book-Entry Only System” below.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2020, and continuing to and including the date of maturity.

Principal of the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement.

Any Bond may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and the payment of such reasonable transfer fees as the Trustee may establish.

Bonds may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee may charge the Owner a reasonable sum for each new Bond issued upon any exchange and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No Redemption of the Bonds

The Bonds are not subject to redemption prior to their respective stated maturities.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “Appendix F – DTC and the Book-Entry Provisions.”

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in

the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

SECURITY FOR THE BONDS

Source of Payment

The City is obligated to satisfy its obligations under the Bonds from any legally available funds. The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required under the Indenture of Trust for the security of the Bonds, are absolute and unconditional obligations of the City imposed upon the City by the Retirement Law, the PERS Contract, and the Validation Judgement, and payment of principal and interest on the Bonds is payable from any legally available funds in the City's General Fund. The City has other obligations payable from its General Fund, and the Indenture of Trust does not limit the amount of General Fund obligations that the City may incur.

The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Pursuant to the Indenture of Trust, the City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City to pay principal of and interest on the Bonds, and to make the necessary annual appropriations for all such payments. If any payment of debt service requires the adoption by the City of a supplemental budget or appropriation, the City has covenanted in the Indenture of Trust to promptly adopt the same. The covenants on the part of the City are deemed to constitute duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Indenture of Trust.

As required pursuant to the Indenture of Trust, each year promptly following the adoption of an annual budget which includes the appropriations required with respect to payment of debt service on the Bonds, but in any event not later than July 15 in each fiscal year, the City must certify to the Trustee that it has complied with the requirements of the Indenture of Trust with respect to the annual budget and appropriation of annual debt service payments on the Bonds with respect to such Fiscal Year.

The assets of PERS are not available for payment of the Bonds and the Bonds do not constitute an obligation of PERS.

Debt Service Fund

Pursuant to the Indenture of Trust, the City will transfer an amount of legally available funds to the Trustee for deposit in the debt service fund established pursuant to the Indenture of

Trust (the “**Debt Service Fund**”) at the times and in the amounts sufficient to pay debt service on the Bonds.

The Debt Service Fund will be held by the Trustee and so long as any Bonds are outstanding, the amounts on deposit therein will be used to pay principal of, premium, if any, and interest on the Bonds.

Not later than the third Business Day immediately preceding each Interest Payment Date, the City is required to transfer to the Trustee for deposit in the Interest Account and the Principal Account, as applicable, of the Debt Service Fund, an amount which, when added to the amount then on deposit in the such Account, equals the aggregate amount coming due and payable on the Bonds on such date.

Funds held by the Trustee may be invested in Permitted Investments (as defined in the Indenture of Trust) specified by the City. In the absence of any such direction from the City, the Trustee will invest any such amounts in Permitted Investments consisting of money market funds.

No Reserve Fund

The City has not established a debt service reserve fund for the Bonds.

CITY FINANCIAL INFORMATION

General

The City is located on the Pacific Coast directly south of San Francisco on the Bay Area peninsula in San Mateo County. The City encompasses approximately 12.6 square miles, with a population estimated to be 38,674 as of January 1, 2019. The City was incorporated on November 22, 1957 under the general laws of the State and has a council-manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The legislative body selects a City Manager to administer the affairs of the City, a City Attorney, and members of advisory commissions and committees.

The City provides public safety (police, fire and civil defense), highways and street, sanitation, health and social services, culture/recreation, public improvements, planning and zoning and general administrative services. Water, garbage, gas and electric utilities are provided directly through private agencies not under City operations. See “Appendix A – City of Pacifica and County of San Mateo General Demographic and Financial Information.”

City Budgets

Annual Budget Process. The City annually adopts a budget to be effective July 1 for the ensuing Fiscal Year. The City Manager submits a Preliminary Budget to the City Council on or about May 15 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1 and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings at Council Chambers before adopting the budget. The Council approves total appropriations at the

department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30.

The appropriated budget is prepared by fund, function, and department. The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue, Debt Service, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the Fiscal Year.

Budgets for General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (“GAAP”). Except for Capital Project Funds, appropriations lapse at Fiscal Year-end and are re-budgeted for the coming year. Capital Projects are budgeted for on a project basis rather than an annual basis; unexpended project authority is carried forward until the project is completed.

Encumbrances represent commitments related to unperformed contracts for goods or services. 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 Fiscal Year-end are recorded as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent Fiscal Year.

Fiscal Year 2019-20 Adopted Budget. The Fiscal Year 2019-20 Adopted Budget anticipates \$36.1 million in revenue, a 4.5% increase over the 2018-19 Adopted Budget. The Fiscal Year 2019-20 Adopted Budget includes an increase in budgeted property taxes of 4.5% and an increase in program revenues of 4.7%, compared to the 2018-19 Adopted Budget.

The General Fund expenditure plan presented in the Fiscal Year 2019-20 Adopted Budget is \$36.1 million and represents a 4.5% increase over the Fiscal Year 2018-19 Adopted Budget.

City’s Historical General Fund Budgeted and Actual Figures. The table below compares the City’s General Fund Adopted Budget revenues and expenditures with its actual results (audited). The City has consistently followed conservative budgeting practices, with actual revenues consistently more than budgeted amounts, and budgeted expenditures consistently less than budgeted. The City’s Comprehensive Annual Report for Fiscal Year 2017-18 is attached hereto as Appendix C.

TABLE 1
CITY OF PACIFICA
General Fund Budgeted and Actual Revenues and Expenses
Fiscal Years 2015-16 through 2017-18

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19 ⁽¹⁾
<u>Revenues</u>				
Budgeted	\$28,670,683	\$30,273,568	\$31,430,199	\$33,804,982
Actual	30,973,052	30,436,194	32,332,332	33,833,027
Variance - Actual vs. Budgeted	(2,302,369)	162,626	902,123	28,045
% Variance	8.03%	0.54%	2.87%	0.08%
<u>Expenditures</u>				
Budgeted	\$27,707,310	\$29,813,316	\$31,205,527	\$34,280,213
Actual	27,357,679	29,780,585	29,991,273	32,616,833
Variance- Actual vs. Budgeted	(349,631)	(32,731)	(1,214,254)	(1,663,380)
% Variance	(1.26%)	(0.11%)	(3.89%)	(4.85%)
Net Surplus or Deficit as Compared to Budget	\$2,652,000	\$195,357	\$2,116,377	\$1,691,425

(1) For Fiscal Year 2018-19, actual, variance between actual and budgeted, and percentage variance are based on the estimated actual revenues and expenses for the fiscal year. Audited results for Fiscal Year 2018-19 are not yet available.

Source: City of Pacifica and City of Pacifica Audited Financial Statements.

City's Financial Policies

Long Term Financial Plan. The City Council updated its long-term financial plan in February 2019 to assist in the preparation of the Fiscal Year 2019-20 general fund budget. The forecast model used represents a moderate or "most likely" scenario, with assumptions based on, among other things, property tax revenue estimates and the expected impact of recent labor agreements. The moderate scenario shows the City's general fund budget ending with a surplus on June 30, 2019, with deficits in following nine years of projections.

Reserve Policy. The City has a Fund Balance Commitment policy, updated as of June 2018, regarding the procedures for establishing and reporting fund balances in the General Fund in accordance with GASB Statement No. 54. Under this policy, the City will work to fund a fund balance commitment of 10% of General Fund expenditures. Two-thirds of those reserves will be available for situations of extreme physical or financial emergency. The remaining one-third will be for economic contingencies, such as unexpected interruptions in cash inflows to the City. Under the policy, a majority vote of the City Council is required for any appropriation and expenditure of funds from the reserves noted above.

Investment Policy

Under Section 53600 et seq. of the California Government Code, the City is required to present an annual investment policy (the "**Investment Policy**") for confirmation by the City Council. The Investment Policy is intended to provide guidelines for the prudent investment of City funds and to outline the policies for maximizing the efficiency of the City's cash management.

Financial Statements

Accounting Policies. The basic financial statements of the City are prepared in conformity with 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 accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See “Appendix C – Comprehensive Annual Financial Report for Year Ended June 30, 2018 - Note 1” for a full presentation of the City’s accounting policies.

Audited Financial Statements. The City’s most recent audited financial statements for the Fiscal Year ending June 30, 2018, are attached as “Appendix C – Comprehensive Annual Financial Report for Year Ended June 30, 2018” to this Official Statement, which were prepared by the City and audited by Maze & Associates, Certified Public Accountants, Pleasant Hill, California (the “**Auditor**”).

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.

General Fund Financial Data.

The following tables provide a recent history of the City’s Comparative Balance Sheet, and summarize General Fund revenues, expenditures, transfers, and ending fund balances for the City for Fiscal Years 2013-14 through 2017-18. Although the City’s Fiscal Year 2018-19 audited financial statements are not yet available, the City’s Mid-Year Budget Report dated February 25, 2019 reflects a General Fund net surplus of \$185,000.

TABLE 2
CITY OF PACIFICA
General Fund Balance Sheet
Fiscal Years Ending June 30, 2014 through June 30, 2018 (Audited) and June 30, 2019
(Unaudited)

	2014	2015	2016	2017	2018	2019
Assets:						
Cash and investments ⁽¹⁾	\$1,414,405	\$1,973,052	\$3,971,592	\$5,348,925	\$6,542,655	\$11,285,376
Receivables:						
Taxes	950,531	982,821	1,346,327	1,206,256	1,097,894	948,287
Accounts	364,790	651,082	654,760	559,022	1,159,407	1,043,679
Interest	9,657	5,012	9,860	16,493	--	--
Grants	120,692	203,924	172,340	107,961	--	--
Due from other funds	1,383,366	1,469,835	3,155,391	3,026,888	3,851,216	2,012,879
Prepaid items	19,312	34,817	30,923	149,540	149,372	90,371
Inventories	4,903	3,043	3,663	3,763	2,056	2,726
Receivable due from RDA ⁽²⁾	2,773,559	2,759,777	3,838,365	3,792,721	3,777,419	3,790,282
Advances to other funds	--	1,198,521	75,000	75,000	75,000	75,000
Total assets	\$7,041,215	\$9,281,884	\$13,258,221⁽³⁾	\$14,286,569	\$16,655,019	\$19,248,600
Liabilities:						
Accounts payable	\$531,279	\$761,794	\$1,059,601	\$778,636	\$762,212	\$1,167,033
Accrued liabilities	546,309	207,262	--	--	--	--
Refundable deposits	716,143	877,237	1,037,572	1,046,875	1,381,821	1,214,082
Due to other funds	--	--	--	--	--	--
Unearned revenue	32,743	--	15,000	3,500	--	--
Advances from other funds	--	641,686	1,333,638	2,127,437	1,956,755	1,809,938
Total liabilities	\$1,826,474	\$2,487,979	\$3,445,811	\$3,956,448	\$4,100,788	\$4,191,053
Deferred Inflows of Resources:						
Deferred revenue- interest ⁽⁴⁾	\$257,184	--	--	--	--	--
Deferred revenue- grants	--	--	--	--	--	--
Total Deferred Inflows of Resources	\$257,184	--	--	--	--	--
Fund balances:						
Non-spendable	\$2,540,590	\$3,996,158	\$3,947,951	\$4,021,024	\$4,003,847	\$3,958,379
Restricted	--	--	--	--	--	--
Assigned	168,197	904,240	904,240	904,240	1,407,541	4,334,976
Unassigned	1,341,251	1,893,507	4,960,039	5,404,857	7,142,843	6,764,192
Total fund balances	\$4,957,557	\$6,793,905	\$9,812,230	\$10,330,121	\$12,554,231	15,057,547
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$7,041,215	\$9,281,884	\$13,258,041	\$14,286,569	\$16,655,019	\$19,248,600

(1) Cash and investments increased significantly between Fiscal Years 2015 and 2018 primarily due to increased tax revenues.

(2) In previous years, the City loaned money to the Pacifica Redevelopment Agency's Rockaway Beach Fund to be used for expenses necessary or incidental in carrying out the Redevelopment Plan. See "--Elimination of Redevelopment Agency."

(3) The City's Consolidated Annual Financial Report for the Fiscal Year ending June 30, 2016 shows Total Assets of \$13,258,041, or \$180 less than the Total Assets presented in this table. This table presents the mathematical sum of the individual line items presented here.

(4) Represents interest revenue receivable due from the Former Redevelopment Agency (accrued but not available). See "--Elimination of Redevelopment Agency."

Source: City of Pacifica Audited Financial Statements for Fiscal Years 2013-14 through 2017-18; City of Pacifica for Fiscal Year 2018-19 (unaudited).

The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

TABLE 3
CITY OF PACIFICA
General Fund Revenues, Expenditures and Fund Balances
Fiscal Years Ending June 30, 2014 through June 30, 2018 (Audited),
June 30, 2019 (Estimated) and June 30, 2020 (Adopted Budget)

	2014 (Audited)	2015 (Audited)	2016 (Audited)	2017 (Audited)	2018 (Audited)	2019 (Estimated and Unaudited)	2020 (Adopted Budget)
Revenues							
Taxes	\$17,960,140	\$17,402,332	\$18,239,197	\$18,902,942	\$19,540,697	\$20,557,526	\$20,926,936
Licenses and permits	501,473	671,478	821,062	788,546	1,015,105	880,673	867,811
Fines and forfeitures	300,611	153,031	149,573	161,023	190,202	193,173	163,487
Use of money and property	163,303	447,461	1,646,405	262,721	260,800	425,256	215,526
Intergovernmental	4,685,178	4,745,363	4,979,472	5,100,995	5,784,679	6,036,576	5,740,087
Charges for current services	1,996,318	2,219,356	2,828,678	2,722,206	2,766,967	2,796,145	3,039,820
Recreation programs	813,428	897,080	898,197	837,733	988,832	903,153	910,000
Other	1,814,062	1,877,919	1,410,468	1,660,028	1,785,040	2,040,525	2,704,330
Total Revenues	\$28,234,513	\$28,414,020	\$30,973,052	\$30,436,194	\$32,332,322	\$33,833,027	\$34,567,997
Expenditures							
Current:							
General government	\$3,866,418	\$3,899,168	\$4,332,310	\$4,538,451	\$4,444,200	\$5,148,151	\$5,479,418
Public safety	12,932,962	14,180,058	14,498,573	15,396,398	16,146,468	16,559,314	16,707,780
Community development	1,164,171	1,224,793	1,768,130	1,826,837	1,968,828	2,371,823	3,558,182
Public works	2,139,747	2,055,157	2,369,526	2,651,997	3,211,739	3,491,009	3,958,284
Parks, beaches and recreation	3,584,954	3,987,500	4,332,583	4,320,655	4,158,150	4,791,362	5,119,939
Capital outlay	69,185	6,846	56,557	46,247	61,888	255,174	244,500
Total expenditures	\$23,757,437	\$25,353,522	\$27,357,679	\$28,780,585	\$29,991,273	\$32,616,833	\$35,068,103
Excess of revenues over expenditures	\$4,477,076	\$3,060,498	\$3,615,373	\$1,655,609	\$2,341,049	\$1,216,294	(\$500,106)
Other financing sources (uses):							
Transfers in	--	\$49,850	\$805,952	\$899,000	\$876,225	\$1,832,122	\$733,008
Transfers out	(3,289,057)	(1,274,000)	(1,403,000)	(2,036,718)	(993,164)	(545,000)	(925,873)
Total other financing sources (uses)	(\$3,289,057)	(\$1,224,150)	(\$597,048)	(\$1,137,718)	(\$116,939)	\$1,743,362	(\$192,865)
Net Change in fund balance	\$1,188,019	\$1,836,348	\$3,018,325	\$517,891	\$2,224,110	\$2,503,316	\$692,971
Fund balances, July 1 (as restated)	\$3,769,538	\$4,957,557	\$6,793,905	\$9,812,230	\$10,330,121	\$12,554,231	\$15,513,887
Fund balances, June 30	\$4,957,557	\$6,793,905	\$9,812,230	\$10,330,121	\$12,554,231	\$15,057,547	\$14,820,916

Source: City of Pacifica Audited Financial Statements for Fiscal Years 2013-14 through 2017-18; City of Pacifica for Fiscal Years 2018-19 and 2019-20.

Taxes and Other Revenues

Taxes and other sources of revenue received by the City are listed in the table below. Certain general taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIII C and XIII D of the State Constitution.”

The following table presents the tax revenues and franchise revenues of the City’s General Fund for recent years:

**TABLE 4
CITY OF PACIFICA
General Fund Tax Revenues by Source**

	Actual 2013-14	Actual 2014-15	Actual 2015-16	Actual 2016-17	Actual 2017-18	Estimated and Unaudited 2018-19
Property taxes	\$11,275,518	\$12,200,335	\$12,445,509	\$12,679,059	\$13,780,294	\$14,731,311
Motor Vehicle in-lieu tax	3,164,873	3,320,316	3,543,953	3,731,337	3,973,622	4,199,391
Sales and use taxes	1,686,593	1,754,568	1,983,930	2,374,505	2,350,478	2,611,801
Franchise taxes	1,668,382	1,697,972	1,736,620	1,748,266	1,722,343	1,661,717
Other taxes	3,329,647	3,529,485	3,710,615	3,749,159	4,904,111	4,358,908
Transfers, Earnings, Misc.	738,282	289,026	2,376,859	2,408,778	755,306	343,763
Total	\$21,863,295	\$22,791,702	\$25,797,486	\$26,691,104	\$27,486,154	\$27,906,891

Source: City of Pacifica Audited Financial Statements for Fiscal Years 2013-14 through 2017-18.

Property Taxes

General. Property taxes represent the largest source of tax revenue to the City. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” and “RISK FACTORS – Property Taxes” for a description of risks associated with the levy and collection of property tax revenues.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13 (“**Proposition 13**”), property tax revenues were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever is less. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution” for further description of Proposition 13.

Levy and Collection. Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “**secured**” or “**unsecured**” and is listed accordingly on separate parts of the assessment roll. The “**secured roll**” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “**unsecured roll.**”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution" for further description of Proposition 13.

Teeter Plan. San Mateo County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), which apply to taxes levied for the City. Under the Teeter Plan, the County guarantees that the City will receive 100% of the taxes levied for it. Any delinquencies are borne by the County, which in return collects and retains all penalties and interest which accrue on the delinquent taxes. Consequently, the City's tax receipts do not reflect any delinquencies.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation History. The table below presents a recent history of the assessed value of property within the City.

**TABLE 5
CITY OF PACIFICA
Assessed Valuation
Fiscal Years 2009-10 through 2019-20**

Year	Local Secured	Unsecured	Total	% Change
2009-10	\$4,356,053,101	\$56,215,331	\$4,412,268,432	--
2010-11	4,354,892,317	57,647,068	4,412,539,385	0.0%
2011-12	4,399,738,148	57,538,653	4,457,276,801	1.0
2012-13	4,445,348,883	61,226,671	4,506,575,554	1.1
2013-14	4,652,890,872	43,508,089	4,696,398,961	4.2
2014-15	4,883,341,011	49,226,575	4,932,567,586	5.0
2015-16	5,212,471,462	56,996,090	5,269,467,552	6.8
2016-17	5,525,807,491	44,084,198	5,569,891,689	5.7
2017-18	5,884,388,139	49,997,129	5,934,385,268	6.5
2018-19	6,219,816,938	51,741,256	6,271,558,194	5.7
2019-20	6,597,286,219	49,210,659	6,646,496,878	6.0

Source: California Municipal Statistics, Inc.

Major Property Taxpayers. The following table shows the top ten property taxpayers for the 2019-20 Fiscal Year.

**TABLE 6
CITY OF PACIFICA
Top Ten Property Taxpayers
Fiscal Year 2019-20**

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total⁽¹⁾
1.	FPA WC Lands End LLC	Apartments	\$89,063,617	1.35%
2.	Linda Mar SC LP	Shopping Center	37,486,801	0.57
3.	PK III Fairmont SC LP	Shopping Center	31,537,429	0.48
4.	Sabra Pacifica LP	Assisted Living Facility	29,787,570	0.45
5.	CRP/PSE Seaside Pacific Owner LLC	Mobile Home Park	23,611,877	0.36
6.	Aimco Pacific Park LP	Apartments	23,199,963	0.35
7.	Marymount Summit LLC	Apartments	21,132,388	0.32
8.	Aimco Horizons West Apartments LLC	Apartments	18,139,904	0.27
9.	Tajirian Investments LLC	Apartments	17,828,294	0.27
10.	Bay Apartment Communities Inc.	Apartments	15,499,513	0.23
			\$307,287,356	4.66%

(1) 2019-20 Local Secured Assessed Valuation: \$6,597,286,219.

Source: California Municipal Statistics, Inc.

Motor Vehicle In-Lieu Tax. The State imposes the vehicle license fee (the "VLF"), which is the fee paid annually in lieu of personal property taxes on a vehicle, and distributed to cities and counties. State residents pay a fee to the State each year equal to 0.65% of the depreciated value of their motor vehicles. The VLF was originally a personal property tax collected at the local level. Collection was taken over by the State in the interests of efficiency, but the revenue remained local. During the 1990s, the fee gradually was reduced by the State

from 2.0% to 0.65%. What otherwise would have been a revenue loss to local agencies was “backfilled” by payments from the State. The backfill payments were replaced in 2004 with a like amount of payments to the City as part of the property tax; this portion of the VLF (90% of the total) will increase in proportion to future assessed value growth. The remaining 10% is remitted to the City monthly by the State on the basis of population. See Table 4 above for a history of the City’s VLF revenues.

Sales and Use Taxes

Sales and use taxes represent the third largest source of tax revenue to the City. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is 9.25%, as of July 1, 2019. The proceeds of sales and uses taxes imposed within the City are distributed by the State to various agencies, with the City receiving 1.0% of the amount collected. See Table 4 above for a history of the City’s sales and use tax revenues. For a history of taxable sales in the City and County, see “Appendix A – City of Pacifica and County of San Mateo General Demographic and Financial Information – Commercial Activity.”

Sales Tax Rates. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the California Department of Tax and Fee Administration (the “**CDTFA**”)) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”), as shown below.

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City’s share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**TABLE 8
CITY OF PACIFICA
Sales Tax Rates
As of July 1, 2019**

State and County	6.250%
Countywide Measures	2.000
City	<u>1.000</u>
Total	9.250%

Source: California State Department of Tax and Fee Administration.

Application of Sales Tax. Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State of California. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State of California where the use will occur within the State of California. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Department of Tax and Fee Administration's Publication No. 61 (March 2018) entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Department of Tax and Fee Administration's website at <http://www.cdtfa.ca.gov/>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the CDTFA to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against

unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

The CDTFA receives an administrative fee based on the cost of services provided by the CDTFA to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Franchise Taxes. Franchise taxes represent the fourth largest source of tax revenues for the City. Several State statutes provide cities with the authority to impose fees on privately-owned utility companies and other businesses for the privilege of using city right-of-way. See Table 4 above for a history of the City's franchise tax revenues.

Other Taxes and Revenues

Gas Tax. The State imposes an excise tax of 47.3-cent per gallon on gasoline and 36-cent per gallon on diesel fuel. These funds are apportioned to cities and counties in the State. Each city is allocated funds on a population basis in accordance with the California Street and Highway Code. The use of gas tax revenues is restricted to allowable street expenditures under the California Street and Highway Code. The City accounts for its gas tax revenues and expenditures in the Gas Tax Fund.

Transient Occupancy Tax. The transient occupancy tax, sometimes referred to as a hotel tax, is imposed on occupants for the privilege of occupying rooms in hotels, motels, inns, short-term rental properties and other taxed properties. The City's current transient occupancy tax is 12%.

Excess Educational Revenue Augmentation Funds

The County is one of the few counties in the State to have Excess Educational Revenue Augmentation Funds ("**Excess ERAF**"). ERAF is collected by the County for education needs, and are sometimes in excess of the required amount. Excess ERAF is accounted for in a special revenue fund in the City's audited financial statements. For Fiscal Year 2017-18 the City received approximately \$1.9 million in Excess ERAF. While the City has received rebates in recent years, there can be no assurance that such rebates will continue.

State Budget

Although the City does not receive a significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

Recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, but there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again experience

stresses. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to adjust its budget.

Elimination of Redevelopment Agency

The Pacifica Redevelopment Agency (the “**Former Agency**”) was eliminated on February 1, 2012 under the provisions of AB 1X 26 and AB 1484 as were all other redevelopment agencies in the State. The City accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 23, 2012.

Prior to the dissolution of the former redevelopment agency, the General Fund had loaned money to the former Redevelopment Agency Rockaway Beach Fund to carry out redevelopment activities. As a result of the dissolution, the loan receivable is now recorded as a loan receivable from the Successor Agency Private-purpose Trust Fund. Interest accrues on the original advance at the current Local Agency Investment Fund rate. At June 30, 2018, outstanding loans totaled \$3,777,419 (\$2,056,836 in principal and \$1,720,583 in accrued interest).

Outstanding General Fund Debt

The City's general fund debt includes the 2010 Bonds (which will be refinanced with the proceeds of the Bonds as described herein), the 2016 Certificates of Participation, and a capital lease, each described below. For a description of certain other long-term debts of the City, see “Appendix C – Comprehensive Annual Financial Report for Year Ended June 30, 2018” and particularly Note 6 of the Notes to the Basic Financial Statements therein.

Taxable Pension Obligation Bonds. As previously described herein under the heading “PLAN OF FINANCING,” in May 2010, the City issued the 2010 Bonds in the original principal amount of \$20,510,000, bearing interest between 1.425% and 6.899% and payable semiannually on June 1 and December 1, with a final maturity date of June 1, 2030. These bonds were used to refinance miscellaneous and safety employee pension obligations. The 2010 Bonds will be refunded in full with the proceeds of the Bonds.

Certificates of Participation. On October 5, 2016, the City caused to be executed and delivered \$14,680,000 original principal amount of the 2016 Certificates, which bear interest between 4.000% and 5.000%, are payable semi-annually on January 1 and July 1, and have a final maturity of January 1, 2037. The 2016 Certificates were executed and delivered in connection with the prepayment and defeasance of certain then-outstanding certificates of participation, which were executed and delivered for the purpose of financing and refinancing various municipal improvements of the City.

TABLE 9
CITY OF PACIFICA
2016 Certificates of Participation Remaining Debt Service

Fiscal Year Ended	Principal	Interest	Total Debt Service
2019		\$661,850	\$661,850
2020		661,850	661,850
2021	\$480,000	661,850	1,141,850
2022	725,000	637,850	1,362,850
2023	705,000	601,600	1,306,600
2024-2028	3,995,000	2,444,750	6,439,750
2029-2033	4,655,000	1,382,500	6,037,500
2034-2037	<u>4,120,000</u>	<u>341,900</u>	<u>4,461,900</u>
Total	\$14,680,000	\$7,394,150	\$22,074,150

Capital Lease. On November 1, 2012, the City entered into a lease/purchase agreement with Holman Capital Corporation for energy efficiency measures at various City-owned buildings. The effective interest rate on the lease is 4.0% and lease payments are payable semiannually on November 15 and May 15, and commenced on May 15, 2013. Annual lease payment requirements are shown on the following table.

TABLE 10
CITY OF PACIFICA
Energy Retrofit Lease Remaining Lease Payments

Fiscal Year Ended	Principal	Interest	Total Lease Payments
2020	\$125,707	\$17,261	\$142,968
2021	130,785	12,183	142,968
2022	136,069	6,899	142,968
2023	<u>70,080</u>	<u>1,402</u>	<u>71,482</u>
Total	\$462,641	\$37,745	\$500,386

Direct and Overlapping Bonded Debt

Set forth following is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and effective September 1, 2019. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory

overlaps the City; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

**TABLE 11
CITY OF PACIFICA
Statement of Direct and Overlapping Debt
As of September 1, 2019**

2018-19 Assessed Valuation: \$6,271,558,194

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt (9/1/19)</u>
San Mateo Community College District	2.807%	\$21,520,806
Jefferson Union High School District	29.436	67,729,872
Jefferson School District	1.220	1,281,366
Pacifica Union School District (Laguna Salada)	99.896	25,430,094
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$115,962,138
<u>DIRECT AND OVERALLPING GENERAL FUND DEBT:</u>		
San Mateo County General Fund Obligations	2.807%	\$14,999,492
San Mateo County Board of Education Certificates of Participation	2.807	228,490
San Mateo County Flood Control District Certificates of Participation	0.651	105,039
Jefferson Union High School District Certificates of Participation	29.436	2,044,879
City of Pacifica Certificates of Participation	100.0	14,680,000
City of Pacifica Pension Obligations	100.0	8,955,000 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$41,012,900
<u>OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)</u>	100.0%	\$1,080,000
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT		\$158,055,038 ⁽²⁾
<u>Ratios to 2018-19 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt.....1.85%		
Combined Direct Debt (\$23,635,000).....0.38%		
Combined Total Debt2.52%		
<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$41,077,281):</u>		
Total Overlapping Tax Increment Debt2.63%		

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Employee Relations

As of Fiscal Year 2017-18, the City had 192.5 full-time equivalent employees. The following table summarizes the employee groups, which are represented by collective bargaining agreements.

TABLE 12
CITY OF PACIFICA
Summary of Current Labor Agreements

Labor Group	Contract Status	Contract Expiration Date
Teamsters 350 - Management Employees	Settled	06/30/2021
Teamsters 856 - Battalion Chiefs	Settled	06/30/2021
Teamsters 856 - Miscellaneous	Settled	06/30/2021
Teamsters 856 - Waste Water	Settled	06/30/2021
Pacifica Police Officer Association	Settled	06/30/2021
Pacifica Police Management Association & Pacifica Police Supervisors Association	Settled	06/30/2021
IAFF 2400 - Fire Fighters	Impasse ⁽¹⁾	12/31/2018

(1) IAFF 2400 - Fire Fighters have continued to work under the terms of the expired contract.
Source: City of Pacifica.

Risk Management

The City maintains an internal service fund to account for its general liability and workers' compensation claims, automobile, property, and unemployment insurance.

Worker's Compensation. The City is a member of the Municipal Pooling Authority of Northern California (the "**Pooling Authority**"), which pools risks under the terms of a joint powers agreement with 31 other cities and governmental agencies. The City has no workers' compensation deductible for claims and the Authority covers claims up to \$500,000. The Pooling Authority purchases excess insurance from \$500,000 to the statutory limit. The City paid premiums of \$780,155 during Fiscal Year 2017-18 for workers' compensation and excess workers' compensation coverage.

General Liability. On July 1, 1986, the City became a member of the Association of Bay Area Governments ("**ABAG**") Pooled Liability Assurance Network ("**PLAN**"). PLAN is a not-for-profit organization established to provide certain levels of liability insurance coverage, claims and risk management services, and legal defense to thirty- one San Francisco Bay Area cities. PLAN is governed by a Board of Directors comprised of officials appointed by each participating member and is administered by ABAG. Complete financial statements for ABAG PLAN may be obtained from their offices at: ABAG PLAN, Finance Department, P. O. Box 2050, Oakland, CA 94604.

The City paid premiums of \$663,708 during Fiscal Year 2018-19 for general liability and property coverage in excess of the City's self-insured retention. Members may receive rebates when declared by ABAG or, in the event excess liability claims against ABAG exceed available resources, may be required to make additional contributions.

The City is self-insured for the first \$50,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the ABAG PLAN.

Dental. On July 1, 1988, the City established a program of self-insurance with respect to Employee's Dental Insurance, in accordance with the provisions of a Memorandum of Understanding between the City and all full-time employees. This program is administered by TLC Administrators and provides claims review and processing. The maximum benefit per employee per plan year varies between \$1,500 and \$2,000; the maximum benefit per dependent per plan year is also between \$1,500 and \$2,000.

The City maintains an internal service fund to account for these insurance programs. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Unaudited accrued insurance losses of \$165,588 are estimated at June 30, 2019 for general liability programs.

Other Post-Employment Benefits

General. The City participates in the PERS medical program. See "See "Appendix C – Comprehensive Annual Financial Report for Year Ended June 30, 2018 – Note 6" for a description of the City's employees eligible for participation in its PERS medical program.

Funding Policy. Under its arrangement with the PERS medical program the City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. Retirees must contribute any premium amounts in excess of the City contribution. Retired Department Directors, retired Management Unit employees, unrepresented managers, and confidential employees receive an additional \$100 monthly benefit. The City's policy is to contribute an amount sufficient to pay the current year's minimum employer contribution only.

Changes in Reporting Requirements – GASB 75. In fiscal year 2017-18, the City implemented "Governmental Accounting Standards Board Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, and No. 85, Omnibus 2017" ("GASB Statement No. 75"). GASB Statement No. 75 established standards of accounting and financial reporting for defined benefit Other Postemployment Benefit ("OPEB") and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. Statement No. 75 replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The standards set forth in GASB Statement No. 75 parallel the pension standard issued in 2012—GASB Statement No. 68.

Total OPEB Liability. The City's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation that was rolled forward to determine the total OPEB liability as of June 30, 2017. The following presents the net OPEB liability of the County if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Discount Rate – 1% 2.58%	Current Discount Rate 3.58%	Discount Rate + 1% 4.58%
Total OPEB Liability	\$7,350,942	\$6,304,041	\$5,471,580

Source: City of Pacifica, Audited Financial Statements for Fiscal Year 2017-18.

OPEB Funded Status. The funded status of the plan as of the June 30, 2017 measurement date is as follows:

Total OPEB Liability – Beginning	\$6,664,823
Total OPEB Liability – Ending (a)	6,304,041
Plan Fiduciary Net Position – Beginning	\$--
Plan Fiduciary Net Position – Ending (b)	--
Net OPEB Liability (a) – (b)	\$6,304,041
Plan Fiduciary Net Position as a percentage of the total OPEB liability	N/A
Covered employee payroll	18,704,543
Net OPEB Liability as a percentage of covered-employee payroll	33.7%

Source: City of Pacifica.

City's Pension Plans

The City has pension plans with PERS and Public Agency Retirement Services (“**PARS**”). Note 7 in the City's audited financial statements attached here as Appendix C summarizes, among other things, actuarial assumptions used in determining pension liabilities, as well as schedules showing changes in net pension liabilities.

Implementation of GASB Nos. 68 and 71. Commencing with Fiscal Year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, as amended by GASB Statement No. 71, which imposes certain new pension accounting and financial reporting requirements in the notes to its audited financial statements commencing with financial statements for Fiscal Years ending after June 30, 2014. Statement No. 68, as amended, generally requires the City to recognize its proportionate share of the unfunded pension obligations by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior Fiscal Year.

PERS. All qualified permanent and probationary employees are eligible to participate in the City's defined benefit pension plan provided by PERS as follows:

- Miscellaneous (agent multiple-employer plan)
- Safety Police (cost-sharing multiple-employer plan)
- Pepra Safety Police (cost-sharing multiple-employer plan)
- Safety Fire (cost-sharing multiple-employer plan)
- Pepra Safety Fire (cost-sharing multiple-employer plan)

These plans are administered by PERS, which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plans are established by State statute and City resolution. PERS 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 PERS website at www.calpers.com.

Benefits Provided. PERS 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 reapplied as specified by the Public Employees' Retirement Law. At June 30, 2018, 76 Miscellaneous and 56 Safety employees were covered under the PERS plan. The Plans' provisions and benefits in effect at June 30, 2018, are summarized in "Appendix C – Comprehensive Annual Financial Report for Year Ended June 30, 2018 – Note 7".

The PERS plans' provisions and benefits in effect as of June 30, 2018 are summarized as follows:

Miscellaneous Plan

Benefit Formula	2% @ 55 2.5% @ 55 2% @ 62
Benefit vesting schedule	5 years' service
Benefit payments	Monthly for life
Retirement age	55-62
Monthly benefits, as a % of eligible compensation	2.0-2.5%
Required employee contribution rates	7.816%
Required employer contribution rates	17.934%

Safety Plan - Police

Hire date	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	3%	2.0-2.7%
Required employee contribution rates	8.988%	11.500%
Required employer contribution rates	19.723%	11.990%

Safety Plan - Fire

Hire date	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	2.4%-3.0%	2.0-2.7%
Required employee contribution rates	8.982%	11.500%
Required employer contribution rates	17.875%	11.990%

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 position liability of the Miscellaneous Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. As of the June 30, 2017 measurement date, the net pension liability of the Miscellaneous Plan was \$17,739,118.

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as \$31,620,401.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires employer contribution rates for all public employers to be determined on an annual basis by the actuary and be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERS plans are determined annually on an actuarial basis as of June 30 by PERS. 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. For the fiscal year ended June 30, 2018, the City contributed \$1,571,900 for the Miscellaneous Plan and \$2,398,015 for the Safety Plan.

PARS. The PARS Retirement Enhancement Plan ("**REP**") was implemented July 1, 2003 and closed to new participants hired after January 1, 2012. Eligibility to participate in REP is for the following positions: City Attorney, Administrative Services Director, non-safety Department Director or non-safety management employee of the City on or after July 1, 2003. Participants receiving the benefits are non-safety Management Group Employees. This plan is separate from PERS and is established as a 401(a) Defined Benefit Plan. The REP is administered by PARS.

The REP provides a benefit equal to 0.5% of final average compensation for City management service earned after plan inception (July 1, 2003). In addition, any City employee in a covered management position as of the date of plan inception will receive up to an additional 10 years of service for any City service (management or non-management) prior to July 1, 2003. Eligibility for an immediate benefit is defined as reaching age 55, completing five years of fulltime City management service, and retiring concurrently from both the City and PERS after leaving City employment. At June 30, 2018 10 of the City's active employees were covered under the PARS REP program. The net pension liability of the REP measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 projected forward to June 30, 2017, was \$1,441,153.

Contributions. The City makes all contributions necessary to fund the benefits available under the REP. Employees are not permitted to make any contributions. For the fiscal year ended June 30, 2018, the City contributed \$121,576 for the REP.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that also amended various sections of the State Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and

certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov. *This internet address is provided for reference and convenience only; the information contained within this website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. There can be no assurance that other risk factors will not become evident at any future time.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, failure by large property owners to pay property taxes when due may have an adverse impact on general fund revenues available to make debt service payments on the Bonds.

Assessed Value of Taxable Property

Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping, coastal erosion, sea level rise, or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Reductions in the market values of taxable property may cause property owners to appeal assessed values and may be associated with an increase in delinquency rates for taxes. See also “-Geographic, Topographic and Climatic Conditions” below.

Appeals of Assessed Values

There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution.”

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not materially reduce the City's property tax revenues.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the City is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, ransomware, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The City has never had a major cyber breach that resulted in a financial loss. The City maintains insurance coverage for cyber security losses should a successful breach ever occur, however no assurance can be given that the amount such insurance will be sufficient to cover all losses from a cybersecurity incident.

No assurance can be given that the City's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers, such as the County for operation of the Teeter Plan or such as the Trustee in its role under the Indenture and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the City may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bondowners, e.g., systems related to the timeliness of payments to Bondowners or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations that would constitute additional charges against its general revenues. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Bonds may decrease.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans, in

addition to making payments to amortize the Bonds, in order to fully fund of the City's obligations to its pension plans.

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218," for information about certain risks to the City's general fund revenues under Articles XIIC and Article XIID of the California Constitution.

Geologic, Topographic and Climatic Conditions

General. The financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods), climatic conditions (such as droughts) and fires.

Building codes require that some of these factors be considered, to a limited extent, in the design of improvements. Some of these factors may also be considered, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of public and private improvements within the City in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Seismic. The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active known faults. Additionally, there may also be faults in the City that are not currently known. If there were to be an occurrence of severe seismic activity in the City, there could be an adverse impact on the City's ability to pay debt service on the Bonds.

Tsunami. A tsunami is a series of sea waves usually caused by displacement of the ocean floor by an undersea earthquake that can produce major coastal damage. Although infrequent, land in the City may be affected by a tsunami, and the City has prepared a map showing approximate "tsunami inundation zone areas," a tsunami evacuation map and other tsunami-related information for its residents.

Coastal Erosion, Climate Change, and Sea Level Rise. The City is located on the Pacific coastline, which has experienced coastal erosion, in which the impact of wind and waves breaking upon the land cause it to break and erode, particularly following bouts of extreme

weather. In some instances, coastal erosion has resulted in the damage or destruction of homes on the coast within the City.

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to greenhouse gas (“**GHG**”) emissions. In order to address these effects of climate change, among other matters, in early 2019 the City resumed the process of updating its General Plan and Local Coastal Program. Once the updates to the Local Coastal Program have been adopted by the City Council, which is expected to occur in February 2020, the updated Local Coastal Program will be sent to the California Coastal Commission (the “**CCC**”) for certification before becoming effective. Certification of the Local Coastal Program by the CCC could occur as early as May 2020. However, under State law, the CCC may grant itself a one-year extension. The draft updates to the Local Coastal Program include dozens of policies that address matters such as sea level rise, flood protection, infrastructure protection, shoreline structures, soft shoreline protection, groundwater management, reduction of GHGs, and seismic hazards. Certification of the Local Coastal Program containing these policies will increase the City’s ability to plan for resiliency along the coast but no assurance can be given that certification of the Local Coastal Program will enable the City to completely mitigate the effects of coastal erosion, climate change, and sea level rise.

The Coastal Zone in the City is the land area west of Highway 1. This area includes approximately 12% of the City’s population, the majority of the City’s older housing stock, approximately 80% of the hotel rooms in the City, more than half of commercial businesses in the City, and public facilities including City Hall, a middle school, and the Calera Wastewater Treatment Plant. While the City has taken actions to minimize coastal erosion and flooding, there can be no guarantee that the City will not be subject to coastal erosion, sea level rise, and flooding in the future. The City cannot predict the impact that damage resulting from sea level rise, coastal erosion, and flooding could have on the assessed value of property in the City, City property, or the ability of the City to pay debt service on the Bonds.

Flooding. Periodic flooding has occurred at San Pedro Creek, partially located in the City, causing damage to nearby properties. Past instances of flooding in San Pedro Creek have affected approximately 100 acres of property within the City, including the Linda Mar Shopping Center and nearby homes. A major flood of San Pedro Creek in 1982 resulted in damage to more than 300 homes in the City, with one home being lost. In addition, flooding is partially attributable for the wastewater overflows in the City. Damages may result from similar events in the future, and the City cannot predict the economic impact this may have on properties located in the City or on City finances, which could impact the ability of the City to pay debt service on the Bonds.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay debt service with respect to the Bonds. In general, the owners and operators of a property may be required by federal or State law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. Should any substantial amount of property within the City be affected by a hazardous substance, a reduction in the value of property in the City could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make payments on the Bonds.

Litigation

The City may be or become a party to litigation which has an impact on the City's general fund. While the City maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents (see "CITY FINANCIAL INFORMATION – Risk Management"), the City cannot predict what types of liabilities may arise in the future. See also "Concluding Information – LITIGATION".

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make debt service payments on the Bonds may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIII B of the State Constitution" below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City's revenues and therefore a reduction of the funds legally available to the City to make debt service payments on the Bonds. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID of the State Constitution."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section I(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section I(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIII A defines “**full cash value**” to mean the county assessor’s valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See “Litigation Relating to Two Percent Limitation” below. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “**appropriations limit**” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “**proceeds of taxes,**” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

Article XIII C and XIII D of the State Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government

to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

“(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

...

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

Property-Related Fees and Charges. Under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not be subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Proposition 22

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, borrow or change the distribution of state fuel tax revenues, and use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office on July 15, 2010, the longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (2010) 267 P.3d 580, finding California Assembly Bill 1X 26 to be constitutional and California Assembly Bill 1X 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue that previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“**Unitary Property**”), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B, XIII C and XIII D were each adopted as measures that qualified for the ballot through California’s initiative process. From time to time other initiative measures could be adopted, further affecting the City’s revenues.

VALIDATION PROCEEDINGS

On October 18, 2006, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of San Mateo seeking judicial validation of the transactions relating to the issuance of the 2010 Bonds, and certain other matters (*City of Pacifica vs. All Persons Interested, etc.*, Case No. CIV 476435). On December 12, 2008, the court entered default and issued a court judgment to the effect, among other things, that the PERS Contract and the 2010 Bonds are valid and binding obligations of the City under the Constitution and laws of the State. Pursuant to Section 870 of the California Code of Civil Procedure and Rule 2(a) of the California Rules of Court, the period during which a notice of appeal to this judgment could be timely filed expired, no challenge to the judgment was filed, and at that time the judgment became binding and conclusive in accordance with California law. In issuing its approving opinion, Jones Hall, A Professional Law Corporation, has relied, among other things, upon the above-described validation of proceedings.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City’s Fiscal Year (presently June 30) in each year commencing with its report for fiscal year 2018-19 (the “**Annual Report**”) and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is contained in “Appendix E – Form of Continuing Disclosure Agreement.”

Failure of the City to provide the required information at the required time may have a negative impact on the value of the Bonds in the secondary market.

The City has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other long-term obligations. See information under the heading “CITY FINANCIAL INFORMATION – Outstanding General Fund Debt.” In addition, the Redevelopment Agency of the City of Pacifica (the “**Redevelopment Agency**”) was an obligated person in connection with one outstanding series of tax allocation bonds, and the City is the successor agency to the Redevelopment Agency with respect to such undertaking. During the previous five years, specific instances of non-compliance with prior undertakings (which shall not be construed as an acknowledgment that any such non-compliance was material) include:

- With respect to the City of Pacifica Financing Authority 2017 Wastewater Revenue Bonds, failure to file audited financials and certain financial and operating information for Fiscal Year 2016-17 and filing such audited financials and information three days late for Fiscal Year 2017-18;
- With respect to the City of Pacifica Financing Authority 2016 Refunding Certificates of Participation, failure to file certain financial and operating information for Fiscal Years 2015-16, 2016-17, and 2017-18;
- With respect to the City of Pacifica 2014 Wastewater Revenue Refunding Bonds, filing certain financial and operating information for Fiscal Year 2013-14 437 days late and filing audited financials for Fiscal Year 2013-14 786 days late; and
- With respect to the 2010 Bonds, filing audited financials 419 days late for Fiscal Year 2013-14 and filing late or failure to file certain financial and operating information for Fiscal Years 2013-14 and 2014-15.

Prior to the date hereof, the City has completed remedial filings for the instances of non-compliance noted above. To assist with its disclosure undertakings for the Bonds and other long-term obligations, the City entered into an agreement dated September 24, 2019 with Digital Assurance Certification (“**DAC**”) to, among other things, compile and maintain undertaking requirements and file and disseminate information on EMMA.

CONCLUDING INFORMATION

Underwriting

U.S. Bancorp Investments, Inc. (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of \$9,607,941.75 (being the principal amount of the Bonds, less an Underwriter’s discount in the amount of \$77,058.25). The obligations of the Underwriter are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all such Bonds if any Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yields set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as the Underwriter of the Bonds, and U.S. Bank National Association, which is serving as Trustee and Escrow Agent for the Bonds. The Underwriter and its affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, brokerage, and asset management.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

Legal Opinion

Jones Hall, A Professional Law Corporation, San Francisco, California, (“Bond Counsel”), will render an opinion substantially in the form of Appendix D hereto with respect to the validity of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney

Fees payable to Bond Counsel and Disclosure Counsel are contingent upon issuance of the Bonds.

Municipal Advisor

Backstrom McCarley Berry & Co., LLC, San Francisco, California (the “**Municipal Advisor**”), is acting as the City’s financial advisor in connection with the Bonds. The Municipal Advisor is a registered “Municipal Advisor” with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor with respect to the Bonds are contingent upon their sale and delivery.

Tax Matters

The interest on the Bonds is not intended by the Issuer to be excluded from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in Appendix D.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds,

the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

ERISA Considerations

Section 406 of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) and Section 4975 of the Code, prohibit employee benefit plans (“**Plans**”) subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving “plan assets” with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code (collectively, “**Parties in Interest**”) with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these “prohibited transaction” rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriter, as a result of its own activities or because of the activities of an affiliate, may be considered a Party in Interest, with respect to certain plans. Prohibited transactions may arise under Section 406 of ERISA and Section 4975 of the Code if Bonds are acquired by a Plan with respect to which the Underwriter or any of its affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Bond and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by “qualified professional asset managers,” and transactions affected by certain “in-house asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Bond by or on behalf of a Plan, each prospective purchaser of a Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Bond or (ii) the acquisition of such Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase Bonds should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio.

Litigation

Generally. The City is not aware of any pending or threatened litigation concerning the validity of the Bonds or challenging any action taken by the City with respect to the Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture of Trust or in any way contesting or affecting the

validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

Rating

S&P Global Ratings (“**S&P**”) has assigned its municipal bond rating of “AA+” to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from the S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

Verification

The Verification Agent, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the City, relating to the sufficiency of the anticipated receipts from the Federal Securities and uninvested moneys deposited with the Escrow Agent to pay, when due, the principal and interest of the 2010 Bonds.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

Miscellaneous

All of the descriptions of applicable law, the Indenture of Trust, the City, and the agreements and other documents contained herein are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will realize.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF PACIFICA, CALIFORNIA

By: /s/ Kevin Woodhouse
 City Manager

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APPENDIX A

CITY OF PACIFICA AND COUNTY OF SAN MATEO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

General

The City. The City of Pacifica (the “**City**”) is located on the Pacific Coast directly south of San Francisco on the Bay Area peninsula in San Mateo County (the “**County**”). The City encompasses approximately 12.6 square miles, with a population estimated to be 38,674 as of January 1, 2019. The City was incorporated on November 22, 1957 under the general laws of the State and has a council-manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The legislative body selects a City Manager to administer the affairs of the City, a City Attorney, and members of advisory commissions and committees.

The County. The County is located on the California coast approximately 15 miles south of the City of San Francisco. The County is a major employment base, and is also accessible to the Daly City and Silicon Valley areas approximately 30 miles south via Interstate 280 or U.S. Highway 101. The County has an approximate total area of 741 square miles, of which 448 square miles is land and 293 square miles is water. It is the third-smallest county in California by land area.

Population

The following table presents population data for both the City and County, as well as the State for the last five calendar years, as of January 1, 2019.

POPULATION

Year	City of Pacifica	San Mateo County	State of California
2015	38,840	760,679	38,952,462
2016	38,850	766,649	39,214,803
2017	38,743	769,570	39,504,609
2018	38,718	772,372	39,740,508
2019	38,674	774,485	39,927,315

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The unemployment rate in the San Francisco-Redwood City-South San Francisco MD was 2.4% in July 2019, up from a revised 2.3% in June 2019, and unchanged from the year ago estimate of 2.4%. This compares with an unadjusted unemployment rate of 4.4% for California and 4.0% for the nation during the same period. The unemployment rate was 2.4% in San Francisco County, and 2.3% in San Mateo County.

The table below list employment by industry group for San Francisco and San Mateo Counties for the years 2014 to 2018.

**SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO MD
(SAN FRANCISCO AND SAN MATEO COUNTIES)
Annual Average Civilian Labor Force, Employment and Unemployment;
Employment by Industry
(March 2018 Benchmark)**

	2014	2015	2016	2017	2018
Civilian Labor Force ⁽¹⁾	955,500	976,600	997,900	1,010,500	1,030,400
Employment	914,400	942,000	966,100	981,900	1,006,900
Unemployment	41,100	34,600	31,800	28,600	23,600
Unemployment Rate	4.3%	3.5%	3.2%	2.8%	2.3%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,900	1,900	1,900	1,800	1,600
Mining and Logging	100	100	100	100	100
Construction	32,700	36,000	38,600	39,900	42,200
Manufacturing	35,900	36,400	38,200	39,300	38,900
Wholesale Trade	24,500	25,600	26,200	26,700	27,100
Retail Trade	79,700	80,800	81,100	81,200	81,200
Transportation, Warehousing, Utilities	34,000	36,200	40,500	43,900	46,900
Information	55,600	63,800	71,300	77,800	85,700
Finance and Insurance	52,300	54,800	57,200	57,100	58,800
Real Estate and Rental and Leasing	19,600	20,400	21,000	21,600	22,100
Professional and Business Services	244,000	259,700	270,300	275,900	287,200
Educational and Health Services	126,000	129,900	133,400	136,000	139,700
Leisure and Hospitality	131,100	136,100	139,900	140,500	141,500
Other Services	39,600	40,000	40,700	41,100	41,800
Federal Government	17,500	17,700	17,800	17,600	16,900
State Government	33,000	34,100	35,300	36,100	36,900
Local Government	70,200	72,600	74,600	76,200	77,400
Total, All Industries ⁽³⁾	997,600	1,046,200	1,088,100	1,112,900	1,146,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the major employers within the City.

CITY OF PACIFICA Major Employers

Employer Name	# of Employees
Pacifica School District	349
Safeway (3)	274
City of Pacifica	192
Jefferson Union High School District	100
Oceana Market	55
Starbucks (3)	50
Rite Aid (2)	43
Recology of the Coast	33
Ross Dress for Less	30
North Coast County Water District	21

Source: City of Pacifica Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018.

The following table lists the major employers within the County.

SAN MATEO COUNTY Major Employers

Employer Name	# of Employees
United Airlines	12,000
Genentech Inc.	11,000
Facebook Inc.	7,091
Oracle Corp.	6,781
County of San Mateo	5,485
Gilead Sciences Inc.	3,900
Visa U.S.A. Inc.	3,500
Electronic Arts Inc.	2,367
Robert Half International Inc.	1,790
You Tube LLC	1,700

Source: County of San Mateo Annual Financial Report for Fiscal Year Ended June 30, 2018.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Figures are not yet available for calendar year 2018.

Total taxable sales during the first quarter of calendar year 2018 in the City were reported to be \$44,824,473, a 6.25% increase over the total taxable sales of \$42,081,106 reported during the first quarter of calendar year 2017.

CITY OF PACIFICA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	515	\$166,108	739	\$175,372
2014	530	168,149	746	177,667
2015 ⁽¹⁾	552	166,177	848	176,022
2016	561	167,091	860	177,764
2017	559	175,984	865	186,581

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. *Taxable Sales in California (Sales & Use Tax) for years 2013-2016*. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be \$3,899,344,765, a 5.12% increase over the total taxable sales of \$3,709,395,555 reported during the first quarter of calendar year 2017.

SAN MATEO COUNTY
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	12,438	\$9,935,641	19,808	\$14,611,618
2014	12,673	10,278,717	19,999	15,298,434
2015 ⁽¹⁾	8,833	10,301,197	21,825	15,478,010
2016	12,966	10,394,055	21,899	15,658,573
2017	12,744	10,949,848	21,534	16,552,584

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. *Taxable Sales in California (Sales & Use Tax) for years 2013-2016*. State Department of Tax and Fee Administration for year 2017.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State, and the United States for the period 2015 through 2019.

**CITY OF PACIFICA, SAN MATEO COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
As of January 1, 2015 through 2019**

Year	Area	Total Effective Buying Income (000s Omitted)	Median Household Effective Buying Income
2015	City of Pacifica	\$1,428,550	\$78,253
	San Mateo County	28,257,708	72,165
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Pacifica	\$1,554,920	\$83,093
	San Mateo County	30,989,833	77,717
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Pacifica	\$1,647,334	\$85,272
	San Mateo County	33,690,067	81,795
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Pacifica	\$1,706,476	\$90,399
	San Mateo County	35,362,153	87,101
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Pacifica	\$1,854,235	\$94,795
	San Mateo County	39,578,320	93,319
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2014 through 2018.

CITY OF PACIFICA Total Building Permit Valuations (Valuations in Thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$1,010.3	\$277.5	\$3,126.8	\$1,479.5	\$3,284.7
New Multi-family	0.0	0.0	1,848.3	696.9	0.0
Res. Alterations/Additions	<u>3,340.1</u>	<u>2,943.2</u>	<u>6,881.3</u>	<u>12,155.5</u>	<u>10,181.5</u>
Total Residential	4,350.4	3,220.7	11,856.4	14,331.9	13,466.2
New Commercial	\$2.5	\$0.0	\$600.0	\$1,625.0	\$1,625.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	3,255.0	727.5	382.4	10,081.6	55.7
Com. Alterations/Additions	<u>31.0</u>	<u>706.9</u>	<u>8,158.7</u>	<u>2,690.0</u>	<u>2,401.3</u>
Total Nonresidential	3,288.5	1,434.4	9,141.1	14,396.6	4,082.0
<u>New Dwelling Units</u>					
Single Family	3	1	7	3	6
Multiple Family	<u>0</u>	<u>0</u>	<u>5</u>	<u>2</u>	<u>0</u>
TOTAL	3	1	12	5	6

Source: Construction Industry Research Board, Building Permit Summary.

SAN MATEO COUNTY Total Building Permit Valuations (Valuations in Thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$289,903.2	\$374,275.5	\$367,334.0	\$338,186.5	\$330,908.0
New Multi-family	168,859.5	259,181.0	252,560.4	210,996.5	195,226.4
Res. Alterations/Additions	<u>348,231.2</u>	<u>408,011.2</u>	<u>395,240.9</u>	<u>503,351.5</u>	<u>424,804.7</u>
Total Residential	806,993.9	1,041,467.7	1,015,135.3	1,052,534.5	950,939.1
New Commercial	413,462.8	328,133.6	716,150.7	1,207,218.1	1,505,602.0
New Industrial	9,600.0	--	4,954.8	500.0	0.0
New Other	103,363.4	192,961.9	196,145.2	135,392.7	77,503.7
Com. Alterations/Additions	<u>490,364.6</u>	<u>489,389.7</u>	<u>728,965.3</u>	<u>1,047,885.6</u>	<u>972,646.5</u>
Total Nonresidential	1,016,790.8	1,010,485.2	1,646,216.0	2,390,996.4	2,555,752.2
<u>New Dwelling Units</u>					
Single Family	315	521	458	411	443
Multiple Family	<u>1,302</u>	<u>1,386</u>	<u>1,319</u>	<u>1,169</u>	<u>1,046</u>
TOTAL	1,617	1,907	1,777	1,580	1,489

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture of Trust relating to the Bonds, which is not intended to be definitive. Reference is made to the actual document (a copy of which may be obtained from the City) for the complete terms thereof.

Definitions

Terms which have been previously defined in this Official Statement have the same meanings when used in this Summary. In addition, when used in this Summary the following terms have the following meanings:

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations issued by public agencies.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“Closing Date” means the date on which the Bonds are delivered by the City to the original purchaser of the Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2010 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, the Escrow Bank and their respective counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2010 Bonds.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period in a written certificate of the City filed with the Trustee.

“Outstanding”, when used as of any particular time with reference to Bonds, means: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in

lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the City under the Indenture.

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.
- (d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (e) Commercial paper rated “A-1+” or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.
- (l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Request of the City” means a request in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City for that purpose.

“S&P” means S&P Global Ratings, of New York, New York, and its successors.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered to the Trustee.

Establishment of Funds

Costs of Issuance Fund. The Indenture establishes the Costs of Issuance Fund to be held by the Trustee. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the City stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the City; in each case together with a statement or invoice for each amount requested thereunder. On January 1, 2020, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Interest Account and the Trustee shall thereupon close the Costs of Issuance Fund.

Nature of City’s Obligations

The Bonds are payable from any source of legally available funds of the City, including but not limited to amounts held by the City on deposit in its General Fund. The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation.

Deposits to Pay Debt Service

The Indenture establishes the Debt Service Fund to be held by the Trustee in trust for the benefit of the Bond Owners. The City will transfer an amount of legally available funds to the Trustee in the following amounts at the following times, for deposit by the Trustee in the

following respective special accounts within the Debt Service Fund, in the following order of priority:

- (a) Interest Account. On or before the 3rd Business Day preceding each date on which interest on the Bonds is due and payable, the City will transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. On or before the 3rd Business Day preceding each date on which principal of the Bonds is due and payable at maturity, the City will transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof.

Budget and Appropriation of Debt Service; Certification to Trustee

The City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the provisions described above, and to make the necessary annual appropriations for all such payments. If any payment of debt service requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. Such covenants constitute duties imposed by law.

Promptly following the adoption of an annual budget which includes the appropriations required by this provision, but in any event not later than July 15 in each Fiscal Year, the City shall execute and deliver to the Trustee a written certificate which evidences the compliance by the City with the foregoing covenants with respect to such Fiscal Year.

Investment of Funds

The Trustee shall invest moneys in Debt Service Fund solely in Permitted Investments. In the absence of any such direction from the City, the Trustee shall invest any such moneys solely in Permitted Investments which constitute money market funds. All interest or gain derived from the investment of amounts in any fund or account will be retained therein.

Other Covenants of the City

Punctual Payment. The City agrees punctually to pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Indenture.

Books and Accounts, Financial Statements. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries are made of all transactions relating to its funds and accounts. Such books of record and accounts shall at all times during business hours be

subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect) and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The City will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year; provided that if audited financial statements are not available within such 210-day period, the City shall file unaudited financial statements within such 210-day period and shall file audited financial statements when they subsequently become available. The City will furnish a copy of such statements, upon reasonable request, to the Trustee and any Bond Owner. The Trustee has no duty to review any such financial statement.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, the Bonds will be incontestable by the City.

Amendment of Indenture

The Indenture may be amended at any time with the written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds. No such amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be amended at any time, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City;
- (b) to provide additional security for the Bonds; or
- (c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee;

Events of Default and Remedies

Events of Default Defined. Each of the following events constitutes an Event of Default under and as defined in the Indenture:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies. If an Event of Default occurs and is continuing, the Trustee at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) exercise any other remedies available in law or at equity.

Immediately upon obtaining actual knowledge of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the City by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in subsections (a) or (b) above, the Trustee shall, and with respect to any Event of Default described in subsection (c) above the Trustee in its sole discretion may, also give such notice to the Bond Owners in the same manner as provided for notices of redemption of the Bonds, which must include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the foregoing provision (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case,

the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Event of Default. All of the amounts held in the funds and accounts established and held by the Trustee under the Indenture upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Limitation on Bond Owners' Right to Sue. No Bond Owner has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Defeasance of Bonds

The City may pay and discharge the indebtedness on any or all of the Outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under the Indenture, in the opinion or report of an independent accountant is fully sufficient to pay such Bonds, including all principal and interest;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation.

APPENDIX C

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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City of Pacifica, California

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



For Fiscal Year Ended June 30, 2018

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CITY OF PACIFICA

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2018

Prepared by
Finance Department

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INTRODUCTORY SECTION

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CITY OF PACIFICA, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2018

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CITY OF PACIFICA, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2018

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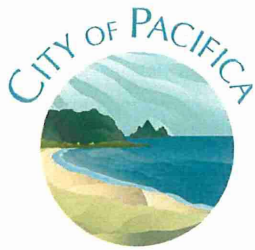
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CITY OF PACIFICA, CALIFORNIA
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Scenic Pacifica
Incorporated Nov. 22, 1957

CITY OF PACIFICA

170 Santa Maria Avenue • Pacifica, California 94044-2506
www.cityofpacifica.org

MAYOR
John Keener

MAYOR PRO TEM
Sue Vaterlaus

COUNCIL
Sue Digre
Mike O'Neill
Deirdre Martin

November 30, 2018

Honorable Mayor, Members of the City Council, and Citizens of the City of Pacifica, California

We are pleased to submit the City of Pacifica's Comprehensive Annual financial Report (CAFR) for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR. To provide a reasonable basis for making these representations, management has established a comprehensive framework of internal control 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 Generally Accepted Accounting Principles (GAAP). As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The City's independent auditor, Maze & Associates, has issued an unmodified ("clean") opinion on the City of Pacifica's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

In addition to meeting the requirements set forth by State law, the audit is also designed to meet the requirements of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133. The standards governing Single Audit engagements require the auditor to report on the City's internal controls and compliance with certain legal requirements with special emphasis on the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP and the Governmental Accounting Standards Board require 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.

City of Pacifica Profile

The City of Pacifica is a full service city located on the Pacific Coast in San Mateo County directly south of San Francisco. Located within the Bay Area Peninsula, it is framed by the ridges of the Coast Range on the east, Montara Mountains on the south, and the Pacific Ocean on the west. The City of Pacifica encompasses roughly 12.6 square miles (of which approximately one-half is publicly owned open space), is largely built out, and serves a population of approximately 39,000. A combination of residential, office and commercial retail businesses, and natural open space, comprise the makeup of the City. The City of Pacifica, while located in the midst of a major metropolitan region, is a unique family-oriented coastal community that prides itself on fostering a “small town” feel. The City’s geographic setting, its proximity to San Francisco and the San Francisco International Airport, along with its natural open space and coastal beauty, make it a desirable place to live and work.

The City of Pacifica is a General Law City incorporated in 1957 and operates under the Council-Manager form of government. Legislative authority is vested in a five-member City Council elected at large for four-year overlapping terms. The Mayor is selected each year by a majority vote of the other Council members. The Council appoints the City Manager, City Attorney, and members of advisory commissions and committees.

The City provides the following services to its residents: public safety (police and fire), highways and streets, sanitation, parks, beaches, and recreation, social services, planning and zoning, and leadership through general administrative services.

Water, garbage, gas and electric utilities are provided directly through private agencies not under City operations.

The City performed certain infrastructure construction and economic development activities through a separate Redevelopment Agency until its dissolution on February 1, 2012. The City of Pacifica accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 23, 2012.

Economic and Financial Outlook

California’s economy is expected to continue to grow faster than the U.S. Economy, but is expected to slow down in 2020 consistent with the slowing of the national economy. The Bay Area’s growth is notable in light of its housing and labor force constraints as unemployment is below 3 percent throughout the region. According to the Bureau of Labor Statistics, in November 2018, the United States unemployment rate was 3.6 percent, the State of California was 4.1 percent, and San Mateo County was 2.1 percent.¹

Pacifica’s coastal location on the Bay Area Peninsula with its natural open space and coastal beauty, along with its proximity to the San Francisco International Airport and its visitor-serving resources, continues to be an asset for development in the City.

While residential development has reached near build out conditions, commercial development potential is high in Pacifica as several commercially zoned sites are in various phases of the permit process and other commercial sites remain undeveloped or underdeveloped. The City and the Pacifica Chamber of Commerce are active in encouraging resident and visitor-serving business startups.

¹ Bureau of Labor Statistics, *San Francisco Area Economic Summary – Updated November 30, 2018*

The City of Pacifica has continued to be fiscally conservative in financial investments, as well as with the development of a Long-Term Financial Plan. The current Long-Term Financial Plan was presented to the City Council in April 2018. The City remains vigilant in its efforts to continue to provide essential City services, while maintaining sufficient levels of fiscal control and accountability.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund, special revenue funds, enterprise funds, debt service fund, and internal service funds are included in the annual appropriated budget. The Capital Improvement Projects budget reflects existing projects that do not lapse at year-end, but are carried forward until completion of the project.

The City Council conducts public hearings before adopting the budget, thus giving the public an opportunity to be heard. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by tracking expenditures and budget authority. Unexpended budget appropriations lapse at the end of the fiscal year with the exception of capital improvement projects.

The City Manager is responsible for the preparation of the budget, and along with the Assistant City Manager, is responsible for monitoring the budget for legal compliance.

Acknowledgements

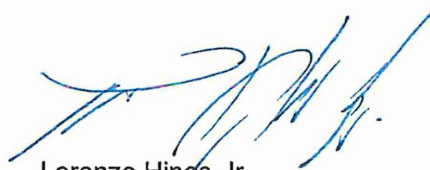
Our goal is to publish financial information that is helpful to policy leaders. Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Pacifica Finance and Information Technology Divisions, including: Sheila Tioyao, Finance Services Manager, Mario Xuereb, Accountant, Meg Callanan, Accounting Technician, Ken Fong, Systems Specialist, and Manuel Ferrer, Systems Specialist. Every member of each department has our sincere appreciation for the contributions made in the preparation of this report.

We would also like to thank the members of the Pacifica City Council for their support in planning and conducting the financial operations of the City in a responsible and conservative manner in the best interests of the Citizens of Pacifica.

Respectfully submitted,



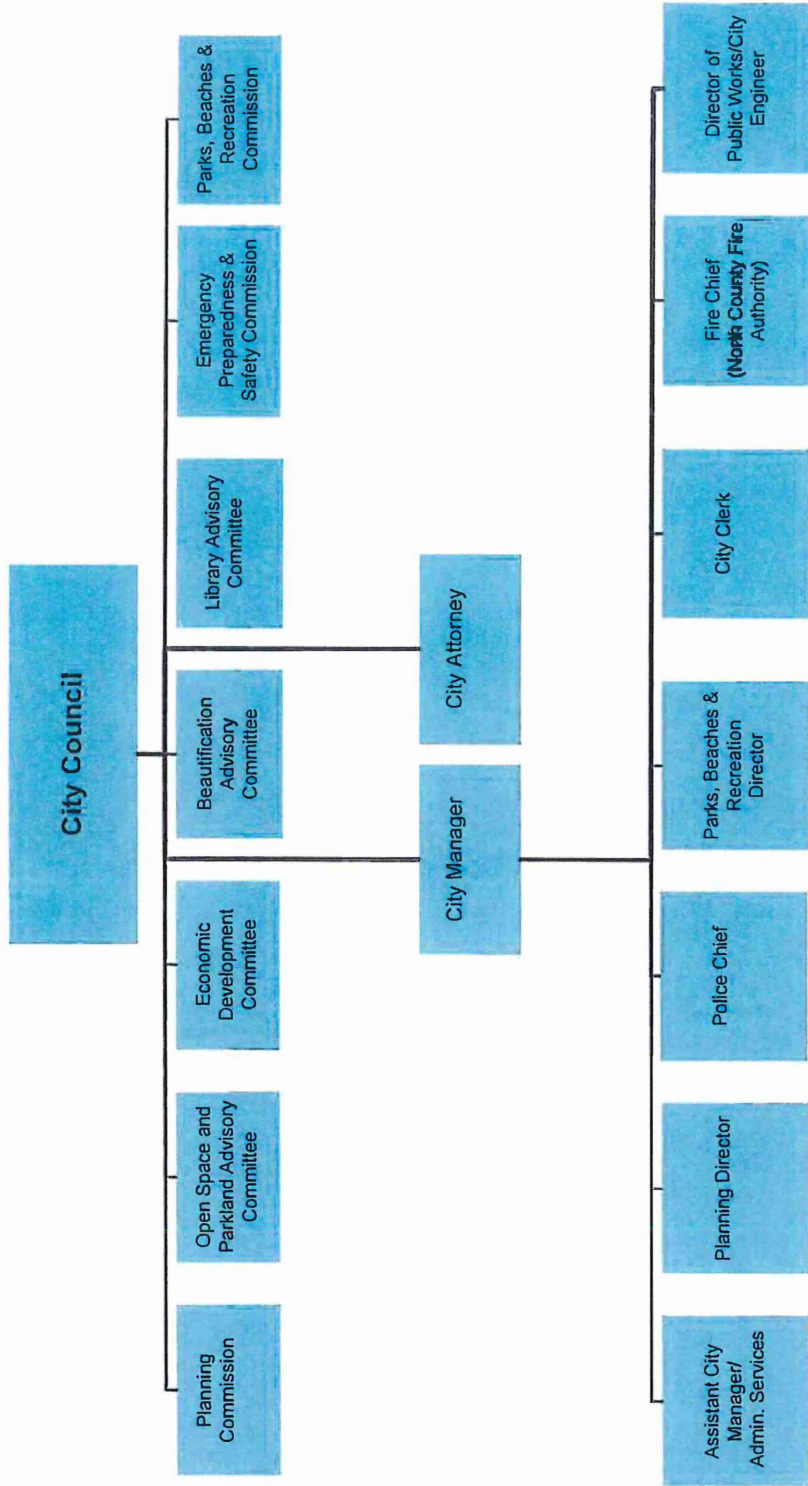
Kevin Woodhouse
City Manager



Lorenzo Hines Jr.
Assistant City Manager



Citizens of Pacific



CITY OF PACIFICA, CALIFORNIA

JOHN KEENER
Mayor

SUE VATERLAUS
Mayor Pro Tem

SUE DIGRE MIKE O'NEILL
DEIRDRE MARTIN
Members of City Council

KEVIN WOODHOUSE
City Manager

MICHELLE MARCHETTA KENYON
City Attorney

OTHER ADMINISTRATIVE OFFICERS

LORENZO HINES JR.	Assistant City Manager
DAN STEIDLE	Police Chief
RON MYERS	Fire Chief
TINA WEHRMEISTER	Planning Director
VAN OCAMPO	Director of Public Works/City Engineer
MICHAEL PEREZ	Director of Parks, Beaches & Recreation
SARAH COFFEY	City Clerk

OFFICIAL COMMISSIONS AND COMMITTEES

BEAUTIFICATION ADVISORY COMMITTEE

ECONOMIC DEVELOPMENT COMMITTEE

EMERGENCY PREPAREDNESS & SAFETY COMMISSION

LIBRARY ADVISORY COMMITTEE

OPEN SPACE AND PARKLAND ADVISORY COMMITTEE

PARKS, BEACHES AND RECREATION COMMISSION

PLANNING COMMISSION

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Pacifica, California

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacifica, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, 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.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Notes 12 and 7 to the financial statements.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Pacifica

Management's Discussion and Analysis

For the year ended June 30, 2018

The management staff of the City of Pacifica (City), offers readers of the City's financial statements this narrative overview and analysis of City financial activities for the fiscal year ended June 30, 2018. It has been designed in accordance with standards established by the Governmental Accounting Standards Board. Please read this overview in conjunction with the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements, which are comprised of three components:

- **Government-Wide Financial Statements** – These statements provide information about the activities of the City as a whole and about the overall financial condition of the City. The *Statement of Net Position* and *Statement of Activities and Changes in Net Position* statements includes all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies.
- **Fund Financial Statements** – These statements provide additional information about the City's major funds, how services were financed in the short term and fund balances available for financing future projects.
- **Notes to the Financial Statements** – The notes provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, including budgetary comparison information on the City's General Fund, which is intended to furnish additional detail to support the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

Financial highlights of the year ended June 30, 2018 include the following:

Government-wide:

- The City's total net position was \$60.1 million at June 30, 2018 of which \$34.3 million was in Governmental Activities and \$25.8 million was in Business-type Activities. Of the total net position, \$75.6 million relates to the City's net investment in capital assets and is not available for future appropriation (see tables 1 and 4 for additional information).
- Total City revenues were \$56.1 million, of which \$41.5 million was derived from Governmental Activities; \$14.3 million was derived from Business-type Activities (see tables 2 and 5 for additional information).
- Total City expenses were \$55.1 million, of which Governmental Activities incurred \$41.6 million and Business-type Activities incurred \$13.5 million (see tables 2 and 5 for additional information).



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FINANCIAL HIGHLIGHTS, Continued

Fund Level:

Governmental fund balances totaled \$24.7 million, the Enterprise funds had a \$25.8 million net position, and there was a cumulative net position of \$6.1 million in the Internal Service Funds, of which \$1.9 million relates to the City's Internal Service Funds net investment in capital assets.

- Proprietary Fund operating revenues were \$14.3 million in the Enterprise Funds and \$2.5 million in the Internal Service Funds.
- Proprietary Fund operating expenses were \$12.0 million in the Enterprise funds and \$2.6 million in the Internal Service Funds.
- Net non-operating expenses were approximately \$1.0 million in the Enterprise Funds and net non-operating revenues were \$50,469 in the Internal Service Funds.



General Fund:

- General Fund revenues were \$32.3 million and expenditures were \$30.0 million.
- Net transfers out of the General Fund were \$1.0 million.
- The fund balance of the General Fund was \$12.6 million at June 30, 2018, all of which has been classified in accordance with Governmental Accounting Standards Board No. 54.

General Capital Improvement Fund:

- Fund revenues were \$0.9 million and expenditures were \$3.4 million.
- Net transfers into the Fund were \$0.7 million.
- The fund balance of the Fund is a deficit of approximately \$2.2 million at June 30, 2018.

Gas Tax Fund:

- Fund revenues were \$1.0 million and expenditures were \$0.6 million.
- Net transfers out of the Fund were \$0.4 million.
- The fund balance of the Fund was \$0.2 million at June 30, 2018; the total amount is classified as restricted for allowable street expenditures under the California Street and Highway Code.

Davies Trust Fund:

- Fund revenues were \$3,740 and expenditures were \$104.
- There were no transfers into or out of the Fund.
- The fund balance of the Fund was \$3.5 million at June 30, 2018; the total amount is classified as restricted for use to help acquire, build, remodel, improve, support and maintain the equipment, building, grounds, yard, gardens and landscaped areas of the various parks, beaches, and recreational areas located in Pacifica and to conduct related educational and recreation programs for the benefit of the general public.

Debt Service Fund:

- Fund revenues were \$1.5 million and expenditures were \$2.3 million.
- Net transfers into the Fund were \$0.8 million.
- The fund balance of the Fund was \$2.0 million at June 30, 2018; the total amount is classified as restricted for debt service.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These government-wide financial statements include all assets and liabilities of the City using the accrual basis of accounting. All current year revenues and expenses are accounted for regardless of when the cash is paid or received.

These statements report the City's net position and how it has changed. Net position, the difference between assets, liabilities and deferred inflows/outflows of resources, is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are among indicators used to assess whether the financial condition of the City is improving or deteriorating. It is also important to consider other non-financial factors, such as changes in the City's property tax values and sales tax outlets, and the condition of the City's infrastructure (i.e. parks and streets), to accurately assess the overall health of the City.

The Government-wide statements present information about the City's activities. These include services provided by police, fire, community development, public works and parks, beaches, and recreations. These services are funded from monies received from property, sales and other taxes, direct charges for services provided, grants, contributions from other agencies and impact fees collected from new development. The following analysis focuses on net position and how it has changed, within the City's Governmental Activities (Tables 1, 2 and 3) and Business-Type Activities (Tables 4 and 5) as presented in the Government-wide *Statement of Net Position* and *Statement of Activities and Changes in Net Position*.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities

Net position, representing the difference between total assets and total liabilities, of the City's governmental activities was \$34.3 million at June 30, 2018, an decrease of 6.3% from the total at June 30, 2017. The table below summarizes the City's net position.

The City implemented new pension accounting standards during 2014-15, following guidance from the Government Accounting Standards Board. The Net Pension Liability of \$49.6 million has been recorded as of June 30, 2018. These new pension accounting standards respond to public interest about government pensions and provide new transparency about the City's considerable pension obligations and their funding progress. Comparative financial information is presented below to provide the reader with highlights of changes from the prior year.

Table 1
Governmental Statement of Net Position (In Millions) at June 30,

	2018	2017
Cash and investments	\$ 24.1	\$ 23.1
Other assets	8.2	7.7
Capital assets	76.6	73.6
Total assets	108.9	104.4
Deferred Outflows of Resources	16.2	16.7
Current liabilities	5.6	6.2
Non-current liabilities	81.0	73.3
Total liabilities	86.6	79.5
Deferred Inflows of Resources	3.3	4.8
Net Position		
Net investment in capital assets	59.6	56.6
Restricted	18.2	17.0
Unrestricted	(42.6)	(37.0)
Total net position	\$ 35.2	\$ 36.6



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

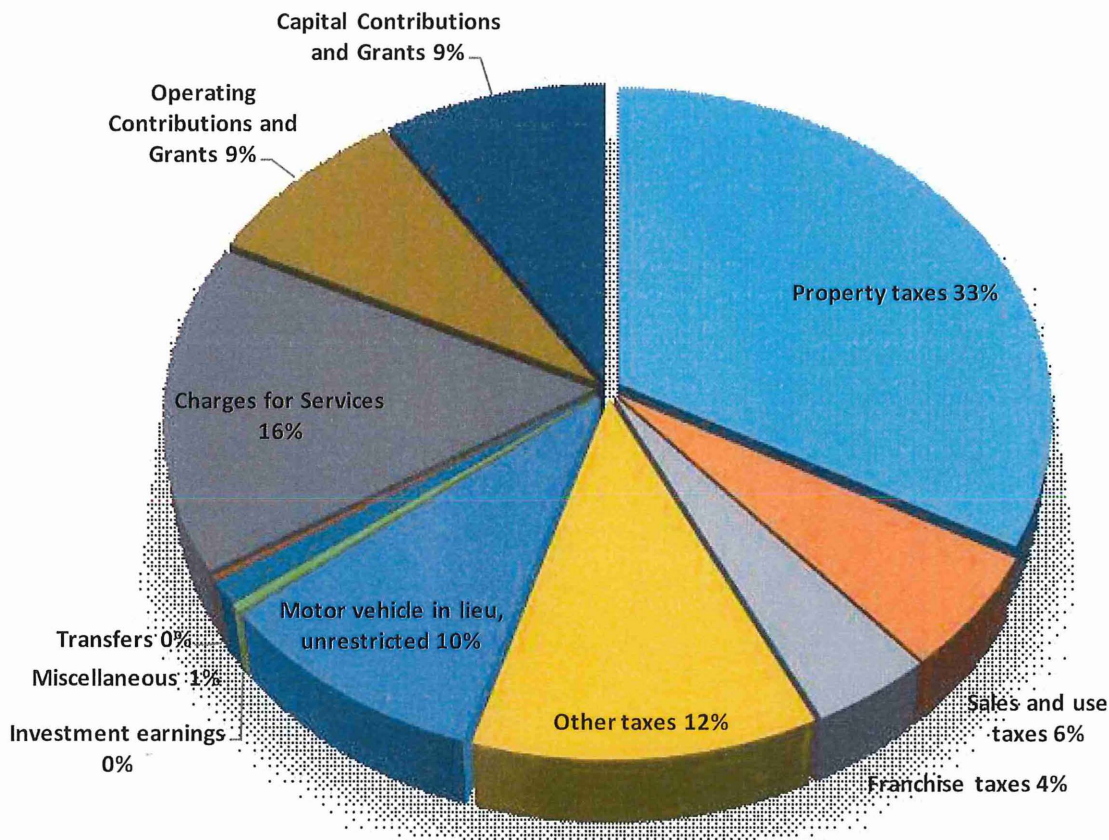
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Of the City's total net position, \$59.6 million reflects its net investment in capital assets (e.g. land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The City's total liabilities of \$86.6 million represent outstanding obligations for operations, capital projects, and deposits held for development projects and long-term debt.

Governmental Activities

The charts below summarize general City revenues available for funding all City programs and major expenditure program categories, as well as program revenues used to fund specific expenditure programs. For fiscal year 2017-18, total revenues and transfers from all sources relating to governmental activities were \$41.3 million and total expenditures for all City programs relating to governmental activities were \$41.6 million.

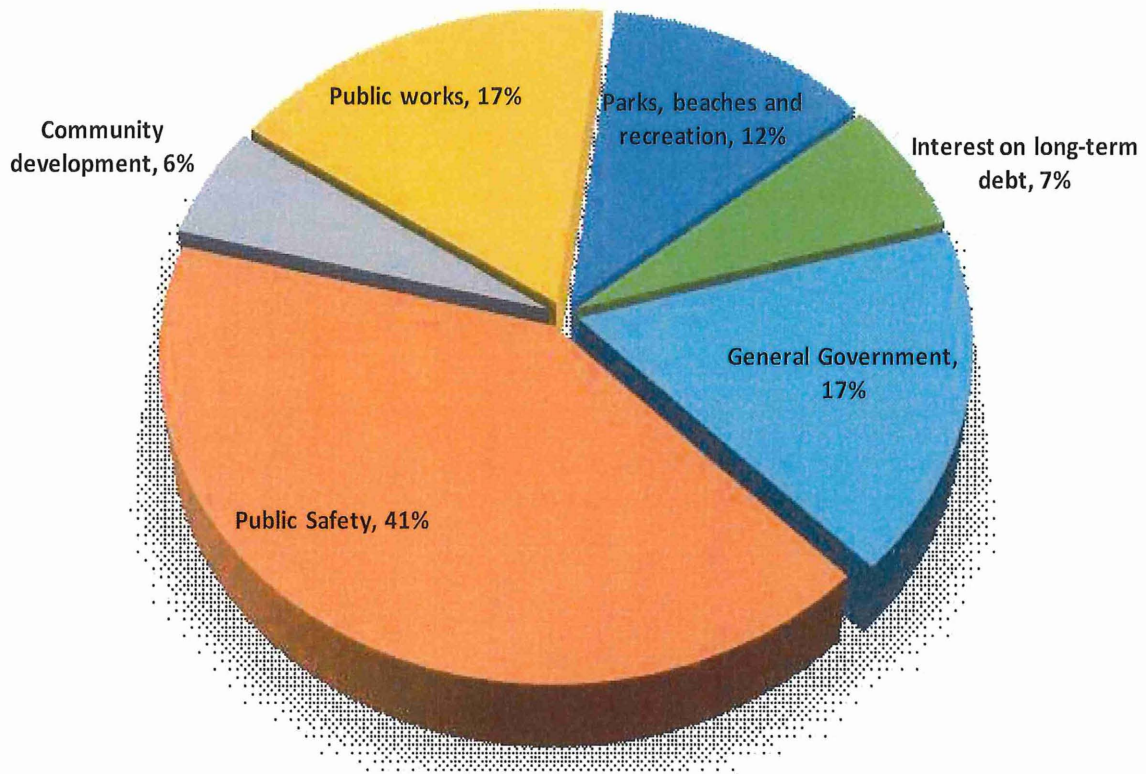
Governmental Activities - Sources of Revenues
FY 2017-2018
\$41.3M

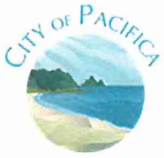




City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

Governmental Activities - Sources of Expenses
FY2017-2018
\$41.6M





City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Table 2
Change in Net Position - Governmental Activities for fiscal year ended June 30,
(In Millions)

Revenues	2018	2017
Program revenues		
Charges for service	\$ 6.7	\$ 6.3
Operating contributions and grants	3.5	4.1
Capital grants	3.8	2.5
Total program revenues	<u>14.0</u>	<u>12.9</u>
General revenues		
Taxes:		
Property	13.8	12.7
Sales and use	2.4	2.4
Franchise	1.7	1.7
Other taxes	4.9	3.8
Miscellaneous	0.6	1.6
Motor Vehicle In Lieu	4.0	3.7
Transfers	0.1	0.8
Total general revenues and transfers	<u>27.5</u>	<u>26.7</u>
Total revenues	<u>41.5</u>	<u>39.6</u>
Expenses		
Public safety	17.2	14.3
Public works	7.4	5.7
Community development	2.3	2.0
Parks, beaches and recreation	5.0	4.9
General government	7.2	5.1
Interest on long-term debt	1.9	2.5
Total expenses	<u>41.0</u>	<u>34.5</u>
Transfer of capital assets	-	-
Change in net position - Governmental Activities	<u>0.5</u>	<u>5.1</u>
Net position - beginning (Note 12C)	<u>\$ 34.7</u>	<u>\$ 31.6</u>
Net position - ending	<u><u>\$ 35.2</u></u>	<u><u>\$ 36.7</u></u>



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Table 2, presented on the prior page, shows that governmental expenses, which totaled \$41.6 million, were offset in part by program revenues for governmental activities of \$14.0 million. These program revenues included \$6.7 million in charges for services, \$3.5 million in operating grants and contributions, and \$3.8 million in capital grants and contributions. Charges for services include traffic safety fines, plan check fees, building inspection fees, other charges related to new construction, and fees charged for parks, beaches, and recreational events. Operating grants and contributions include amounts that can only go toward operations-related expenses, while capital grants and contributions are required to go toward capital investments. General revenues, as shown in Table 2 on the previous page, are available to pay for expenses not fully covered by program generated revenues.



Table 3 presents the program revenues and net expense of each of the City's largest programs. Net expense is defined as total program cost less the revenues generated or contributions received by those specific activities.

Table 3
Governmental Activities
Program Revenues and Net (Expense) Revenue From Services for fiscal year ended June 30,
(In Millions)

	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General government	\$ 1.7	\$ 2.4	\$ (5.5)	\$ (2.7)
Public Safety	1.6	1.3	(15.6)	(13.0)
Community development	2.2	2.3	(0.1)	0.4
Public works	4.8	3.6	(2.5)	(2.1)
Parks, beaches, and recreation	3.8	3.3	(1.2)	(1.7)
Debt Service	-	-	(2.8)	(2.4)
Interest on long-term debt	-	-	-	-
Totals	\$ 14.0	\$ 12.9	\$ (27.7)	\$ (21.6)

Business-type Activities

The net position of the City's business-type activities was \$25.8 million at June 30, 2018. Assets included a total of \$8.0 million in cash and investments, \$14.2 million in cash and investments with fiscal agents, \$55.8 million in capital assets, Deferred Outflows of \$0.7 million, and \$2.5 million in other assets. Liabilities include \$47.3 million in long-term liabilities, \$0.2 million in Deferred Inflows, and \$8.0 million in current liabilities. Total revenues for business-type activities totaled \$14.3 million for fiscal year 2017-18 while expenses totaled \$13.0 million.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued
Business-type Activities, Continued

Table 4
Business -Type Statement of Net Position at June 30,
(In Millions)

	2018	2017
Cash and investments	\$ 8.0	\$ 8.9
Other assets	16.7	28.6
Capital assets	55.8	40.9
Total assets	80.5	78.4
Total Deferred Outflows of Resources	0.7	0.1
Current Liabilities	6.9	3.4
Non-Current Liabilities	48.4	49.9
Total liabilities	55.3	53.3
Deferred related to pensions	0.1	0.4
Total Deferred Inflows of Resources	0.1	0.2
Net Position		
Net investment in capital assets	16.0	16.0
Unrestricted	9.8	9.8
Total net position	\$ 25.8	\$ 25.8

Table 5
Change in Net Position - Business-type Activities for fiscal year ended June 30,
(In Millions)

	2018	2017
Revenues		
Program revenues		
Charges for service	\$ 14.3	\$ 13.2
Capital grants	-	-
Total program revenues	14.3	13.2
Total revenues	14.3	13.2
Expenses		
Sewer Operations	12.5	11.8
Beach Parking	0.6	0.5
Total expenses	13.1	12.3
Excess (deficiency) before transfers	1.2	0.9
Transfers	0.1	(0.8)
Change in net position - Business-Type Activities	\$ 1.3	\$ 0.1
Net position - beginning (Note 11C)	\$ 24.6	\$ 25.7
Net position - ending	\$ 25.8	\$ 25.8



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These statements provide more detailed information about the City's major funds. 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: governmental funds, proprietary funds, and 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 may be useful in evaluating a City's or government agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has twenty governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City's six major funds are - the General Fund, the Gas Tax Fund, the General Capital Improvement Fund, the Davies Trust Fund, the Disaster Accounting Fund, and the Debt Service Fund. The City has classified these funds as major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided in the Required Supplementary Information section for these funds that demonstrates compliance with their budgets.

Proprietary funds

The City maintains two types of proprietary funds, Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds; the Sewer Utility which accounts for the operation and maintenance of the City's wastewater collection system, (this fund is classified as major funds in the City's Statement of Net Position), and the Beach Parking Fund, which accounts for the operation and maintenance of the City's beach parking facilities. The Beach Parking Fund was established during the 2014-15 fiscal year. Internal service funds are used to accumulate and allocate costs internally among the City's various functions and to build up reserves for future replacement of capital assets. The City uses internal service funds to account for its fleet of vehicles and equipment.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Proprietary funds, Continued

Because these services solely benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Supplemental Information section of this report.

Fiduciary Funds

The City is the agent for certain agencies and assessment districts, holding amounts collected which await payment as directed. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Agency Funds Statement of Assets and Liabilities. These activities are excluded from the City's other financial statements because the City is acting as a trustee for these funds and cannot use these assets to finance its own operations. The City's fiduciary funds include a private-purpose trust fund to account for the activities of the City of Pacifica Successor Agency.

Summary Analysis of Governmental Funds

At June 30, 2018, the City's governmental fund balances were \$24.7 million. The following describe the specifics related to this variance:

- An increase of \$2.2 million in the General Fund, primarily due to slight increases in revenues including property tax (\$0.7 million), licenses and permits (\$0.2 million), and intergovernmental revenues (\$0.7 million), netted against increases in expenditures;
- An increase of \$1.8 million in the Disaster Accounting Fund due to increased expenditures due to the City's response to the winter storms of 2015-2016. Please note that the Disaster Accounting Fund has been added to the Major Funds group;
- An increase of \$2.0 million in the Other Governmental Funds category primarily due to receipts in the Excess Educational Revenue Augmentation Fund (ERAF) of \$1.9 million.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Summary Analysis of Governmental Funds, Continued

Table 6
Change in Fund Balance- Governmental Funds for the fiscal year ended June 30,
(In Millions)

Revenues	2018	2017
Taxes	\$ 23.8	\$ 22.4
Licenses and permits	1.0	0.8
Fines and forfeitures	0.2	0.2
Use of money and property	0.3	1.0
Intergovernmental	7.6	6.6
Charges for current services	2.8	2.7
Recreation programs	1.0	0.9
Other revenue	4.7	4.2
Transfers		
Total revenues	<u>\$ 41.4</u>	<u>\$ 38.8</u>
Expenditures		
General government	\$ 4.5	\$ 4.5
Public safety	16.2	15.5
Community development	2.1	1.9
Public works	4.0	4.6
Parks, beaches, and recreation	4.2	4.4
Capital outlay	6.7	1.9
Debt service	1.0	3.8
Transfers (net)	1.3	0.7
Total expenditures	<u>\$ 40.0</u>	<u>\$ 37.3</u>



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

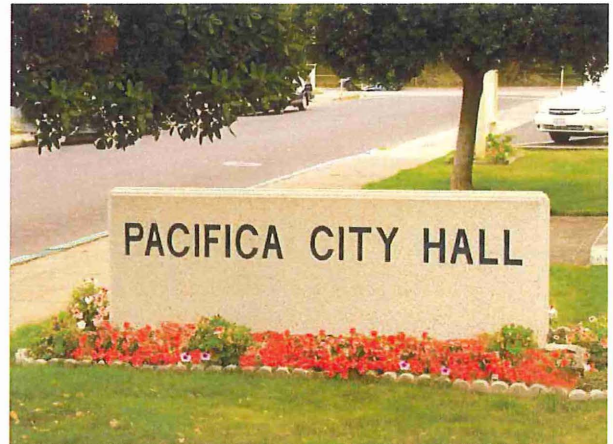
FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Detailed Analysis of Major Governmental Funds by Fund

General Fund

The General Fund is the chief operating fund of the City. For the year ending June 30, 2018, the total fund balance was \$12.6 million, just over 43.1% of which is non-spendable or has been committed or assigned to cover contingencies, claims, advances to other funds and other City projects.

Revenues increased by \$1.9 million in 2017-18 compared to last fiscal year, an increase of 6.2%. Expenditures increased \$1.2 million in fiscal year 2017-18 compared to last fiscal year, a change of 4.2%. Significant changes in revenues and expenditures that affected the General Fund balances are discussed below:



General Fund Revenues

Property Tax increased by \$699,686 (6.3%) compared to the prior year resulting from increases in property tax from the distribution of residual payments from real property transfer tax revenues generated from the sale of property within the City, and higher assessed property valuations.

Sales and All Other Taxes decreased \$61,931 (0.8%) from the prior year primarily due to slight decreases in, sales tax, franchise tax, transient occupancy tax, and business license tax.

Intergovernmental revenues increased \$683,684 (13.4%) from fiscal year 2016-17 due to the increase in the amounts received for state motor vehicle license revenues and supplemental tax netted and state and county grants for childcare, seniors, and police.

Charges for Services revenues increased by \$44,761 (1.6%) from prior fiscal year mainly due to the increase in reimbursement for fire services offset by slight decrease in volume of development and renovation projects for planning, engineering, and building review and processing.

Licenses, Permits and Fees revenues increased by \$226,559 (28.7%) compared to the prior fiscal year due to the increase of the volume of permits including building, plumbing, electrical and home occupation permit fees.

Fines, Forfeitures, And Penalties and All Other Revenues increased by \$303,369 (10.4%) from the prior fiscal year; the majority of this increase is due to vehicle code fines and recreation program revenues.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Detailed Analysis of Major Governmental Funds by Fund, Continued

General Fund Expenditures

Public Safety expenditures consisting of the Police and Fire departments increased \$750,000 (4.9%). More than 50% of the increase is due to salaries and benefits.

Public Works expenditures increased \$560,000 (21.1%) compared to the prior year. The increase is due to salaries and benefits, utilities and departmental expenses.

Planning Department expenditures increased \$142,000 (7.8%) from fiscal year 2016-17. Contractual services is the main reason for the increase along with a slight increase in salaries and benefits.

Parks, Beaches, And Recreation expenditures decreased by \$163,000 (3.8%) from the prior year. Salaries and benefits decreased for child care programs coupled with significant decrease in rental and lease expenses.

General Government expenditures decreased \$94,000 (2.1%) from the prior year. The decrease is due to salaries and benefits, and operating software.

General Capital Improvement Fund

The Capital Improvement Fund accounts for funds used for capital improvements and significant maintenance projects. As of June 30, 2018, its fund deficit was \$2.2 million. The increase in the deficit is due to capital outlay for the Palmetto Streetscape Project. Project reimbursements are expected to be received in fiscal year 2018-19.



Gas Tax Special Revenue Fund

The Gas Tax Special Revenue Fund was established to receive and expend the City's allocation of the State Gasoline Taxes. Expenditures are restricted for street related purposes, including construction or purchasing of right-of-ways on minor streets and street engineering. As of June 30, 2018, its fund balance of \$240,000 is restricted for street related purposes.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued
Detailed Analysis of Major Governmental Funds by Fund, Continued

Davies Trust Fund

The Davies Trust Fund accounts for a donation by a private individual which is restricted for specific purposes. The funds are to be used to help acquire, build, remodel, improve, support, and maintain equipments, buildings, grounds, yards, gardens, and landscaped areas of the various parks, beaches, and recreational area located in Pacifica and to conduct related educational and recreational programs for the benefit of the general public. As of June 30, 2018, its fund balance was approximately \$3.5 million.

Debt Service Fund

The Debt Service Fund for the accumulation and disbursement of funds from the financing of various long-term debt liabilities. As of June 30, 2018, its fund balance was approximately \$2.0 million. This fund balance is typically restricted or assigned for the payment of long term debt that the City has incurred.

Disaster Accounting Fund

The Disaster Accounting Fund accounts for both revenues (from grants and other reimbursements) and expenditures associated with catastrophic events occurring in the City. As of June 30, 2018, its fund deficit was approximately \$3.9 million. However, the City does expect some level of reimbursement for Disaster related expenditures from third parties, thus mitigating this deficit in the future.

Summary Analysis of Proprietary Funds

As of June 30, 2018, the Enterprise Fund had a net position balance of \$25.8 million, representing \$1.2 million (4.7%) increase. The majority of the net position (62%) is held for the net investment in capital assets.

The net position balance of the Internal Service Funds is \$6.1 million, an increase of approximately \$0.9 million (16.4%) from the previous fiscal year.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Summary Analysis of Proprietary Funds, Continued

Table 7
Change in Fund Net Position - Proprietary Funds for the year ended June 30,
(In Millions)

	<u>Total Enterprise Funds</u>		<u>Total Internal Service Funds</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 14.3	\$ 13.2	\$ 2.5	\$ 2.5
Operating expenses	12.0	11.5	2.6	2.7
Operating income (loss)	<u>2.3</u>	<u>1.7</u>	<u>(0.1)</u>	<u>(0.2)</u>
Non-operating revenues (expenses)	(1.0)	(0.7)	0.1	0.0
Net income (loss) before contributions and operating transfers	<u>1.3</u>	<u>1.0</u>	<u>-</u>	<u>(0.2)</u>
Transfers in (out)	(0.1)	(0.8)	0.9	0.3
Change in net position	<u>\$ 1.2</u>	<u>\$ 0.1</u>	<u>\$ 0.9</u>	<u>\$ 0.1</u>

Sewer Utility Enterprise Funds

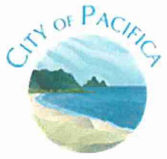
This fund accounts for the operation and maintenance of the City's wastewater collection system, including the operating costs of the wastewater collection system and water recycling plant. Of the total net position, \$16.0 million was invested in capital assets, net of related debt.

Parking Enterprise Fund

This fund accounts for the operation and maintenance of the City's parking facilities. The fund was established during the 2014-15 fiscal year.

BUDGETARY HIGHLIGHTS OF THE CITY'S GENERAL FUND

Over the course of the year, the City Council revised the City's budget with adjustments for various revenue and expenditure changes. After taking into account these adjustments, General Fund actual revenues were more than the final budget by \$0.9 million (2.9%). General Fund actual expenditures were approximately \$1.2 million (3.9%) under the final budget.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

GASB 34 requires the City to record all of its capital assets, including infrastructure in the Statement of Net Position. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. The City has recorded its capital assets at historical cost or estimated historical cost if actual historical cost was not available. In addition, donated fixed assets have been valued at their estimated fair market value on the date donated.

Table 8
Capital Assets at June 30,
(In Millions)

	<u>2018</u>	<u>2017</u>
Governmental activities		
Land	\$ 40.4	\$ 39.8
Construction in progress	5.3	1.7
Building and improvements	16.0	16.0
Machinery and equipment	2.8	2.7
Vehicles	7.0	6.9
Infrastructure	34.3	34.2
Less accumulated depreciation	(29.2)	(27.6)
Totals	<u><u>\$ 76.6</u></u>	<u><u>\$ 73.7</u></u>
Business-type activities		
Land	\$ 4.0	\$ 4.0
Construction in progress	14.8	1.3
Buildings	77.3	77.2
Collection Systems	16.6	12.7
Machinery and equipment	2.0	1.7
Less accumulated depreciation	(58.8)	(56.0)
Totals	<u><u>\$ 55.9</u></u>	<u><u>\$ 40.9</u></u>

At June 30, 2018 the cost of infrastructure and other capital assets recorded on the City's financial statements is shown in Table 8 above.

At June 30, 2018, the City had \$76.6 million, net of depreciation, invested in a broad range of capital assets used in governmental activities and \$55.8 million, also net of depreciation, invested in Business-type activities assets, as shown in the table above.

The City depreciates all its capital assets on a straight-line basis over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets may be found in Notes 1 and 5.



City of Pacifica
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2018

CAPITAL ASSETS AND LONG TERM DEBT, Continued

Long Term Debt

At June 30, 2018 the City's Governmental Activities had debt outstanding in the amount of approximately \$26.3 million, all backed by the full faith and credit of the government. More information on long-term debt activity may be found in Note 5 of the Notes to the Basic Financial Statements.

Table 9
Outstanding Debt at June 30,
(In Millions)

	<u>2018</u>	<u>2017</u>
Governmental activities		
2008 Certificate of Participation		
2016 Certificate of Participation	\$ 16.9	\$ 17.0
Capital Lease Payable	0.6	0.7
2010 Pension Obligation Bond	8.9	9.7
Notes Payable	-	-
Total Debt Outstanding	<u>\$ 26.3</u>	<u>\$ 27.4</u>
 Total Bonded Debt Outstanding	 <u><u>\$ 26.3</u></u>	 <u><u>\$ 27.4</u></u>

The City has made all required debt service payments on the issues listed above. The City maintains an “AA-” rating from Standard and Poor’s on the General Obligation debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

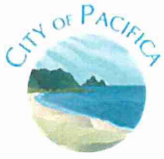
As the City looks ahead to fiscal year 2018-2019, management remains encouraged by the relatively strong growth in our regional economy.

The City has a promising future buoyed by vision, innovation and partnerships. To assist in the development of the 2018-2019 Budget and to improve the City’s fiscal health, the City Council has reviewed the City’s Long Term Financial Plan for the last four fiscal years. This practice will continue into the FY 2018-19 fiscal year as well.

While revenues remain stable, expenditure pressures to maintain existing services, infrastructure and facilities are substantial. Increases in employee benefit costs are expected to rise for the existing retirement and health care systems provided as part of overall compensation strategies to attract and retain high performing individuals to serve our community.

The City is able to achieve a balanced budget for fiscal year 2018-19 and maintain reserves for the General Fund through a combination of measures, including the following:

- ❖ **Cost Recovery.** With the completion of the Cost Allocation Plan and Fee Study, the City began to have a better understanding of the true cost of delivering services and has moved toward recovering those costs in appropriate ways.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

- ❖ Expand the City's Reserve Policy to address additional reserve designations, and begin funding them.
- ❖ Budget annual expenses at or below annual revenues to ensure the City is living within its means.
- ❖ Align one-time money to cover one-time expenses rather than ongoing operations. This is a direction that the City has implemented.
- ❖ Increase financial transparency. In recent budget communications, staff has been focused on sharing financial information in such a way as to engender trust in how the City manages the public's money. Sharing the assumptions in the City's financial projections is a key example of this emphasis on transparency, as is translating numbers and spreadsheets into a meaningful, easy to read, document at the conclusion of the budget process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to Lorenzo Hines Jr., Assistant City Manager at City of Pacifica, City Manager's Office, 170 Santa Maria Avenue, Pacifica, California 94044.

A copy of this financial report is also located at the City's website at <http://www.cityofpacifica.org>, by selecting "Departments/Administrative Services/Finance/Comprehensive Annual Financial Report" and then selecting the "year".

CITY OF PACIFICA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$24,080,509	\$7,953,075	\$32,033,584
Cash and investments with fiscal agents (Note 3)	349,156	14,193,533	14,542,689
Restricted cash and investments (Note 3)	3,464,691		3,464,691
Taxes receivable	1,104,143		1,104,143
Accounts receivable, net of allowance	1,294,261	33,530	1,327,791
Prepaid items	154,622	359,054	513,676
Inventories	24,871	143,675	168,546
Receivable from successor agency (Note 10)	3,777,419		3,777,419
Capital assets, not being depreciated (Note 4)	45,789,334	18,789,624	64,578,958
Capital assets, being depreciated, net of accumulated depreciation (Note 4)	30,821,004	37,036,759	67,857,763
Internal balances (Note 9)	(1,956,755)	1,956,755	
Total Assets	<u>108,903,255</u>	<u>80,466,005</u>	<u>189,369,260</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of debt	837,880	292,016	1,129,896
Related to OPEB (Note 6)	143,049	31,401	174,450
Related to pension (Note 7)	15,227,286	400,352	15,627,638
Total Deferred Outflows of Resources	<u>16,208,215</u>	<u>723,769</u>	<u>16,931,984</u>
LIABILITIES			
Accounts payable	1,627,955	4,128,048	5,756,003
Interest payable	893,946	97,318	991,264
Refundable deposits	1,381,821		1,381,821
Unearned revenue			
Claims payable due within one year (Note 8)	137,898		137,898
Compensated absences (Note 1M):			
Due within one year	847,879	201,121	1,049,000
Due in more than one year	639,628	138,161	777,789
Long term debt (Note 5):			
Due within one year	976,027	2,454,787	3,430,814
Due in more than one year	25,363,362	45,865,807	71,229,169
Net OPEB Liabilities, due in more than one year (Note 6)	5,169,314	1,134,727	6,304,041
Net pension liabilities, due in more than one year (Note 7)	49,558,934	1,241,738	50,800,672
Total Liabilities	<u>86,596,764</u>	<u>55,261,707</u>	<u>141,858,471</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB (Note 6)	511,476	112,275	623,751
Related to pension (Note 7)	2,809,894	51,856	2,861,750
Total Deferred Inflows of Resources	<u>3,321,370</u>	<u>164,131</u>	<u>3,485,501</u>
NET POSITION (Note 11)			
Net investment in capital assets	59,589,114	15,985,969	75,575,083
Restricted for:			
Construction of capital assets	9,155,545		9,155,545
Streets, highways, and other related purposes	4,512,896		4,512,896
Parks, beaches and recreation	3,546,702		3,546,702
Stormwater operations	766,479		766,479
Public safety	238,320		238,320
Unrestricted	(42,615,720)	9,777,967	(32,837,753)
Total Net Position	<u>\$35,193,336</u>	<u>\$25,763,936</u>	<u>\$60,957,272</u>

See accompanying notes to financial statements

CITY OF PACIFICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$7,156,065	\$109,145	\$1,588,031	
Public safety	17,194,894	1,141,995	437,787	
Community development	2,329,479	2,216,407		
Public works	7,409,411	743,700	249,266	3,759,417
Parks, beaches and recreation	4,963,552	2,486,816	1,266,819	
Interest on long-term debt	1,896,665			
Total Governmental Activities	<u>40,950,066</u>	<u>6,698,063</u>	<u>3,541,903</u>	<u>3,759,417</u>
Business-type Activities:				
Sewer	12,922,459	13,761,816		
Beach Parking	562,426	543,919		
Total Business-type Activities	<u>13,484,885</u>	<u>14,305,735</u>		
Total	<u>\$54,434,951</u>	<u>\$21,003,798</u>	<u>\$3,541,903</u>	<u>\$3,759,417</u>

General Revenues:
 Taxes:
 Property taxes
 Sales and use taxes
 Franchise taxes
 Other taxes
 Motor vehicle in lieu, unrestricted
 Investment earnings
 Miscellaneous
 Transfers

Total General Revenues and Transfer

Change in Net Position

Net Position at beginning of year, as restated (Note 11C)

Net Position at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$5,458,889)		(\$5,458,889)
(15,615,112)		(15,615,112)
(113,072)		(113,072)
(2,657,028)		(2,657,028)
(1,209,917)		(1,209,917)
(1,896,665)		(1,896,665)
<u>(26,950,683)</u>		<u>(26,950,683)</u>
	\$839,357	839,357
	(18,507)	(18,507)
	<u>820,850</u>	<u>820,850</u>
<u>(26,950,683)</u>	<u>820,850</u>	<u>(26,129,833)</u>
13,780,294		13,780,294
2,350,478		2,350,478
1,722,343		1,722,343
4,904,111		4,904,111
3,973,622		3,973,622
151,887	442,917	594,804
505,076		505,076
98,343	(98,343)	
<u>27,486,154</u>	<u>344,574</u>	<u>27,830,728</u>
535,471	1,165,424	1,700,895
<u>34,657,865</u>	<u>24,598,512</u>	<u>59,256,377</u>
<u>\$35,193,336</u>	<u>\$25,763,936</u>	<u>\$60,957,272</u>

CITY OF PACIFICA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Davies Trust</u>	<u>Disaster Accounting</u>
Assets				
Cash and investments (Note 3)	\$6,542,655	\$272,279		
Cash and investments with fiscal agents (Note 3)				
Restricted cash and investments (Note 3)			\$3,464,691	
Receivables:				
Taxes	1,097,894			
Accounts	1,159,407	33,152		
Due from other funds (Note 9)	3,851,216			
Prepaid items	149,372			
Inventories	2,056			
Receivable from RDA successor agency (Note 10)	3,777,419			
Advance to other funds (Note 9)	75,000			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$16,655,019</u>	<u>\$305,431</u>	<u>\$3,464,691</u>	<u> </u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$762,212	\$65,713		\$149,169
Refundable deposits	1,381,821			
Due to other funds (Note 9)			\$216	3,744,153
Unearned revenue				
Advance from other funds (Note 10)	1,956,755			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,100,788</u>	<u>65,713</u>	<u>216</u>	<u>3,893,322</u>
Fund balances (Note 11):				
Non-spendable	4,003,847			
Restricted		239,718	3,464,475	
Assigned	1,407,541			
Unassigned	7,142,843			(3,893,322)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>12,554,231</u>	<u>239,718</u>	<u>3,464,475</u>	<u>(3,893,322)</u>
	<u>\$16,655,019</u>	<u>\$305,431</u>	<u>\$3,464,691</u>	<u> </u>

See accompanying notes to financial statements

General Capital Improvement Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
	\$1,708,190	\$10,693,813	\$19,216,937
\$13,415	335,741		349,156
			3,464,691
		6,249	1,104,143
14,346		85,833	1,292,738
			3,851,216
	5,250		154,622
			2,056
			3,777,419
		1,849,619	1,924,619
<u>\$27,761</u>	<u>\$2,049,181</u>	<u>\$12,635,514</u>	<u>\$35,137,597</u>
\$255,717		\$93,946	\$1,326,757
106,847			1,381,821
			3,851,216
<u>1,849,619</u>		<u>75,000</u>	<u>3,881,374</u>
<u>2,212,183</u>		<u>168,946</u>	<u>10,441,168</u>
			4,003,847
	\$2,049,181	12,466,568	18,219,942
(2,184,422)			1,407,541
			1,065,099
<u>(2,184,422)</u>	<u>2,049,181</u>	<u>12,466,568</u>	<u>24,696,429</u>
<u>\$27,761</u>	<u>\$2,049,181</u>	<u>\$12,635,514</u>	<u>\$35,137,597</u>

CITY OF PACIFICA
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Fund Balance - Governmental Funds \$24,696,429

Amounts reported for Governmental Activities in the Statement of Net Position is different from those reported in the governmental funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds. 74,743,765

Deferred charge on refunding, net of accumulated amortization has not been reported in the governmental funds. This was capitalized and amortized over the life of the new debt or old debt whichever is shorter in the Statement of Net Position. 837,880

The items below are not financial resources / (not due and payable) in the current period and, therefore are not reported in the governmental funds.

Compensated Absences	(1,461,011)
Long term debt	(26,187,315)
Interest payable	(893,380)
Net OPEB liabilities	(5,169,314)
Net Pension Liabilities	(49,558,934)
Deferred inflows related to pension and OPEB	(3,321,370)
Deferred outflows related to pension and OPEB	15,370,335

Internal service funds are used by management to charge costs of certain activities, such as insurance and central garage, to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Statement of Net Position. 6,136,251

Net Position of Governmental Activities \$35,193,336

See accompanying notes to financial statements

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CITY OF PACIFICA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Davies Trust</u>	<u>Disaster Accounting</u>
REVENUES				
Taxes	\$19,540,697	\$958,616		
Licenses and permits	1,015,105			
Fines and forfeitures	190,202			
Use of money and property	260,800	1,339	\$3,740	
Intergovernmental	5,784,679			\$302,177
Charges for current services	2,766,967			
Recreation programs	988,832			
Other	1,785,040	14		1,114,452
Total Revenues	<u>32,332,322</u>	<u>959,969</u>	<u>3,740</u>	<u>1,416,629</u>
EXPENDITURES				
Current:				
General government	4,444,200		104	
Public safety	16,146,468			
Community development	1,968,828			
Public works	3,211,739	612,750		
Parks, beaches, and recreation	4,158,150			
Capital outlay	61,888	10,759		3,167,388
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	<u>29,991,273</u>	<u>623,509</u>	<u>104</u>	<u>3,167,388</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,341,049</u>	<u>336,460</u>	<u>3,636</u>	<u>(1,750,759)</u>
Other Financing Sources (Uses):				
Transfers in (Note 9)	876,225			
Transfers out (Note 9)	(993,164)	(408,493)		
Total Other Financing Sources (Uses)	<u>(116,939)</u>	<u>(408,493)</u>		
Net Changes in Fund Balances	2,224,110	(72,033)	3,636	(1,750,759)
Fund Balances (Deficits) at beginning of year	<u>10,330,121</u>	<u>311,751</u>	<u>3,460,839</u>	<u>(2,142,563)</u>
Fund Balances (Deficits) at end of year	<u>\$12,554,231</u>	<u>\$239,718</u>	<u>\$3,464,475</u>	<u>(\$3,893,322)</u>

See accompanying notes to financial statements

General Capital Improvement Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
		\$3,268,346	\$23,767,659
\$20,677			1,035,782
			190,202
1,046	\$9,238	35,262	311,425
922,438		627,479	7,636,773
		11,681	2,778,648
			988,832
	1,495,394	266,942	4,661,842
<u>944,161</u>	<u>1,504,632</u>	<u>4,209,710</u>	<u>41,371,163</u>
			4,444,304
		45,510	16,191,978
61,397		80,096	2,110,321
		216,976	4,041,465
		95	4,158,245
3,358,599		102,125	6,700,759
	971,335		971,335
	1,334,728		1,334,728
<u>3,419,996</u>	<u>2,306,063</u>	<u>444,802</u>	<u>39,953,135</u>
<u>(2,475,835)</u>	<u>(801,431)</u>	<u>3,764,908</u>	<u>1,418,028</u>
725,000	811,000		2,412,225
		(1,801,005)	(3,202,662)
<u>725,000</u>	<u>811,000</u>	<u>(1,801,005)</u>	<u>(790,437)</u>
(1,750,835)	9,569	1,963,903	627,591
(433,587)	2,039,612	10,502,665	24,068,838
<u>(\$2,184,422)</u>	<u>\$2,049,181</u>	<u>\$12,466,568</u>	<u>\$24,696,429</u>

CITY OF PACIFICA
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current asset and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in fund balance	\$627,591
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Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over estimated lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	4,553,939
Depreciation expense	(1,687,534)

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

Repayment of debt principal	971,335
Interest expense	(520,444)
Amortization of loss on refunding	(32,466)

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds:

Compensated absences (net change)	34,390
Net pension liabilities (net change)	(4,202,591)
Net OPEB liabilities	(72,586)

The internal services funds are used by management to charge costs of certain activities such as insurance and central garage, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.

	<u>863,837</u>
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Changes in net position of governmental activities	<u><u>\$535,471</u></u>
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See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-Type Activities			Governmental
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Assets:				
Current Assets:				
Cash and investments (Note 3)	\$7,953,075		\$7,953,075	\$4,863,572
Cash and investments with fiscal agents (Note 3)	14,193,533		14,193,533	
Accounts receivable	9,507	\$24,023	33,530	1,523
Due from other funds (Note 9)	7,562			
Prepaid items	359,054		359,054	
Inventory	143,675		143,675	22,815
Total Current Assets	<u>22,666,406</u>	<u>24,023</u>	<u>22,682,867</u>	<u>4,887,910</u>
Noncurrent Assets:				
Advance to other funds (Note 9)	1,956,755		1,956,755	
Capital assets, not being depreciated (Note 4)	18,789,624		18,789,624	258,774
Capital assets, being depreciated, net of accumulated depreciation (Note 4)	<u>37,018,459</u>	<u>18,300</u>	<u>37,036,759</u>	<u>1,607,799</u>
Total Noncurrent assets	<u>57,764,838</u>	<u>18,300</u>	<u>57,783,138</u>	<u>1,866,573</u>
Total Assets	<u>80,431,244</u>	<u>42,323</u>	<u>80,466,005</u>	<u>6,754,483</u>
Deferred Outflows of Resources				
Deferred charge on refunding (Note 5)	292,016		292,016	
Related to OPEB (Note 6)	31,401		31,401	
Related to pension (Note 7)	<u>400,352</u>		<u>400,352</u>	
Total Deferred Outflows of Resources	<u>723,769</u>		<u>723,769</u>	
Liabilities:				
Accounts payable	4,108,265	19,783	4,128,048	301,198
Due to other funds (Note 9)		7,562		
Interest payable	97,318		97,318	566
Claims payable (Note 8):				
Due within one year				137,898
Compensated absences (Note 1M):				
Due within one year	189,037	12,084	201,121	15,103
Due in more than one year	131,364	6,797	138,161	11,393
Long term debt (Note 5):				
Due within one year	2,454,787		2,454,787	16,367
Due in more than one year	45,865,807		45,865,807	135,707
Net OPEB Liabilities, due in more than one year (Note 6)	1,134,727		1,134,727	
Net pension liabilities:				
Due in more than one year (Note 7)	<u>1,241,738</u>		<u>1,241,738</u>	
Total Liabilities	<u>55,223,043</u>	<u>46,226</u>	<u>55,261,707</u>	<u>618,232</u>
Deferred Inflows of Resources:				
Related to OPEB (Note 6)	112,275		112,275	
Related to pension (Note 7)	<u>51,856</u>		<u>51,856</u>	
Total Deferred inflows of Resources	<u>164,131</u>		<u>164,131</u>	
Net Position:				
Net investment in capital assets	15,985,969		15,985,969	1,866,573
Unrestricted	<u>9,781,870</u>	<u>(3,903)</u>	<u>9,777,967</u>	<u>4,269,678</u>
Total Net Position	<u>\$25,767,839</u>	<u>(\$3,903)</u>	<u>\$25,763,936</u>	<u>\$6,136,251</u>

See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities			Governmental
	Major	Non-major	Total	Internal
	Enterprise Fund Sewer Utility	Enterprise Fund Beach Parking	Enterprise Funds	Service Funds
Operating Revenues:				
Charges for services	\$13,623,033	\$543,919	\$14,166,952	\$1,512,339
Other operating income	138,783		138,783	994,170
Total Operating Revenues	13,761,816	543,919	14,305,735	2,506,509
Operating Expenses:				
Personnel services	4,005,488	470,552	4,476,040	508,246
Administration	976,907	59,783	1,036,690	34,866
Supplies and materials	1,080,978	14,078	1,095,056	349,137
Insurance	365,252		365,252	905,813
Outside contractors	81,542		81,542	7,940
Maintenance	466,597	15,700	482,297	58,161
Utilities	1,682,791		1,682,791	
Insurance claims				227,318
Depreciation (Note 4)	2,775,873	2,313	2,778,186	490,440
Total Operating Expenses	11,435,428	562,426	11,997,854	2,581,921
Operating Income (Loss)	2,326,388	(18,507)	2,307,881	(75,412)
Non-operating revenues (Expenses):				
Investment earnings	442,917		442,917	16,031
Intergovernmental revenues				31,546
Gain on sale of capital assets				11,919
Interest and fiscal charges	(1,469,113)		(1,469,113)	(9,027)
Amortization	(17,918)		(17,918)	
Total Non-Operating Revenues (Expenses)	(1,044,114)		(1,044,114)	50,469
Income (Loss) Before Transfers	1,282,274	(18,507)	1,263,767	(24,943)
Transfers:				
Transfers in (Note 9)	26,272		26,272	1,177,779
Transfers out (Note 9)	(124,615)		(124,615)	(288,999)
Changes in Net Position	1,183,931	(18,507)	1,165,424	863,837
Net Position, Beginning of Year, as restated (Note 11)	24,583,908	14,604	24,598,512	5,272,414
Net Position, End of Year	\$25,767,839	(\$3,903)	\$25,763,936	\$6,136,251

See accompanying notes to financial statements

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CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$13,867,774	\$522,509	\$14,390,283	\$2,512,780
Receipts from other funds		7,562	7,562	
Payments to suppliers	(1,248,960)	(73,574)	(1,322,534)	(1,165,733)
Payments for claims				(250,012)
Payments to and on behalf of employees	(3,845,935)	(470,996)	(4,316,931)	(524,254)
Payments to other funds	(7,562)		(7,562)	
Net Cash Provided (Used) by Operating Activities	<u>8,765,317</u>	<u>(14,499)</u>	<u>8,750,818</u>	<u>572,781</u>
Cash Flows from Noncapital and Related Financing Activities:				
Intergovernmental revenues				31,546
Interfund payment				(288,999)
Interfund receipts	72,339		72,339	1,177,779
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>72,339</u>		<u>72,339</u>	<u>920,326</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(17,660,486)	(20,613)	(17,681,099)	(611,162)
Proceeds from sale of capital assets				11,919
Principal payments on bonds and notes	(2,734,029)		(2,734,029)	(14,624)
Interest paid	(1,466,059)		(1,466,059)	(9,027)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(21,860,574)</u>	<u>(20,613)</u>	<u>(21,881,187)</u>	<u>(622,894)</u>
Cash Flows from Investing Activities:				
Interest received	442,917		442,917	16,031
Net Cash Provided by Investing Activities	<u>442,917</u>		<u>442,917</u>	<u>16,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,580,001)	(35,112)	(12,615,113)	886,244
Cash and Cash Equivalents at the Beginning of the Fiscal year	34,726,609	35,112	34,761,721	3,977,328
Cash and Cash Equivalents at the End of the Fiscal Year	<u>\$22,146,608</u>	<u>35,112</u>	<u>\$22,146,608</u>	<u>\$4,863,572</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:				
Cash and investments	\$7,953,075		\$7,953,075	
Cash and investments with fiscal agents	14,193,533		14,193,533	\$4,863,572
Total Cash and Cash Equivalents	<u>\$22,146,608</u>		<u>\$22,146,608</u>	<u>\$4,863,572</u>

(Continued)

See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities			Governmental
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$2,326,388	(\$18,507)	\$2,307,881	(\$75,412)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,775,873	2,313	2,778,186	490,440
(Increase) Decrease in Operating Assets:				
Accounts Receivable	18,810	(21,410)	(2,600)	
Due from other funds	(7,562)		(7,562)	
Prepaid Items	2,272		2,272	
Inventories	84,876		84,876	6,271
Increase (Decrease) in Operating Liabilities:				
Accounts payable	3,405,107	15,987	3,421,094	190,131
Due to other funds		7,562	7,562	
Accrued liabilities				53
Claims payable				(22,694)
Net Pension/OPEB Liability, Deferred Inflows and Deferred Outflows	161,107		161,107	
Compensated Absences	(1,554)	(444)	(1,998)	(16,008)
Net Cash Provided (Used) by Operating Activities	<u>\$8,765,317</u>	<u>(\$14,499)</u>	<u>\$8,750,818</u>	<u>\$572,781</u>
Noncash Transactions				
Amortization of bond premium	<u>(\$17,918)</u>			

See accompanying notes to financial statements

CITY OF PACIFICA
 SUCCESSOR AGENCY
 PRIVATE PURPOSE TRUST FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Assets:	
Cash and investments (Note 3)	\$501,546
Cash and investments with fiscal agents (Note 3)	<u>224,801</u>
Total Assets	<u>726,347</u>
Liabilities:	
Accounts payable	1,198
Interest payable	34,204
Loan payable to the City - due in more than one year (Note 10)	3,777,419
Long-term debt:	
Due within one year (Note 13)	60,000
Due in more than one year (Note 13)	<u>1,140,000</u>
Total Liabilities	<u>5,012,821</u>
Net Position:	
Restricted for debt service	50,000
Unrestricted	<u>(4,336,474)</u>
Total Net Position (Deficit)	<u><u>(\$4,286,474)</u></u>

See accompanying notes to financial statements

CITY OF PACIFICA
 SUCCESSOR AGENCY
 PRIVATE PURPOSE TRUST FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

Additions:	
Investment revenue	\$3,160
Taxes and assessments	<u>216,814</u>
Total Additions	<u>219,974</u>
Deductions:	
Interest expense	126,065
Community development expense	<u>4,134</u>
Total Deductions	<u>130,199</u>
Change in Net Position	89,775
Net Position (Deficit) at Beginning of Year	<u>(4,376,249)</u>
Net Position (Deficit) at End of Year	<u><u>(\$4,286,474)</u></u>

See accompanying notes to financial statements

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**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Pacifica (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (“USGAAP”) as applied to governmental agencies. The Governmental Accounting Standards Boards (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

A. Reporting Entity

The City of Pacifica was incorporated November 22, 1957 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City operates under a Council-Manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, elects one of the Council Members to serve as Mayor for one year. This legislative body selects a City Manager to administer the affairs of the City. The City provides the following services: public safety (police, fire, and civil defense), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements include the financial activities of the City.

The City of Pacifica Financing Authority is a separate government entity whose purpose is to assist with the financing certain public capital facilities for the City through the issuance of bonds or other forms of debt. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The Authority does not issue separate financial statements.

The City participates in the ABAG Plan Corporation, a public entity risk pool, whose financial activities are not included in the basic financial statements as it is administered by a board, separate from and independent, of the City (See Note 8).

There are no other entities which meet the Governmental Accounting Standards Board Statement No. 14 as amended by GASB Statements No. 39 and No. 61, criteria for blended or discrete disclosure within these financial statements.

B. Basis of Presentation

The City’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

B. Basis of Presentation (Continued)

The City's government-wide financial statements include a Statement of Net Position, and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, accompanied by a total column. These financial statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities (Sewer Utility Enterprise Fund) are financed generally through user fees.

C. Government-wide and Fund Financial Statements

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Interfund services provided and used are not eliminated in the process of consolidation on the Statement of Activities.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No.34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments ("GASB No. 34") in regards to interfund activities, payables and receivables.

D. Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

The governmental fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds. The internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Policies (Continued):

D. Financial Statements (Continued)

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary funds represent private-purpose trust funds, which the City serves as a trustee for the Successor Agency. Trust funds are accounted for on an economic resources measurement focus and full accrual basis of accounting. The City has one RDA Successor Agency private-purpose trust fund.

E. Major Funds

GASB 34 defines major funds and requires that the City’s major governmental funds be identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. Major funds are defined as funds which have either assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types, excluding fiduciary. The general fund is always a major fund. The major funds of the City are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, community development, and parks, beaches, and recreation, which are not required to be accounted for in another fund.
- **Gas Tax Special Revenue Fund** – This fund was established to receive and expend the City’s allocation of the State Gasoline Taxes. Each City is allocated funds on a population basis in accordance with Section 2103, 2105, 2106, 2107 and 2107.5 of the California Street and Highway Code. Population is determined by the latest Federal Census or survey requested and certified by the Cities and conducted by the State Department of Finance. Expenditures may be made for construction or purchasing of right-of-way on minor streets. Expenditures of money apportioned under Section 2107 may be made for any street purpose. Under Section 2107.5 a flat allocation of \$6,000 per year is granted the City for street engineering.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Policies (Continued):

E. Major Funds (Continued)

- **Davies Trust Special Revenue Fund** – This fund was established to account for a donation by a private individual which is restricted for specific purposes. The funds are to be used to help acquire, build, remodel, improve, support, and maintain the equipment, buildings, grounds, yard, gardens, and landscaped areas of the various parks, beaches, and recreational area located in Pacifica, to conduct related educational and recreational programs for the benefit of the general public.
- **Disaster Accounting Special Revenue Fund** – This fund is used to account for all revenues received and expenditures incurred due to natural and man-made disasters.
- **General Capital Improvement Capital Projects Fund** – This fund is used to account for revenues derived from fees and apportionments from General Fund to be used for the acquisition, construction, and improvement of major capital facilities of the City.
- **Debt Service Fund** – This fund is used to account for the accumulated and the disbursement of account for expenditures and financing of various long-term debt liabilities.

The City reports the following major enterprise fund:

- **The Sewer Utility Enterprise Fund** – This fund accounts for the operation and maintenance of the City's wastewater collection system including operating costs of the wastewater collection system and water recycling plant.

Additionally, the City reports the following fund types:

- **The Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The City has two internal service funds, the Motor Pool Fund and the Self Insurance Fund. The Motor Pool Fund accounts for the City's central garage, and the Self Insurance Fund accounts for the employee dental, workers' compensation, general liability, property, and automobile liability insurance.
- **The RDA Successor Agency Private-Purpose Trust Fund** accounts for the former Redevelopment Agency activities.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

F. Basis of Accounting

The Government-wide, Proprietary funds, and Fiduciary funds financial statements are required by GASB 34 to be reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and deferred outflows, liabilities and deferred inflows, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred regardless of when the related cash flows take place.

The Governmental funds financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The City considers all revenues reported in the governmental funds to be available if the revenue are collected within ninety days after fiscal year end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving value in exchange, include taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

G. *Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the City considered cash and cash equivalents (investments with maturities of three months or less at the time of purchase) as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling the cash of all funds, including the City's Enterprise and Internal Service Funds.

H. *Investments*

Investments are reported at fair value, except for investments that are not transferable and have terms that are not affected by change in market rates are reported at cost.

Changes in fair value that occur during a fiscal year are recognized as revenues from use of money reported for that fiscal year. Revenues from use of money include interest earnings, change in fair value, gains or losses realized upon the liquidation, maturity, or sale of investment and rental income. Changes in the fair value of investments during this fiscal year were calculated and booked.

I. *Receivables and Payables*

All accounts, grants, tax, and note receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

J. *Inventories and Prepaid Items*

General fund inventories are recorded as expenditures when consumed, rather than when purchased. These inventories are stated at cost, using the first-in, first-out (FIFO) method. Inventories in the proprietary funds are stated at the lower of cost or market, and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories and prepaid items, as reported in the fund financial statements, are offset by nonspendable fund balance for noncurrent assets in governmental funds, to indicate that they do not constitute resources available for appropriation.

K. *Capital Assets*

The City's assets are capitalized at historical cost or estimated historical cost on the government-wide Statement of Net Position and the proprietary fund financial statements. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value on the date donated. Depreciation of capital assets is charged as an expense each year, and the total amount of accumulated depreciation taken over the years, is reported on the respective statements as a reduction in the book value of capital assets.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

L. Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or unassigned fund balance.

M. Compensated Absences

City employees accrue vacation, sick, holiday, and compensatory time off benefits. An employee may accumulate vacation time equal to an amount as stipulated in their contracts. No cash compensation is payable for accrued vacation until the employee terminates employment. Sick leave is compensated in cash only upon an employee's retirement. Maximum limit per employee is \$3,000 or one quarter of employee's sick leave credit, whichever is lower. Two employee groups have elected to participate in a retirement health savings program and have directed vacation and limited sick leave cash out to separation of this program. It is the City's policy to allow employees to accumulate compensatory time within set limits instead of drawing overtime. This accumulation may subsequently be exchanged into cash or time taken.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured (such as vacation time, estimated to be paid upon retirement by the end of the fiscal year with expendable available financial resources). Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

Changes in compensated absences for the year ended June 30, 2018, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,537,905	\$341,280	\$1,879,185
Additions	1,251,648	187,373	1,439,021
Payments	(1,302,046)	(189,371)	(1,491,417)
Ending Balance	<u>\$1,487,507</u>	<u>\$339,282</u>	<u>\$1,826,789</u>
Current Portion	<u>\$847,879</u>	<u>\$201,121</u>	<u>\$1,049,000</u>
Non-current Portion	<u>\$639,628</u>	<u>\$138,161</u>	<u>\$777,789</u>

**CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

N. Property Tax Revenues

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The County of San Mateo collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan," whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

The County assesses properties, bills for, collects, and distributes property taxes per the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	January 1	January 1
Lien/Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

The term "Unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on property being taxed.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – Summary of Significant Accounting Policies (Continued):

P. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Q. Expenditures in Excess of Appropriations

The following funds incurred departmental expenditures in excess of appropriations:

Fund/Department	Excess of Expenditures Over Appropriations
Major Funds:	
Capital Projects Fund:	
General Capital Improvement	\$126,396
Davies Trust Special Revenue Fund	104
Disaster Accounting Special Revenue Fund	3,167,388
Non-Major Funds:	
Housing In-Lieu Special Revenue Fund	12,249
Park, Beaches and Recreation Special Revenue Fund	13,245
Parks and Playfields Capital Projects Fund	80,096

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - Stewardship, Compliance, and Accountability:

Budgetary information

The City operates under the general law of the State of California, and annually adopts a budget to be effective July 1 for the ensuing fiscal year. The City Manager submits a Preliminary Budget to the City Council on or about May 15 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1, and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings at Council Chambers before adopting the budget. The Council approves total appropriations at the department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30.

The appropriated budget is prepared by fund, function, and department. The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue, Debt Service, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the fiscal year. During the fiscal year, several supplementary appropriations were necessary.

Budgets for General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP). Except for Capital Project Funds, appropriations lapse at fiscal year-end and are rebudgeted for the coming year. The following capital projects funds are not budgeted annually: Aircraft Noise Project Fund, Parking In-lieu Fund, Excess ERAF Fund and Public Library Fund.

Encumbrances represent commitments related to unperformed contracts for goods or services. 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 fiscal year-end are recorded as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

Deficit Fund Balances/Net Position

As of June 30, 2018, the following funds had a deficit net position/fund balance:

Disaster Accounting Special Revenue Fund	(\$3,893,322)
General Capital Improvement Capital Projects Fund	(2,184,422)
Beach Parking Enterprise Fund	(3,903)
Successor Agency Private Purpose Trust Fund	(4,286,474)

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - Stewardship, Compliance, and Accountability (Continued):

The deficits in the governmental funds are due to the City paying expenditures in advance of receiving revenues. The majority of these deficits are going to be repaid once reimbursements are received from the grantor, and if there are any outstanding deficits after the repayments, the General Fund would cover these deficits when the fund is closed out.

NOTE 3 - Cash and Investments:

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$32,033,584
Cash and investments with fiscal agents	14,542,689
Restricted cash and investments	3,464,691

Statement of fiduciary net position:

Cash and investments	501,546
Cash and investments with fiscal agents	<u>224,801</u>

Total cash and investments	<u><u>\$50,767,311</u></u>
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**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - Cash and Investments (Continued):

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage/ Investment of Portfolio	Maximum Investment in One Issuer
Commercial Paper	270 days	A	25%	None
Bankers Acceptances	180 days	A	40%	None
U.S. Treasury Obligations	5 years	None	50%	None
U.S. Government Agency Issues	5 years	None	50%	None
Certificates of Deposit	5 years	None	30%	None
State of California Local Agency Investment Funds (State Pool)	N/A	None	\$65,000,000	\$65,000,000
Banks and Savings and Loan Time Deposits	N/A	A-1+	30%	None
Repurchase Agreements	1 year	None	15%	None
Mutual Funds	5 years	AAAm	15%	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Municipal Bonds	None	AAA
Commercial Paper	270 days	A-1
U.S. Treasury Obligations	None	None
U.S. Agency Securities	None	None
Time Deposits (Unsecured)	30 days	A-1
Money Market Funds	None	AAAm
Investment Contracts	None	AA-
Local Agency Investment Fund	None	None
Certificates of Deposit	1 year	A-1+
Bankers Acceptances	1 year	A-1+
Pre-refunding Municipal Bonds	None	AAA
State and Municipal Bonds	None	Two Highest Categories

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - Cash and Investments (Continued):

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments and those held by trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)	
	12 Months Or Less	Totals
California Local Agency Investment Fund	\$7,233,473	\$7,233,473
Held by Trustees:		
Money Market Fund	16,300,030	16,300,030
Total Investments	\$23,533,503	23,533,503
Cash in Banks		27,229,863
Petty Cash		3,945
Total Cash		27,233,808
Total Cash and Investments		\$50,767,311

Money market mutual funds are available for withdrawal on demand at June 30, 2018, and have an average maturity of 20 days.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (including investments held by trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above). The City does not hold any specific investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Investment in the California Local Agency Investment Fund and money market mutual funds are classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - Cash and Investments (Continued):

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Rating as of Fiscal Year End		Total
	AAAm	Not Rated	
California Local Agency Investment Fund Held by Trustees:		\$7,233,473	\$7,233,473
Money Market Fund	\$16,300,030		16,300,030
Total Investments	<u>\$16,300,030</u>	<u>\$7,233,473</u>	<u>23,533,503</u>
Cash in Banks			27,229,863
Petty Cash			3,945
Total Cash			<u>27,233,808</u>
Total Cash and Investments			<u>\$50,767,311</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. The City has no investments in any one issuer (other than money market funds and an external investment pool) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - Cash and Investments (Continued):

As of June 30, 2018, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2018, these investments have an average maturity of 193 days.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - Capital Assets:

All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. GASB Statement No.34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of the capital assets. Depreciation is provided using the straight-line method over its expected useful life. Capital assets with a value of \$5,000 or more are capitalized.

The City has assigned the following useful lives to capital assets: Buildings and improvements (25-30 years); Police Vehicles (4 years); Other Vehicles (5-25 years); Machinery and Equipment (5-15 years); Collection System (20 years); and Infrastructure (15-30 years).

The following is a summary of capital assets for governmental activities as of June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$39,792,409	\$653,171		\$40,445,580
Construction in progress	1,695,829	3,647,925		5,343,754
Total capital assets not being depreciated	<u>41,488,238</u>	<u>4,301,096</u>		<u>45,789,334</u>
Capital assets being depreciated:				
Buildings & improvements	15,957,906	5,200		15,963,106
Vehicles	6,884,208	611,162	(\$518,339)	6,977,031
Machinery and equipment	2,715,093	81,752		2,796,845
Infrastructure	34,166,365	165,890		34,332,255
Total capital assets being depreciated	<u>59,723,572</u>	<u>864,004</u>	<u>(518,339)</u>	<u>60,069,237</u>
Less accumulated depreciation for:				
Buildings & improvements	(9,338,631)	(486,250)		(9,824,881)
Vehicles	(5,577,865)	(472,642)	518,339	(5,532,168)
Machinery & equipment	(2,614,575)	(74,667)		(2,689,242)
Infrastructure	(10,057,527)	(1,144,415)		(11,201,942)
Total accumulated depreciation	<u>(27,588,598)</u>	<u>(2,177,974)</u>	<u>518,339</u>	<u>(29,248,233)</u>
Depreciable capital assets, net	<u>32,134,974</u>	<u>(1,313,970)</u>		<u>30,821,004</u>
Total capital assets, net	<u>\$73,623,212</u>	<u>\$2,987,126</u>		<u>\$76,610,338</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - Capital Assets (Continued):

Depreciation expense for governmental activities was charged to functions as follows:

General government	\$47,656
Public safety	374,714
Public works	962,852
Parks, beaches, and recreation	302,312
Internal Service Fund	490,440
	<u>490,440</u>
Total Governmental Activities	<u><u>\$2,177,974</u></u>

The following is a summary of capital assets for business-type activities as of June 30, 2018:

	Balance June 30, 2017	Additions	Balance June 30, 2018
Capital assets not being depreciated:			
Land	\$4,014,412		\$4,014,412
Construction in progress	1,318,905	\$13,456,307	14,775,212
	<u>5,333,317</u>	<u>13,456,307</u>	<u>18,789,624</u>
Total capital assets not being depreciated			
Depreciable capital assets:			
Buildings & improvements	77,224,714	66,238	77,290,952
Collection system	12,678,205	3,933,058	16,611,263
Machinery and equipment	1,734,484	225,496	1,959,980
	<u>91,637,403</u>	<u>4,224,792</u>	<u>95,862,195</u>
Total capital assets being depreciated			
Less accumulated depreciation for:			
Buildings & improvements	(49,308,980)	(1,919,985)	(51,228,965)
Collection system	(5,433,509)	(759,388)	(6,192,897)
Machinery & equipment	(1,304,761)	(98,813)	(1,403,574)
	<u>(56,047,250)</u>	<u>(2,778,186)</u>	<u>(58,825,436)</u>
Total accumulated depreciation			
Depreciable capital assets, net	<u>35,590,153</u>	<u>1,446,606</u>	<u>37,036,759</u>
Total capital assets, net	<u><u>\$40,923,470</u></u>	<u><u>\$14,902,913</u></u>	<u><u>\$55,826,383</u></u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - Long-Term Debt:

The City generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions related to both governmental and business-type activities are summarized below and discussed in detail subsequently.

Governmental Activities:

	<u>Balance July 1, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due within One Year</u>
Certificates of Participation:				
2016 COP	\$14,680,000		\$14,680,000	
Premium	2,297,583	(\$114,879)	2,182,704	
Sub-total COP	<u>16,977,583</u>	<u>(114,879)</u>	<u>16,862,704</u>	
Capital Lease Payable:				
Energy retrofit lease	699,600	(116,134)	583,466	\$120,825
Pension Obligation Bonds:				
2010 Pension obligation bond (88.622%)	9,748,420	(855,201)	8,893,219	855,202
Total Governmental Activities	<u>\$27,425,603</u>	<u>(\$1,086,214)</u>	<u>\$26,339,389</u>	<u>\$976,027</u>

Business-type Activities:

	<u>Balance July 1, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due within One Year</u>
Revenue bonds:				
2014 Wastewater Revenue Refunding	\$6,740,000		\$6,740,000	
Net Premium	1,126,914	(\$138,393)	988,521	
2017 Wastewater Revenue Bonds	22,100,000		22,100,000	
Net Premium	4,079,353	(163,175)	3,916,178	
Sub-total Revenue bonds:	<u>34,046,267</u>	<u>(301,568)</u>	<u>33,744,699</u>	
Pension Obligation bonds:				
2010 Pension obligation bond (11.378%)	1,251,580	(109,798)	1,141,782	\$122,882
Notes payable:				
State of California Water Resources Board	10,329,594	(2,065,919)	8,263,675	2,065,919
Loan and Installment Agreement	5,427,182	(256,744)	5,170,438	265,986
Total notes payable	<u>15,756,776</u>	<u>(2,322,663)</u>	<u>13,434,113</u>	<u>2,331,905</u>
Total Business-Type Activities:	<u>\$51,054,623</u>	<u>(\$2,734,029)</u>	<u>\$48,320,594</u>	<u>\$2,454,787</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - Long-Term Debt (Continued):

A. Governmental Activities Debt

2016 Certificates of Participation: On October 5, 2016, the City of Pacifica issued Certificates of Participation (COP) in the amount of \$14,680,000 (par value) payable annually beginning January 1, 2021 and with interest rates ranging from 3.000% to 5.000%, payable each July 1 and January 1, beginning January 1, 2017. The COP matures on January 1, 2037. The purpose of the COP is to (i) prepay and defease certain outstanding certificates of participation which were executed and delivered in 2008 for the purpose of financing and refinancing various municipal improvements of the City, and (ii) pay certain costs of executing and delivering the Certificates

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2018 was \$551,926 for the 2016 COP.

Annual debt service requirements, to maturity, for the 2016 Certificates of Participation are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$661,850	\$661,850
2020		661,850	661,850
2021	\$480,000	661,850	1,141,850
2022	725,000	637,850	1,362,850
2023	705,000	601,600	1,306,600
2024 - 2028	3,995,000	2,444,750	6,439,750
2029 - 2033	4,655,000	1,382,500	6,037,500
2034 - 2037	4,120,000	341,900	4,461,900
Total	<u>\$14,680,000</u>	<u>\$7,394,150</u>	<u>\$22,074,150</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - Long-Term Debt (Continued):

A. Governmental Activities Debt (Continued)

Energy Retrofit Lease: On November 1, 2012, the City entered into a lease/purchase agreement with Holman Capital Corporation for energy efficiency measures at various City owned buildings. The effective interest rate on the lease is 4.0% and lease payments are payable semiannually on November 15 and May 15, commencing May 15, 2013. The lease ends on November 15, 2022.

Annual debt service requirements, to maturity, for the Energy Retrofit Lease are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$120,825	\$22,142	\$142,967
2020	125,707	17,261	142,968
2021	130,785	12,183	142,968
2022	136,069	6,899	142,968
2023	70,080	1,402	71,482
Total	<u>\$583,466</u>	<u>\$59,887</u>	<u>\$643,353</u>

2010 Taxable Pension Obligation Bonds: During May 2010, the City of Pacifica issued \$20,510,000 of Pension Obligation Bonds bearing interest between 1.425% and 6.899% and payable semiannually on June 1 and December 1 each year, commencing December 1, 2010. The bonds mature on June 1, 2030. These bonds were used to advance pay miscellaneous and safety employee pension obligations. Approximately 88.622% of the bond proceeds were allocated to governmental activities (including 1.71% to the Motor Pool internal service fund).

Annual debt service requirements, to maturity, for the 2010 Pension Obligation Bonds (governmental portion) are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$957,118	\$591,002	\$1,548,120
2020	372,212	534,035	906,247
2021	425,386	510,392	935,778
2022	487,421	483,372	970,793
2023	553,888	452,411	1,006,299
2024 - 2028	3,970,266	1,613,439	5,583,705
2029 - 2030	2,126,928	218,271	2,345,199
Total	<u>\$8,893,219</u>	<u>\$4,402,922</u>	<u>\$13,296,141</u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities Debt

Loan and Installment Agreement: On August 27, 2012, the City of Pacifica entered into a loan and installment agreement with the City of Pacifica Financing Authority in the amount of \$6,402,594 payable annually beginning July 1, 2013 at an interest rate of 3.6%, payable each July 1 and January 1, beginning January 1, 2013. The agreement matures on July 1, 2032. The purpose of this agreement is to (i) fund an escrow to cause the mandatory tender of the outstanding 2001B Wastewater Revenue Bonds (ii) provide funds relating to the Equalization Basin Project, the Collection System Capacity Improvement Projects, and the Collection System Repair, Rehabilitation, and Replacement Projects, (iii) fund certain costs relating to the defeasance of the 2001B Wastewater Revenue Bonds, (iv) fund or provide for satisfaction of the Reserve Fund Requirement, and (v) pay the costs incurred in connection with the execution of the Loan and Installment Sale.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2018 was \$51,963 for the Loan and Installment Sale.

The defeased 2001B Wastewater Revenue Bonds have been paid off. Annual debt service requirements, to maturity, for the Loan and Installment Agreement are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$265,986	\$181,348	\$447,334
2020	275,562	171,600	447,162
2021	285,482	161,501	446,983
2022	295,759	151,039	446,798
2023	306,407	140,200	446,607
2024 - 2028	1,705,695	524,255	2,229,950
2029 - 2033	2,035,547	188,383	2,223,930
Total	<u>\$5,170,438</u>	<u>\$1,518,326</u>	<u>\$6,688,764</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

2010 Taxable Pension Obligation Bonds: During May 2010, the City of Pacifica issued \$20,510,000 of Pension Obligation Bonds bearing interest between 1.425% and 6.899% and payable semiannually on June 1 and December 1 each year, commencing December 1, 2010. The bonds mature on June 1, 2030. These bonds were used to advance pay miscellaneous and safety employee pension obligations. Approximately 11.378% of the bond proceeds were allocated to business-type activities.

Annual debt service requirements, to maturity, for the 2010 Pension Obligation Bonds (business-type portion) are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$122,882	\$75,878	\$198,760
2020	47,788	68,564	116,352
2021	54,614	65,528	120,142
2022	62,579	62,059	124,638
2023	71,113	58,084	129,197
2024 - 2028	509,734	207,146	716,880
2029 - 2030	273,072	28,023	301,095
Total	<u>\$1,141,782</u>	<u>\$565,282</u>	<u>\$1,707,064</u>

State of California Water Resource Control Board Loan: On February 20, 1997, the State of California Water Resource Control Board entered into an agreement to loan to the City \$41,304,818 for the construction of a new wastewater treatment facility.

No interest is charged on the loan. Principal payments are due each July 31, with the final payment due July 31, 2021.

Annual debt service requirements, to maturity, for the State of California Water Resource Control Board Loan are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Total</u>
2019	\$2,065,919	\$2,065,919
2020	2,065,919	2,065,919
2021	2,065,919	2,065,919
2022	2,065,918	2,065,918
Total	<u>\$8,263,675</u>	<u>\$8,263,675</u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

2014 Wastewater Revenue Refunding Bonds: In November 2014, the City issued \$6,470,000 in 2014 Wastewater Revenue Refunding Bonds (2014 bonds) with interest rates ranging from 5% to 5.25%. The proceeds were used to advance refund the 2004 Wastewater Revenue Refunding Bonds.

Net proceeds of \$9.3 million (including a \$1.4 million premium and other city funds) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2004 Wastewater Revenue Refunding Bonds are considered defeased and the liability for those bonds has been removed. The reacquisition price totaled to the net carrying amount of the refunded bonds.

Interests on the 2014 bonds are payable semiannually on April 1 and October 1 each year, commenced April 1, 2015. Principal payments which are due each October 1 will commence on October 1, 2022, with the last payment due on October 1, 2026. The bonds are paid from and secured by the net revenues of the wastewater collection system of the City.

Annual debt service requirements, to maturity, for the 2014 Wastewater Revenue Refunding Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$337,000	\$337,000
2020		337,000	337,000
2021		337,000	337,000
2022		337,000	337,000
2023	\$1,520,000	299,000	1,819,000
2024 - 2028	5,220,000	419,000	5,639,000
Total	<u>\$6,740,000</u>	<u>\$2,066,000</u>	<u>\$8,806,000</u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

2017 Wastewater Revenue Bonds: In June 2017, the City issued \$22,100,000 in 2017 Wastewater Revenue Refunding Bonds (2017 bonds) at an interest rate of 5%. The proceeds were used to fund the acquisition, construction, and installation of certain improvements to the Wastewater system.

Net proceeds of \$26.2 million (including a \$4 million premium and other city funds) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds.

Interests on the 2017 bonds are payable semiannually on April 1 and October 1 each year, commenced October 1, 2017. Principal payments which are due each October 1 will commence on October 1, 2022, with the last payment due on October 1, 2042. The bonds are paid from and secured by the net revenues of the wastewater collection system of the City.

Annual debt service requirements, to maturity, for the 2017 Wastewater Revenue Refunding Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$1,061,600	\$1,061,600
2020		1,061,600	1,061,600
2021		1,061,600	1,061,600
2022		1,061,600	1,061,600
2023	\$625,000	1,045,975	1,670,975
2024 - 2028	3,630,000	4,716,000	8,346,000
2029 - 2033	4,665,000	3,684,875	8,349,875
2034 - 2038	5,790,000	2,552,800	8,342,800
2039 - 2043	7,390,000	960,750	8,350,750
Total	<u>\$22,100,000</u>	<u>\$17,206,800</u>	<u>\$39,306,800</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (OPEB):

Plan Description

The City participates in the CalPERS medical program. Employees in the following bargaining groups who retire from the City and receive a CalPERS pension are eligible to receive City contributions towards the costs of their (OPEB) coverage:

- Department Directors
- Battalion Chiefs
- Firefighters
- Management Unit
- Police Officers
- Police Supervisors
- Police Management
- Wastewater Treatment Plant
- Miscellaneous Employees

In general, employees in the above groups may choose to receive their medical benefits from Union Trust Plans (except Public Safety – Firefighters and Police) or enroll in any of the CalPERS medical plans. For the retirees who do not participate in the CalPERS medical programs, the City does not make a contribution toward the cost of postemployment healthcare benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statements No. 75.

Funding Policy

Under its arrangement with the CalPERS medical program, the City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. Retirees must contribute any premium amounts in excess of the City contribution.

Retired Department Directors, retired Management Unit employees, unrepresented managers, and confidential employees receive an additional \$100 monthly benefit.

The City's policy is to contribute an amount sufficient to pay the current year's minimum employer contribution only.

Employees Covered

Membership in the plan consisted of the following at June 30, 2018:

Active employees	155
Inactive employees receiving benefit payments	51
Inactive employees entitled to but not yet receiving benefit payments	89
Total	<u>295</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (Continued):

Total OPEB Liability

Actuarial Methods and Assumptions: The City's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation that was rolled forward to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumption	June 30, 2018 Measurement Date
Actuarial Valuation Date	June 30, 2016
Contribution Policy	No pre-funding
Discount Rate	*3.58% at June 30, 2017 *2.85% at June 30, 2016
General Inflation	2.75% per annum
Aggregate Payroll Increase	3.00% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study Post-retirement mortality projected fully generational with Scale MP-16
Mortality Improvement	

Discount Rate: The discount rate used to measure the total OPEB liability was 3.58%.

Changes in Total OPEB Liability

The changes in the total OPEB Liability follows:

	Total OPEB Liability
Balance as of June 30, 2017: (Measurement date 6/30/16)	<u>\$6,664,823</u>
Changes Recognized for the Measurement Period:	
Service cost	351,865
Interest	197,539
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	(739,260)
Contributions from the employer	-
Benefit payments	<u>(170,926)</u>
Net changes	<u>(360,782)</u>
Balance as of June 30, 2018: (Measurement date 6/30/17)	<u><u>\$6,304,041</u></u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (Continued):

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(2.58 %)	(3.58%)	(4.58%)
\$7,350,942	\$6,304,041	\$5,471,580

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

Total OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
(5.25% Pre-Med/ 5.45% Post-Med decreasing to 3.75% in 2021)	(6.25% Pre-Med/ 6.45% Post-Med decreasing to 4.75% in 2021)	(7.25% Pre-Med/ 7.45% Post-Med decreasing to 5.75% in 2021)
\$5,325,184	\$6,304,041	\$7,560,692

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (Continued):

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

For the year ended June 30, 2018, the City recognized OPEB Expense of \$434,895. As of fiscal year ended June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$174,450 *	
Differences between actual and expected experience		
Changes of assumptions		\$623,751
Total	\$174,450	\$623,751

* Include \$118,450 cash benefit payments, \$1,000 administrative costs and \$55,000 implied subsidy benefit payments.

\$174,450 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$115,509)
2020	(115,509)
2021	(115,509)
2022	(115,509)
2023	(115,509)
Thereafter	(46,206)
Total	(\$623,751)

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans:

A. General Information about the Pension Plans

The City has pension plans with the California Public Employees Retirement System (CalPERS) and the California Public Employees Retirement System (PARS). Information about the pension plans follows.

California Public Employees Retirement System (CalPERS)

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s defined benefit pension plans as follows:

- Miscellaneous (agent multiple-employer plan)
- Safety Police (cost-sharing multiple-employer plan)
- Pepra Safety Police (cost-sharing multiple-employer plan)
- Safety Fire (cost-sharing multiple-employer plan)
- Pepra Safety Fire (cost-sharing multiple-employer plan)

These plans are administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

At June 30, 2018, the City reported the following amounts related to the pension plans:

	<u>Deferred Outflows of Resources</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous	\$5,719,309	(\$17,739,118)	(\$740,803)
Safety	9,836,781	(31,620,401)	(2,086,202)
PARS REP	71,548	(1,441,153)	(34,745)
Total	<u>\$15,627,638</u>	<u>(\$50,800,672)</u>	<u>(\$2,861,750)</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

B. Miscellaneous Plan

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous</u>
Benefit formula	2% @ 55 2.5% @ 55 2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	55-62
Monthly benefits, as a % of eligible compensation	2-2.5%
Required employee contribution rates	7.816%
Required employer contribution rates	17.934%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and be effective on the 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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

Changes in the Net Pension Liability – The changes in the Net Pension Liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 Measurement Date	\$88,031,539	\$72,566,637	\$15,464,902
Changes in the year:			
Service cost	1,631,204		1,631,204
Interest on the total pension liability	6,501,283		6,501,283
Contribution - employer		1,459,527	(1,459,527)
Contribution - employee		711,067	(711,067)
Net investment income		7,967,324	(7,967,324)
Changes in assumptions	5,308,829		5,308,829
Difference between expected and actual experience	(1,136,322)		(1,136,322)
Benefit payments, including refunds of employee contributions	(4,185,238)	(4,185,238)	
Administrative expense		(107,140)	107,140
Net changes	8,119,756	5,845,540	2,274,216
Balance at June 30, 2017 Measurement Date	\$96,151,295	\$78,412,177	\$17,739,118

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate, 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</u>
1% Decrease	6.15%
Net Pension Liability	\$30,552,336
Current Discount Rate	7.15%
Net Pension Liability	\$17,739,118
1% Increase	8.15%
Net Pension Liability	\$7,161,413

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions –
For the year ended June 30, 2018, the City recognized pension expense of \$1,034,684. At June 30, 2018, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,571,900	
Differences between actual and expected experience		(\$740,803)
Changes in assumptions	3,000,642	
Net differences between projected and actual earnings on plan investments	1,146,767	
Total	\$5,719,309	(\$740,803)

\$1,571,900 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$1,694,212
2020	1,813,884
2021	470,708
2022	(572,198)
	\$3,406,606

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

C. Safety Plan

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense.

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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

C. Safety Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety-Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	3%	2-2.7%
Required employee contribution rates	8.988%	11.500%
Required employer contribution rates	19.723%	11.990%

	Safety-Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	2.4-3%	2-2.7%
Required employee contribution rates	8.982%	11.500%
Required employer contribution rates	17.875%	11.990%

Contributions, actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as \$31,620,401.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Safety Plan, calculated using the discount rate, 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:

	Safety
1% Decrease	6.15%
Net Pension Liability	\$47,938,405
Current Discount Rate	7.15%
Net Pension Liability	\$31,620,401
1% Increase	8.15%
Net Pension Liability	\$18,281,246

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

C. Safety Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows or resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 was as follows:

Proportion - June 30, 2016	0.530%
Proportion - June 30, 2017	<u>0.529%</u>
Change - Increase (Decrease)	<u><u>-0.001%</u></u>

For the year ended June 30, 2018, the City recognized pension expense of \$3,463,494. At June 30, 2018, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,398,015	
Differences between actual and expected experience	340,595	(\$88,802)
Changes in assumptions	4,939,483	(378,970)
Net differences between projected and actual earnings on plan investments	1,077,001	
Differences between actual contributions and proportionate share of contributions	277,176	(995,606)
Change in proportion	<u>804,511</u>	<u>(622,824)</u>
Total	<u><u>\$9,836,781</u></u>	<u><u>(\$2,086,202)</u></u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

C. Safety Plan (Continued)

\$2,398,015 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$1,580,517
2020	2,718,687
2021	1,683,551
2022	(630,191)
	<u>\$5,352,564</u>

D. PARS Plan

Plan Description – The PARS Retirement Enhancement Plan (REP) was implemented July 1, 2003 and closed to new participants hired after January 1, 2012. Eligibility to participate in REP is for the following positions: City Attorney, Administrative Services Director, non-safety Department Director or non-safety management employee of the City on or after July 1, 2003. Participants receiving the benefits are non-safety Management Group Employees. This plan is separate from CalPERS and is established as a 401(a) Defined Benefit Plan. The REP is administered by PARS.

The REP provides a benefit equal to 0.5% of final average compensation for City management service earned after plan inception (July 1, 2003). In addition, any City employee in a covered management position as of the date of plan inception will receive up to an additional 10 years of service for any City service (management or non-management) prior to July 1, 2003.

Eligibility for an immediate benefit is defined as reaching age 55, completing five years of full-time City management service, and retiring concurrently from both the City and CalPERS after leaving City employment.

Employees Covered – At June 30, 2018 there were 10 active employees covered by the benefit terms of the plan.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

D. PARS Plan (Continued)

Changes in the Net Pension Liability – The net pension liability of the REP is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 projected forward to June 30, 2017, is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 Measurement Date	\$3,649,086	\$2,175,050	\$1,474,036
Changes in the year:			
Service cost	47,461		47,461
Interest on the total pension liability	244,298		244,298
Contribution - employer		121,576	(121,576)
Net investment income		133,898	(133,898)
Effect of economic/demographic gains or losses	(78,177)		(78,177)
Effect of assumptions changes or inputs			
Administrative expenses		(9,009)	9,009
Benefit payments, including refunds of employee contributions	(157,202)	(157,202)	
Net changes	56,380	89,263	(32,883)
Balance at June 30, 2018 Measurement Date	\$3,705,466	\$2,264,313	\$1,441,153

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the PARS Plan, calculated using the discount rate, 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:

	REP
1% Decrease	5.75%
Net Pension Liability	\$1,884,791
Current Discount Rate	6.75%
Net Pension Liability	\$1,441,153
1% Increase	7.75%
Net Pension Liability	\$1,067,870

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

D. PARS Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions –
For the year ended June 30, 2018, the City recognized pension expense of \$317,030. At June 30, 2018, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	REP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		(\$34,745)
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	\$71,548	
Total	\$71,548	(\$34,745)

The REP Measurement Date is the same as the fiscal year end date, therefore, the fiscal year 2018 contribution of \$121,576 was recognized as part of the pension expense during the year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$12,288
2020	25,138
2021	(2,911)
2022	2,288
	\$36,803

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

E. Information Common to the Miscellaneous, Safety and PARS Plans

Beginning in fiscal year 2017, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$1,969,988 in fiscal year 2018.

CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and be effective on the 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.

PARS Retirement Enhancement Plan (REP) - The City makes all contributions necessary to fund the benefits available under the REP. Employees are not permitted to make any contributions.

For the year ended June 30, 2018, the contributions to all Plans were as follows:

	Employer Contributions
CalPERS:	
Miscellaneous	\$1,571,900
Safety	2,398,015
PARS REP	121,576
Total:	\$4,091,491

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	CalPERS	PARS REP
Valuation Date	June 30, 2016	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	6.75%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	Varied by Entry Age and Service	Consistent with the rates used to value the Miscellaneous Agency CalPERS Pension Plans (Entry Age 30).
Investment Rate of Return	7.5% (1)	6.75%
		Pre-retirement: Consistent with the Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans.
		Post-retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.
Mortality	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Retirement rates of 30% per year starting at age 55 with required years of service.
Post Retirement Benefit Increase		

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

California Public Employees Retirement System Plans (CalPERS)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

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

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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

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

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

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Pension Liability - In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

PARS Retirement Enhancement Plan (REP)

The REP's range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Arithmetic Real Rate of Return</u>
Cash	2.66%	0.31%
Core Fixed Income	45.83%	2.14%
Broad US Equities	37.82%	4.59%
Developed Foreign Equities	8.65%	5.52%
Emerging Market Equities	3.60%	7.82%
US REITs	1.44%	5.04%
Total	<u>100%</u>	

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position with CalPERS and PARS are available in the separately issued CalPERS financial report with CalPERS and City of Pacifica respectively.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8 – Risk Management:

Workers' Compensation

The City is a member of the Municipal Pooling Authority of Northern California, which pools risks under the terms of a joint-powers agreement with 31 other cities and governmental agencies. The City has no workers' compensation deductible for claims and the Authority covers claims up to \$500,000. The Authority purchases excess insurance from \$500,000 to the statutory limit. The City paid premiums of \$780,155 during fiscal year end June 30, 2018 for workers' compensation and excess workers' compensation coverage.

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements can be obtained from Municipal Pooling Authority, 1911 San Miguel Drive #100, Walnut Creek, CA 94596.

General Liability

On July 1, 1986, the City became a member of the Association of Bay Area Governments (ABAG) Pooled Liability Assurance Network (PLAN). PLAN is a not-for-profit organization established to provide certain levels of liability insurance coverage, claims and risk management services, and legal defense to thirty- one San Francisco Bay Area cities. PLAN is governed by a Board of Directors comprised of officials appointed by each participating member and is administered by the Association of Bay Area Governments (ABAG). Complete financial statements for ABAG PLAN may be obtained from their offices at the following address: ABAG PLAN Corporation, Finance Department, 375 Beale Street, Ste 700, San Francisco, CA 94105-2066.

The City paid premiums of \$553,096 during fiscal year end June 30, 2018 for general liability and property coverage in excess of the City's self-insured retention. Members may receive rebates when declared by ABAG or, in the event excess liability claims against ABAG exceed available resources, may be required to make additional contributions.

The City is self-insured for the first \$50,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the ABAG PLAN.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8 – Risk Management (Continued):

Dental

On July 1, 1988, the City established a program of self-insurance with respect to Employee's Dental Insurance, in accordance with the provisions of a Memorandum of Understanding between the City and all full-time employees. This program is administered by Preferred Benefit Insurance Administrators and provides claims review and processing. The maximum benefit per employee per plan year varies between \$1,500 and \$2,000; the maximum benefit per dependent per plan year is also between \$1,500 and \$2,000.

The City maintains an internal service fund to account for these insurance programs. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the total reported liability resulted from the following:

	Fiscal Year ended in June 30,	
	2017	2018
July 1 Liability	\$244,776	\$160,592
Claims & change in estimate	188,227	365,215
Payments for claims	(272,411)	(387,909)
June 30 Liability	\$160,592	\$137,898

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 - Interfund Transactions:

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Due To/From Other Funds

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of Interfund balances as of June 30, 2018:

<u>Funds</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Governmental Funds:		
General Fund	\$3,851,216	
Special Revenue Funds:		
Davies Trust Fund		\$216
Disaster Accounting		3,744,153
Capital Project Funds:		
General Capital Improvement		106,847
Major Enterprise Funds:		
Sewer Fund	7,562	
Non-major Enterprise Funds:		7,562
Beach Parking Fund		
Total	<u>\$3,858,778</u>	<u>\$3,858,778</u>

Transfers

Transfers report the nonreciprocal contribution of resources from one fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Less often a transfer may be made to open or close a fund. The principal purpose of the City's interfund transfers as shown below was for operational support to other funds.

Internal Balances

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

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 - Interfund Transactions (Continued):

The following is a summary of transfers for the fiscal year ended June 30, 2018:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$876,225	\$993,164
Gas Tax Fund		408,493
General Capital Improvement Fund	725,000	
Debt Service Fund	811,000	
Major Enterprise Funds:		
Sewer Utility Fund	26,272	124,615
Nonmajor Governmental Funds:		
NPDES Stormwater Speical Revenue Fund		62,100
Street Construction Speical Revenue Fund		540,905
Excess ERAF Speical Revenue Fund		848,000
Frontierland Remediation Capital Projects Fund		350,000
Internal Service Funds:		
Motor Pool Fund	797,779	
Self Insurance Fund	380,000	288,999
Total	\$3,616,276	\$3,616,276

Advances

At June 30, 2018, the funds below had made advances that are not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid out of future developer fees.

General Fund/Sewer Utility Enterprise Fund

- Per the repayment plan approved by the Pacifica City Council on June 23, 2014, repayment of this advance began in 2017-18 and conclude in 2020-21.

General Fund/NPDES Special Revenue Fund

- A repayment plan will be finalized by the 2018-19 fiscal year.

Street Construction Special Revenue Fund/General Capital Improvement Capital Projects Fund

- A repayment plan will be finalized by the 2018-19 fiscal year.

	REP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		(\$34,745)
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	\$71,548	
Total	\$71,548	(\$34,745)

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – Loan Receivable from Successor Agency Private-purpose Trust Fund:

Prior to the dissolution of the former redevelopment agency, the General Fund had loaned money to the former Redevelopment Agency Rockaway Beach Fund to carry out redevelopment activities. As a result of the dissolution, the loan receivable is now recorded as a loan receivable from the Successor Agency Private-purpose Trust Fund. Interest accrues on the original advance at the current Local Agency Investment Fund (LAIF) rate and effective September 22, 2015, calculated at a simple interest rate of 3%. At June 30, 2018, outstanding loans totaled \$3,777,419 (\$2,056,836 in principal and \$1,720,583 in accrued interest).

NOTE 11 – Net Position and Fund Balances:

A. Net Position

GASB Statement No. 63 adds the concept of net position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net position is divided into three captions under GASB Statement No. 34 and 63. These captions apply only to net position as determined at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of net position, which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include capital projects, revolving loan programs, and other various grant programs.

Unrestricted describes the portion of net position which is not restricted as to use.

When both restricted and unrestricted net position is available, restricted resources are depleted first before the unrestricted resources are used.

B. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 – Net Position and Fund Balances (Continued):

B. Fund Balances (Continued)

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance (City Manager).

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – Net Position and Fund Balances (Continued):

B. Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2018 are as follows:

	General Fund	Gas Tax Fund	Davies Trust Fund	Disaster Accounting Fund	General Capital Improvement Fund	Debt Service Fund	Non-Major Governmental Fund	Total Governmental Funds
Nonspendable:								
Prepaid items	\$149,372							\$149,372
Inventory	2,056							2,056
Loan receivable	3,777,419							3,777,419
Advances	75,000							75,000
Subtotal	<u>4,003,847</u>							<u>4,003,847</u>
Restricted for:								
Supplemental law enforcement							\$238,320	238,320
Trust Activities			\$3,464,475					3,464,475
Streets and roads		\$239,718					4,712,405	4,952,123
Housing							4,639,844	4,639,844
Parking							123,788	123,788
Debt services						\$2,049,181		2,049,181
Stormwater operations							114,314	114,314
Capital projects							2,637,897	2,637,897
Subtotal		<u>239,718</u>	<u>3,464,475</u>			<u>2,049,181</u>	<u>12,466,568</u>	<u>18,219,942</u>
Assigned for:								
Administrative	100,000							100,000
Police services	156,232							156,232
Parks, beaches and recreation	1,151,309							1,151,309
Subtotal	<u>1,407,541</u>							<u>1,407,541</u>
Unassigned	<u>7,142,843</u>			<u>(\$3,893,322)</u>	<u>(\$2,184,422)</u>			<u>1,065,099</u>
Total	<u>\$12,554,231</u>	<u>\$239,718</u>	<u>\$3,464,475</u>	<u>(\$3,893,322)</u>	<u>(\$2,184,422)</u>	<u>\$2,049,181</u>	<u>\$12,466,568</u>	<u>\$24,696,429</u>

C. Restatement

Management adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No.75 and the intention of this Statement is to improve the usefulness of information for decisions made by various users of the financial reports of governments whose employees, both active employees and inactive employees, are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of GASB 75 required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities were restated and reduced by \$1,996,591 and Enterprise Funds were restated and reduced by \$1,199,668.

**CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 – Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 13 – Successor Agency to Former Redevelopment Agency Activities:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Pacifica that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit. On January 23, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 01-2012.

Long Range Property Management Plan – On December 10, 2015 the Successor Agency received confirmation from the California Department of Finance that it had reviewed and approved the Successor Agency’s Long Range Property Management Plan (LRPMP).

Loan Payable to the City – Please see Note 10.

Long-term Debt – Long-term debt of the Successor Agency as of June 30, 2018, consisted of the following:

	<u>Balance July 01, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due in One Year</u>
2004 Tax allocation bonds	\$1,255,000	(\$55,000)	\$1,200,000	\$60,000

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 – Successor Agency to Former Redevelopment Agency Activities (Continued):

2004 Tax Allocation Bonds: In August 2004, the former Redevelopment Agency (Agency) issued \$1,725,000 in Rockaway Beach Redevelopment Project 2004 Tax Allocation Bonds at interest rates ranging from 2.9% to 5.75%. The net proceeds of the bonds were issued to refinance redevelopment activities by repaying a portion of the loan made by the City to the Agency and to establish a reserve fund. Interest on the bonds will be payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature on July 1, 2031. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposits in certain funds and accounts, including the reserve account and the revenue account.

Annual debt service requirements, to maturity, for the 2004 Tax Allocation Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$60,000	\$66,788	\$126,788
2020	60,000	63,518	123,518
2021	65,000	60,040	125,040
2022	70,000	56,217	126,217
2023	75,000	52,084	127,084
2024 - 2028	425,000	191,827	616,827
2029 - 2032	445,000	53,044	498,044
Total	<u>\$1,200,000</u>	<u>\$543,518</u>	<u>\$1,743,518</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

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

Schedule of Changes in Net Pension Liability and Related Ratios

	Miscellaneous			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$1,445,205	\$1,427,162	\$1,495,380	\$1,631,204
Interest	5,862,583	6,123,624	6,346,516	6,501,283
Differences between expected and actual experience		(328,078)	(755,420)	(1,136,322)
Changes in assumptions		(1,478,509)		5,308,829
Changes in benefits				
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)	(4,047,332)	(4,185,238)
Net change in total pension liability	3,867,030	1,959,816	3,039,144	8,119,756
Total pension liability - beginning	79,165,549	83,032,579	84,992,395	88,031,539
Total pension liability - ending (a)	<u>\$83,032,579</u>	<u>\$84,992,395</u>	<u>\$88,031,539</u>	<u>\$96,151,295</u>
Plan fiduciary net position				
Contributions - employer	\$993,077	\$1,081,227	\$1,256,738	\$1,459,527
Contributions - employee	622,734	622,660	685,119	711,067
Net investment income	11,283,773	1,641,405	382,638	7,967,324
Administrative expense		(83,654)	(45,303)	(107,140)
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)	(4,047,332)	(4,185,238)
Net change in plan fiduciary net position	9,458,826	(522,745)	(1,768,140)	5,845,540
Plan fiduciary net position - beginning	65,398,696	74,857,522	74,334,777	72,566,637
Plan fiduciary net position - ending (b)	<u>\$74,857,522</u>	<u>\$74,334,777</u>	<u>\$72,566,637</u>	<u>\$78,412,177</u>
Net pension liability - ending (a)-(b)	<u>\$8,175,057</u>	<u>\$10,657,618</u>	<u>\$15,464,902</u>	<u>\$17,739,118</u>
Plan fiduciary net position as a percentage of the total pension liability	90.15%	87.46%	82.43%	81.55%
Covered payroll	\$7,982,929	\$8,049,221	\$8,463,442	\$9,007,097
Net pension liability as percentage of covered-employee payroll	102.41%	132.41%	182.73%	196.95%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

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

Schedule of Contributions

Fiscal Year Ended June 30	Miscellaneous			
	2015	2016	2017	2018
Actuarially determined contribution	\$1,081,226	\$1,256,739	\$1,454,468	\$1,571,900
Contributions in relation to the actuarially determined contributions	(1,081,226)	(1,256,739)	(1,454,468)	(1,571,900)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$8,049,221	\$8,463,442	\$9,007,097	\$9,138,180
Contributions as a % of covered	13.43%	14.85%	16.15%	17.20%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market Value of Assets
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 expense and administrative expenses, includes inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Safety Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	Safety Plan			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.50100%	0.53000%	0.00000%	0.52919%
Plan's proportion share of the Net Pension Liability (Asset)	\$18,808,357	\$20,914,148	\$27,461,120	\$31,620,401
Plan's Covered Payroll	\$6,019,600	\$5,843,663	\$5,928,087	\$6,058,030
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	312.45%	357.89%	463.24%	521.96%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

PARS REP Single Employer Defined Benefit Pension Plan
Last 10 Years*

Schedule of Changes in Net Pension Liability and Related Ratios

	PARS			
	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Total Pension Liability				
Service Cost	\$97,626	\$55,073	\$56,725	\$47,461
Interest	218,058	228,048	238,515	244,298
Differences between expected and actual experience				
Effect of economic/demographic gains or losses		(136,732)		(78,177)
Effect of assumptions changes or inputs		143,356	196,706	
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)	(149,371)	(157,202)
Net change in total pension liability	<u>189,487</u>	<u>144,963</u>	<u>342,575</u>	<u>56,380</u>
Total pension liability - beginning	2,972,061	3,161,548	3,306,511	3,649,086
Total pension liability - ending (a)	<u><u>\$3,161,548</u></u>	<u><u>\$3,306,511</u></u>	<u><u>\$3,649,086</u></u>	<u><u>\$3,705,466</u></u>
Plan fiduciary net position				
Contributions - employer	\$159,573	\$127,848	\$123,391	\$121,576
Net investment income	44,261	7,840	172,456	133,898
Investment expense	(8,227)			
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)	(149,371)	(157,202)
Administrative expenses	(8,448)	(9,150)	(8,664)	(9,009)
Net change in plan fiduciary net position	60,962	(18,244)	137,812	89,263
Plan fiduciary net position - beginning	1,994,520	2,055,482	2,037,238	2,175,050
Plan fiduciary net position - ending (b)	<u><u>\$2,055,482</u></u>	<u><u>\$2,037,238</u></u>	<u><u>\$2,175,050</u></u>	<u><u>\$2,264,313</u></u>
Net pension liability - ending (a)-(b)	<u><u>\$1,106,066</u></u>	<u><u>\$1,269,273</u></u>	<u><u>\$1,474,036</u></u>	<u><u>\$1,441,153</u></u>
Plan fiduciary net position as a percentage of the total pension liability	65.02%	61.61%	59.61%	61.11%
Covered payroll	\$1,485,442	\$1,530,005	\$1,303,994	\$1,351,614
Net pension liability as percentage of covered payroll	74.46%	82.96%	113.04%	106.62%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

PARS Retirement Enhance Plan (REP) Defined Benefit Pension Plan
Last 10 Years*
Schedule of Contributions

Fiscal Year Ended June 30	PARS			
	2015	2016	2017	2018
Actuarially determined contribution	\$220,169	\$127,848	\$127,848	\$121,576
Contributions in relation to the actuarially determined contributions	(220,169)	(127,848)	(127,848)	(121,576)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$1,485,442	\$1,530,005	\$1,303,994	\$1,351,614
Net Pension Liability as a percentage of covered payroll	14.82%	8.36%	9.80%	8.99%
Notes to Schedule				
Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar of payroll, closed
Remaining amortization period	17 years
Asset valuation method	None
Inflation	2.75%
Salary increases	Consistent with the rates used to value the Miscellaneous Agency CalPERS Pension Plans (Entry Age 30)
Investment rate of return	7.25%
Retirement	Retirement rates of 30% per year starting at age 55 with required years of service.
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Single Employer Other Post-Employment Benefits Plan (OPEB)
Last 10 fiscal years***

Measurement Date	6/30/18
Total OPEB Liability (1)	
Service Cost	\$351,865
Interest	197,539
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(739,260)
Benefit payments	(170,926)
Net change in total OPEB liability	(360,782)
Total OPEB liability - beginning	6,664,823
Total OPEB liability - ending (a)	\$6,304,041
Covered payroll	\$18,704,543
Total OPEB liability as a percentage of covered-employee payroll	33.7%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$11,259,545	\$11,562,182	\$11,730,698	\$168,516
Sales	2,372,275	2,476,435	2,350,478	(125,957)
Franchise	1,714,402	1,714,402	1,722,343	7,941
Other	3,590,236	3,590,236	3,737,178	146,942
Licenses and permits	674,139	864,139	1,015,105	150,966
Fines and forfeitures	156,936	156,936	190,202	33,266
Use of money and property	195,218	195,218	260,800	65,582
Intergovernmental	5,115,962	5,139,862	5,784,679	644,817
Charges for current services	2,902,367	3,214,367	2,766,967	(447,400)
Recreation programs	921,200	921,200	988,832	67,632
Other	1,595,222	1,595,222	1,785,040	189,818
Total revenues	<u>30,497,502</u>	<u>31,430,199</u>	<u>32,332,322</u>	<u>902,123</u>
Expenditures:				
Current				
General Government:				
City Council	144,302	144,302	197,114	(52,812)
City Manager	1,008,401	1,008,401	918,522	89,879
Human Resources	546,002	546,002	416,685	129,317
City Attorney	499,999	499,999	635,929	(135,930)
Finance	1,596,601	1,617,113	1,537,434	79,679
Non-departmental	700,002	700,002	738,516	(38,514)
Total General Government	<u>4,495,307</u>	<u>4,515,819</u>	<u>4,444,200</u>	<u>71,619</u>
Public Safety:				
Police	9,219,001	9,669,001	9,511,814	157,187
Fire	6,090,968	6,571,968	6,634,654	(62,686)
Total Public Safety	<u>15,309,969</u>	<u>16,240,969</u>	<u>16,146,468</u>	<u>94,501</u>
Community development:				
Planning	2,464,999	2,514,999	1,964,511	550,488
Code enforcement			4,317	(4,317)
Total Community Development	<u>2,464,999</u>	<u>2,514,999</u>	<u>1,968,828</u>	<u>546,171</u>
Public Works:				
Engineering Services	836,652	836,652	832,288	4,364
Street and traffic maintenance	879,586	879,586	921,285	(41,699)
Building maintenance and improvement	479,579	479,579	429,753	49,826
Fishing pier/rest stop maintenance	160,073	160,073	130,555	29,518
City parks and playfields	994,023	1,033,023	897,858	135,165
Total Public Works	<u>3,349,913</u>	<u>3,388,913</u>	<u>3,211,739</u>	<u>177,174</u>

(Continued)

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks, Beaches, and Recreation:				
Parks, beaches, and recreation	\$285,000	\$285,000	\$324,105	(\$39,105)
Community center programs	205,000	205,000	199,334	5,666
Cultural arts	12,300	12,300	8,103	4,197
Elementary age recreation	170,300	170,300	215,102	(44,802)
Teens and j-teens recreation	88,000	88,000	74,674	13,326
Adult sports	500	500	342	158
Senior	208,400	208,400	213,780	(5,380)
Instructional class	148,000	148,000	154,281	(6,281)
Recreation swimming	400,000	400,000	276,698	123,302
Swim Team	147,000	147,000	116,605	30,395
Special community recreation	81,000	81,000	79,137	1,863
Special projects	2,680,602	2,680,602	2,495,989	184,613
Total Parks, Beaches and Recreation	<u>4,426,102</u>	<u>4,426,102</u>	<u>4,158,150</u>	<u>267,952</u>
Capital Outlay	<u>118,725</u>	<u>118,725</u>	<u>61,888</u>	<u>56,837</u>
Total Expenditures	<u>30,165,015</u>	<u>31,205,527</u>	<u>29,991,273</u>	<u>1,214,254</u>
Excess (Deficit) of Revenues over Expenditures	<u>332,487</u>	<u>224,672</u>	<u>2,341,049</u>	<u>2,116,377</u>
Other Financing Sources (Uses)				
Transfers in	631,398	631,398	876,225	(244,827)
Transfers (out)	(964,000)	(964,000)	(993,164)	(29,164)
Total Other Financing Sources (Uses)	<u>(332,602)</u>	<u>(332,602)</u>	<u>(116,939)</u>	<u>215,663</u>
Net Change in Fund Balance	<u>(\$115)</u>	<u>(\$107,930)</u>	<u>2,224,110</u>	<u>\$2,332,040</u>
Fund Balance at Beginning of Year			<u>10,330,121</u>	
Fund Balance at End of Year			<u>\$12,554,231</u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GAS TAX SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$1,017,000	\$958,616	(\$58,384)
Use of money and property		1,339	1,339
Other		14	14
	<u>1,017,000</u>	<u>959,969</u>	<u>(57,031)</u>
Total revenues			
Expenditures:			
Current:			
Public works	624,958	612,750	12,208
Capital outlay	22,553	10,759	11,794
	<u>647,511</u>	<u>623,509</u>	<u>24,002</u>
Total expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>369,489</u>	<u>336,460</u>	<u>(33,029)</u>
Other financing sources (Uses):			
Transfers out	<u>(408,493)</u>	<u>(408,493)</u>	
	<u>(408,493)</u>	<u>(408,493)</u>	
Total other financing sources (uses)			
Net change in fund balance	<u><u>(\$39,004)</u></u>	<u>(72,033)</u>	<u><u>(\$33,029)</u></u>
Fund balance at beginning of year		<u>311,751</u>	
Fund balance at end of year		<u><u>\$239,718</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DAVIES TRUST SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	<u>\$1,500</u>	<u>\$3,740</u>	<u>\$2,240</u>
Total Revenues	<u>1,500</u>	<u>3,740</u>	<u>2,240</u>
Expenditures:			
Interest and fiscal charges	<u></u>	<u>104</u>	<u>(104)</u>
Net Change in Fund Balance	<u>\$1,500</u>	<u>3,636</u>	<u>\$2,136</u>
Fund Balance at beginning of year		<u>3,460,839</u>	
Fund balance at end of year		<u>\$3,464,475</u>	

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2018**

1. BUDGETARY BASIS OF ACCOUNTING

The City prepares a budget for each fiscal year on or before June 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the City Council.

From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of control is the department. The City Council may amend the budget by resolution during the fiscal year.

Formal budgetary integration is employed as a management control device during the fiscal year for the General fund and Special Revenue and Capital Project Funds. The General Fund budget and Special Revenue and Capital Project Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$1,300	\$9,238	\$7,938
Other	<u>1,714,050</u>	<u>1,495,394</u>	<u>(218,656)</u>
Total Revenues	<u>1,715,350</u>	<u>1,504,632</u>	<u>(210,718)</u>
Expenditures:			
Debt Service:			
Principal	1,081,133	971,335	109,798
Interest and fiscal charges	<u>1,418,866</u>	<u>1,334,728</u>	<u>84,138</u>
Total expenditures	<u>2,499,999</u>	<u>2,306,063</u>	<u>193,936</u>
Excess (Deficit) of Revenues over Expenditures	<u>(784,649)</u>	<u>(801,431)</u>	<u>(16,782)</u>
Other Financing Sources (Uses)			
Transfers in	<u>641,650</u>	<u>811,000</u>	<u>169,350</u>
Total Other Financing Sources (Uses)	<u>641,650</u>	<u>811,000</u>	<u>169,350</u>
Net change in fund balance	<u>(\$142,999)</u>	9,569	<u>\$152,568</u>
Fund balance at beginning of year		<u>2,039,612</u>	
Fund balance at end of year		<u>\$2,049,181</u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL IMPROVEMENT
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses and permits	\$50,000	\$20,677	(\$29,323)
Use of money and property		1,046	1,046
Intergovernmental	<u>2,500,000</u>	<u>922,438</u>	<u>(1,577,562)</u>
Total revenues	<u>2,550,000</u>	<u>944,161</u>	<u>(1,605,839)</u>
Expenditures:			
Current:			
Community development	68,600	61,397	7,203
Capital Outlay	<u>3,225,000</u>	<u>3,358,599</u>	<u>(133,599)</u>
Total expenditures	<u>3,293,600</u>	<u>3,419,996</u>	<u>(126,396)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(743,600)</u>	<u>(2,475,835)</u>	<u>(1,732,235)</u>
Other Financing sources (Uses)			
Transfers in	<u>725,000</u>	<u>725,000</u>	
Total Other Financing Sources (Uses)	<u>725,000</u>	<u>725,000</u>	
Net Change in Fund Balance	<u><u>(\$18,600)</u></u>	(1,750,835)	<u><u>(\$1,732,235)</u></u>
Fund balance (deficit) at beginning of year		<u>(433,587)</u>	
Fund balance (deficit) at end of year		<u><u>(\$2,184,422)</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DISASTER ACCOUNTING SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental		\$302,177	\$302,177
Other		1,114,452	1,114,452
		<u>1,416,629</u>	<u>1,416,629</u>
Total revenues		<u>1,416,629</u>	<u>1,416,629</u>
Expenditures:			
Capital outlay		3,167,388	(3,167,388)
		<u>3,167,388</u>	<u>(3,167,388)</u>
Total expenditures		<u>3,167,388</u>	<u>(3,167,388)</u>
Excess (Deficiency) of Revenues over Expenditures		<u>(1,750,759)</u>	<u>4,584,017</u>
Net change in fund balance		<u>(1,750,759)</u>	<u>(\$1,750,759)</u>
Fund balance (deficit) at beginning of year		<u>(2,142,563)</u>	
Fund balance (deficit) at end of year		<u>(\$3,893,322)</u>	

CITY OF PACIFICA, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

Special Revenue Funds

Special Revenue Funds are created in accordance with Federal, State, or City regulations which require that monies apportioned from these specific funds be spent only for certain designated purposes. Funds included in this fund category are:

SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND - This fund was created to account for revenues and expenditures associated with money allocated by the legislature to all cities and counties throughout the state to supplement front line law enforcement services.

NPDES STORMWATER FUND - The NPDES (National Pollution Discharge Elimination System) Stormwater Fund was established in fiscal year 1994-95 to account for revenues and expenditures associated with Federal and State mandated stormwater operations.

DISASTER ACCOUNTING FUND - This fund was established to account for all revenues received and expenditures incurred due to natural and man-made disasters.

HOUSING IN-LIEU FUND - This fund was established to account for receipts from fees imposed on developers to provide for improvements.

PARKING IN-LIEU FUND – This fund was established to account for receipts and expenditures from fees imposed on developers to provide for parking facilities improvements.

EXCESS ERAF FUND – This fund was established to account for excess education augmentation revenue that the City receives from the County.

PARKS, BEACHES AND RECREATION FUND – This fund was established to account for various donations specifically designated for Park, Beaches and Recreation activities.

**CITY OF PACIFICA, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018**

Capital Projects Funds

Capital Projects Funds are established to account for financial resources to be used for the acquisition, construction, and improvement of major capital facilities of the City. Appropriations are made from the funds annually.

HIGHWAY 1 IMPROVEMENT FUND - This fund is financed by traffic impact mitigation fees as outlined in the Pacifica Municipal Code (Section 8-15.01 to Section 8-15.06).

MANOR DRIVE IMPROVEMENT FUND - This fund was established to account for the Manor Drive/Palmetto Avenue/Oceana Boulevard intersection construction and is financed by traffic impact mitigation fees as outlined in the Pacifica Municipal Code (Section 8-18.01 to Section 8-18.06).

AIRCRAFT NOISE PROJECT FUND - This fund was established to record the financial transactions of an Aircraft Noise Abatement Project funded with Federal and San Francisco Airport grants.

PARKS AND PLAYFIELD FUND - This fund was financed by Parkland Dedication Fees as outlined in the Pacifica Municipal Code (Section 8-19.01 to Section 8-19.03).

PLANNED LOCAL DRAINAGE FUND - Revenues are derived from fees levied on new construction in local districts. Funds can be utilized only for the drainage system in those particular districts.

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CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu	Parking In-Lieu
Assets:				
Cash and investments	\$239,885	\$204,083	\$285,149	\$123,788
Receivable:				
Taxes				
Accounts		3,333		
Advance to other funds				
Total Assets	<u><u>\$239,885</u></u>	<u><u>\$207,416</u></u>	<u><u>\$285,149</u></u>	<u><u>\$123,788</u></u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$1,565	\$18,102		
Advance from other funds		75,000		
Total Liabilities	<u>1,565</u>	<u>93,102</u>		
Fund Balances:				
Restricted	<u>238,320</u>	<u>114,314</u>	<u>\$285,149</u>	<u>\$123,788</u>
Total Fund Balances (Deficits)	<u>238,320</u>	<u>114,314</u>	<u>285,149</u>	<u>123,788</u>
Total Liabilities and Fund Balances	<u><u>\$239,885</u></u>	<u><u>\$207,416</u></u>	<u><u>\$285,149</u></u>	<u><u>\$123,788</u></u>

SPECIAL REVENUE FUNDS (Continued)

CAPITAL PROJECTS FUNDS

<u>Street Construction</u>	<u>Excess ERAF</u>	<u>Parks, Beaches and Recreation</u>	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfield</u>
\$1,390,903	\$4,396,787	\$82,227	\$434,276	\$984,848	\$405	\$248,228
76,856			5,644			
<u>1,849,619</u>						
<u>\$3,317,378</u>	<u>\$4,396,787</u>	<u>\$82,227</u>	<u>\$439,920</u>	<u>\$984,848</u>	<u>\$405</u>	<u>\$248,228</u>
\$15,829	\$42,092		\$693	\$13,219		\$2,446
<u>15,829</u>	<u>42,092</u>		<u>693</u>	<u>13,219</u>		<u>2,446</u>
<u>3,301,549</u>	<u>4,354,695</u>	<u>\$82,227</u>	<u>439,227</u>	<u>\$971,629</u>	<u>\$405</u>	<u>245,782</u>
<u>3,301,549</u>	<u>4,354,695</u>	<u>82,227</u>	<u>439,227</u>	<u>971,629</u>	<u>405</u>	<u>245,782</u>
<u>\$3,317,378</u>	<u>\$4,396,787</u>	<u>\$82,227</u>	<u>\$439,920</u>	<u>\$984,848</u>	<u>\$405</u>	<u>\$248,228</u>

(Continued)

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	CAPITAL PROJECTS FUNDS			
	Planned Local Drainage	Pacifica Library	Frontierland Remediation	Total
Assets:				
Cash and investments	\$652,165	\$503,004	\$1,148,065	\$10,693,813
Receivable:				
Taxes			6,249	6,249
Accounts				85,833
Advance to other funds				1,849,619
Total Assets	\$652,165	\$503,004	\$1,154,314	\$12,635,514
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable				\$93,946
Advance from other funds				75,000
Total Liabilities				168,946
Fund Balances:				
Restricted	\$652,165	\$503,004	\$1,154,314	12,466,568
Total Fund Balances (Deficits)	652,165	503,004	1,154,314	12,466,568
Total Liabilities and Fund Balances	\$652,165	\$503,004	\$1,154,314	\$12,635,514

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CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu	Parking In-Lieu
Revenues:				
Taxes:				
Other taxes		\$186,046		
Charges for services		3,939		
Use of money and property	\$898	755	\$1,136	\$488
Intergovernmental	139,416			
Other				
	<u>140,314</u>	<u>190,740</u>	<u>1,136</u>	<u>488</u>
Expenditures:				
Current:				
Public Safety	45,510			
Community development				
Public works		94,019		
Recreation				
Capital outlay	<u>60,926</u>		<u>12,249</u>	
	<u>106,436</u>	<u>94,019</u>	<u>12,249</u>	
Excess (Deficit) of revenues over expenditures	<u>33,878</u>	<u>96,721</u>	<u>(11,113)</u>	<u>488</u>
Other financing sources (Uses)				
Transfers (out)		<u>(62,100)</u>		
Total Other Financing Sources (Uses)		<u>(62,100)</u>		
Net change in fund balances	33,878	34,621	(11,113)	488
Fund Balances (Deficits) at beginning of year	<u>204,442</u>	<u>79,693</u>	<u>296,262</u>	<u>123,300</u>
Fund Balances at end of year	<u>\$238,320</u>	<u>\$114,314</u>	<u>\$285,149</u>	<u>\$123,788</u>

SPECIAL REVENUE FUNDS (Continued)			CAPITAL PROJECTS FUNDS			
Street Construction	Excess ERAF	Parks, Beaches and Recreation	Highway 1 Improvement	Manor Drive Improvement	Aircraft Noise Project	Parks and Playfields
\$1,032,704	\$2,049,596					
	15,457	\$330	\$1,457	\$3,852	\$2	\$808
249,266			238,797			
7,093		250		361		184,238
1,289,063	2,065,053	580	240,254	4,213	2	185,046
						80,096
101,364			21,593			
		95				
		13,150	15,800			
101,364		13,245	37,393			80,096
1,187,699	2,065,053	(12,665)	202,861	4,213	2	104,950
(540,905)	(848,000)					
(540,905)	(848,000)					
646,794	1,217,053	(12,665)	202,861	4,213	2	104,950
2,654,755	3,137,642	94,892	236,366	967,416	403	140,832
<u>\$3,301,549</u>	<u>\$4,354,695</u>	<u>\$82,227</u>	<u>\$439,227</u>	<u>\$971,629</u>	<u>\$405</u>	<u>\$245,782</u>

(Continued)

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	CAPITAL PROJECTS FUNDS			
	Planned Local Drainage	Pacifica Library	Frontierland Remediation	Total
Revenues:				
Taxes:				
Other taxes				\$3,268,346
Charges for services	\$7,742			11,681
Use of money and property	2,560	\$1,982	\$5,537	35,262
Intergovernmental				627,479
Other			75,000	266,942
Total Revenues	10,302	1,982	80,537	4,209,710
Expenditures:				
Current:				
Public Safety				45,510
Community development				80,096
Public works				216,976
Recreation				95
Capital outlay				102,125
Total Expenditures				444,802
Excess (Deficit) of revenues over expenditures	10,302	1,982	80,537	3,764,908
Other financing sources (Uses)				
Transfers (out)			(350,000)	(1,801,005)
Total Other Financing Sources (Uses)			(350,000)	(1,801,005)
Net change in fund balances	10,302	1,982	(269,463)	1,963,903
Fund Balances (Deficits) at beginning of year	641,863	501,022	1,423,777	10,502,665
Fund Balances at end of year	\$652,165	\$503,004	\$1,154,314	\$12,466,568

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CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS					
	Supplemental Law Enforcement Services			NPDES Stormwater		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes				\$180,500	\$186,046	\$5,546
Charges for services					3,939	3,939
Use of money and property		\$898	\$898		755	755
Intergovernmental	\$100,000	139,416	39,416			
Other						
Total Revenues	<u>100,000</u>	<u>140,314</u>	<u>40,314</u>	<u>180,500</u>	<u>190,740</u>	<u>10,240</u>
Expenditures:						
Current:						
Public Safety	67,500	45,510	21,990	117,400	94,019	23,381
Community development						
Public works						
Recreation						
Capital outlay	<u>135,546</u>	<u>60,926</u>	<u>74,620</u>			
Total Expenditures	<u>203,046</u>	<u>106,436</u>	<u>96,610</u>	<u>117,400</u>	<u>94,019</u>	<u>23,381</u>
Excess (Deficit) of Revenues over Expenditures	<u>(103,046)</u>	<u>33,878</u>	<u>136,924</u>	<u>63,100</u>	<u>96,721</u>	<u>33,621</u>
Other financing sources (Uses):						
Transfers (out)				(62,100)	(62,100)	
Total Other Financing Sources (Uses)				<u>(62,100)</u>	<u>(62,100)</u>	
Net change in fund balance	<u><u>(\$103,046)</u></u>	<u>33,878</u>	<u><u>\$136,924</u></u>	<u><u>\$1,000</u></u>	<u>34,621</u>	<u><u>\$33,621</u></u>
Fund Balance (Deficit) at beginning of year		<u>204,442</u>			<u>79,693</u>	
Fund Balance at end of year		<u><u>\$238,320</u></u>			<u><u>\$114,314</u></u>	

SPECIAL REVENUE FUNDS

Housing In-Lieu			Street Construction			Excess ERAF		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			\$795,000	\$1,032,704	\$237,704		\$2,049,596	\$2,049,596
	\$1,136	\$1,136					15,457	15,457
			200,000	249,266	49,266			
			187	7,093	6,906			
	1,136	1,136	995,187	1,289,063	293,876		2,065,053	2,065,053
			1,165,651	101,364	1,165,651			
	12,249	(12,249)	2,795		2,795			
	12,249	(12,249)	1,168,446	101,364	1,168,446			
	(11,113)	(11,113)	(173,259)	1,187,699	1,360,958		2,065,053	2,065,053
			(784,555)	(540,905)	243,650		(848,000)	(848,000)
			(784,555)	(540,905)	243,650		(848,000)	(848,000)
	(11,113)	(\$11,113)	(\$957,814)	646,794	\$1,604,608		1,217,053	\$1,217,053
	296,262			2,654,755			3,137,642	
	\$285,149			\$3,301,549			\$4,354,695	

(Continued)

CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
	Parks, Beaches and Recreation			Highway 1 Improvement		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes						
Charges for services						
Use of money and property		\$330	\$330		\$1,457	\$1,457
Intergovernmental		250	250	\$774,000	238,797	(535,203)
Other						
Total Revenues		<u>580</u>	<u>580</u>	<u>774,000</u>	<u>240,254</u>	<u>(533,746)</u>
Expenditures:						
Current:						
Public Safety						
Community development						
Public works				27,729	21,593	6,136
		95	(95)			
Capital outlay		13,150	(13,150)	721,271	15,800	705,471
Total Expenditures		<u>13,245</u>	<u>(13,245)</u>	<u>749,000</u>	<u>37,393</u>	<u>711,607</u>
Excess (Deficit) of Revenues over Expenditures		<u>(12,665)</u>	<u>(12,665)</u>	<u>25,000</u>	<u>202,861</u>	<u>177,861</u>
Other financing sources (Uses)						
Transfers (out)						
Total Other Financing Sources (Uses)						
Net change in fund balance		<u>(12,665)</u>	<u>(\$12,665)</u>	<u>\$25,000</u>	<u>202,861</u>	<u>\$177,861</u>
Fund Balance (Deficit) at Beginning of Year		<u>94,892</u>			<u>236,366</u>	
Fund Balance at End of Year		<u>\$82,227</u>			<u>\$439,227</u>	

CAPITAL PROJECTS FUNDS

Manor Drive Improvement			Parks and Playfields			Planned Local Drainage		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$808	\$808	\$1,000	\$7,742	\$7,742
\$1,000	\$3,852	\$2,852		184,238	184,238		2,560	1,560
	361	361						
1,000	4,213	3,213		185,046	185,046	1,000	10,302	9,302
1,800		1,800		80,096	(80,096)	1,000		1,000
528,250		528,250						
				80,096	(80,096)	1,000		1,000
530,050		530,050						
(529,050)	4,213	533,263		104,950	104,950		10,302	10,302
<u>(\$529,050)</u>	4,213	<u>\$533,263</u>		104,950	<u>\$104,950</u>		10,302	<u>\$10,302</u>
	967,416			140,832			641,863	
	<u>\$971,629</u>			<u>\$245,782</u>			<u>\$652,165</u>	

CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL PROJECTS FUND			
Frontier Remediation			
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Other taxes			
Charges for services			
Use of money and property		\$5,537	\$5,537
Intergovernmental			
Other		75,000	75,000
Total Revenues	80,537	80,537	80,537
Expenditures:			
Current:			
Public Safety			
Community development	\$35,320		35,320
Public works			
Capital outlay			
Total Expenditures	35,320	35,320	35,320
Excess (Deficit) of Revenues over Expenditures	(35,320)	80,537	115,857
Other financing sources (Uses):			
Transfers (out)	(350,000)	(350,000)	
Total Other Financing Sources (Uses)	(350,000)	(350,000)	
Net change in fund balance	(\$385,320)	(269,463)	\$115,857
Fund Balance (Deficit) at beginning of year		1,423,777	
Fund Balance at end of year		\$1,154,314	

CITY OF PACIFICA, CALIFORNIA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

MOTOR POOL FUND - City of Pacifica operates a central garage, which provides services to various City departments on a cost reimbursement basis. Revenues for the fund are derived from rentals to the departments for usage of the equipment. The fund can be used only for the operation and replacement of the equipment.

SELF INSURANCE FUND - City of Pacifica established Self Insurance Funds to cover Employee Dental Insurance, Workers' Compensation, General Liability, Property, and Automobile Liability Insurance. Expenses are restricted to payments of claims, the premium for umbrella insurance, administration costs, and expenditures relating to the Safety Committee.

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Motor Pool	Self Insurance	Total
Assets			
Current Assets:			
Cash and investments	\$2,058,001	\$2,805,571	\$4,863,572
Receivable:			
Accounts	1,523		1,523
Inventories	22,815		22,815
Total Current Assets	2,082,339	2,805,571	4,887,910
Non-current assets:			
Capital assets, not being depreciated	258,774		258,774
Capital assets, being depreciated, net of accumulated depreciation	1,607,799		1,607,799
Total Noncurrent Assets	1,866,573		1,866,573
Total Assets	3,948,912	2,805,571	6,754,483
Liabilities			
Current Liabilities:			
Accounts payable	300,749	449	301,198
Accrued interest payable	566		566
Claims payable		137,898	137,898
Compensated absences	15,103		15,103
Bonds payable	16,367		16,367
Total Current Liabilities	332,785	138,347	471,132
Noncurrent Liabilities:			
Compensated absences	11,393		11,393
Bonds payable	135,707		135,707
Total Noncurrent Liabilities	147,100		147,100
Total Liabilities	479,885	138,347	618,232
Net Position			
Net investment in capital assets	1,866,573		1,866,573
Unrestricted	1,602,454	2,667,224	4,269,678
Total Net Position	\$3,469,027	\$2,667,224	\$6,136,251

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Motor Pool	Self Insurance	Total
Operating revenues:			
Charges for services	\$1,290,207	\$222,132	\$1,512,339
Other operating income		994,170	994,170
Total operating revenues	1,290,207	1,216,302	2,506,509
Operating expenses:			
Personnel services	508,246		508,246
Administration	34,866		34,866
Supplies and materials	349,137		349,137
Insurance expense		905,813	905,813
Outside contractors		7,940	7,940
Maintenance	58,161		58,161
Insurance claims		227,318	227,318
Depreciation	490,440		490,440
Total operating expenses	1,440,850	1,141,071	2,581,921
Operating income (loss)	(150,643)	75,231	(75,412)
Non-operating revenues (expenses):			
Investment earnings	5,609	10,422	16,031
Intergovernmental revenues	31,546		31,546
Interest and fiscal charges	(9,027)		(9,027)
Gain on sale of capital assets	11,919		11,919
Total non-operating revenues (expenses)	40,047	10,422	50,469
Income (Loss) Before Transfers	(110,596)	85,653	(24,943)
Transfers:			
Transfers in	797,779	380,000	1,177,779
Transfers out		(288,999)	(288,999)
Change in net position	687,183	176,654	863,837
Net position at beginning of year	2,781,844	2,490,570	5,272,414
Net position at end of year	\$3,469,027	\$2,667,224	\$6,136,251

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers	\$1,296,478	\$1,216,302	\$2,512,780
Payments to suppliers and users	(218,525)	(947,208)	(1,165,733)
Payments for claims		(250,012)	(250,012)
Payments to employees	(524,254)		(524,254)
Net Cash Provided (Used) by Operating Activities	<u>553,699</u>	<u>19,082</u>	<u>572,781</u>
Cash Flows from Noncapital and Related Financing Activities			
Intergovernmental revenues	31,546		31,546
Transfers out		(288,999)	(288,999)
Transfers in	797,779	380,000	1,177,779
Net Cash Provided by Noncapital and Related Financing Activities	<u>829,325</u>	<u>91,001</u>	<u>920,326</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(611,162)		(611,162)
Proceeds from sale of capital assets	11,919		11,919
Principal payments on bonds and notes	(14,624)		(14,624)
Interest paid	(9,027)		(9,027)
Net Cash Used by Capital and Related Financing Activities	<u>(622,894)</u>		<u>(622,894)</u>
Cash Flows from Investing Activities:			
Interest received	5,609	10,422	16,031
Net Cash Provided by Investing Activities	<u>5,609</u>	<u>10,422</u>	<u>16,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	765,739	120,505	886,244
Cash and Cash Equivalents at the Beginning of Fiscal Year	<u>1,292,262</u>	<u>2,685,066</u>	<u>3,977,328</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$2,058,001</u>	<u>\$2,805,571</u>	<u>\$4,863,572</u>

(Continued)

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Motor Pool	Self Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	(\$150,643)	\$75,231	(\$75,412)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	490,440		490,440
(Increase) Decrease in Operating Assets:			
Accounts receivable			
Inventories	6,271		6,271
Increase (Decrease) in Operating Liabilities:			
Accounts payable	223,586	(33,455)	190,131
Accrued liabilities	53		53
Claims payable		(22,694)	(22,694)
Compensated absences	(16,008)		(16,008)
	<u>\$553,699</u>	<u>\$19,082</u>	<u>\$572,781</u>
Net Cash Provided (Used) by Operating Activities	<u>\$553,699</u>	<u>\$19,082</u>	<u>\$572,781</u>

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STATISTICAL SECTION

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CITY OF PACIFICA, CALIFORNIA
STATISTICAL SECTION
FISCAL YEAR ENDED JUNE 30, 2018

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the ability to issue additional debt in the future.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Property Tax Information

These schedules contain information to help the reader assess the City's property tax sources and changes.

Note: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

CITY OF PACIFICA
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>Governmental activities</i>				
Net investment in capital assets	\$ 50,142,311	\$ 51,393,206	\$ 54,212,344	\$ 54,455,020
Restricted	5,597,188	4,962,287	4,825,393	8,216,813
Unrestricted	8,728,875	4,867,264	(634,699)	4,681,456
Total governmental activities net position	<u>\$ 64,468,374</u>	<u>\$ 61,222,757</u>	<u>\$ 58,403,038</u>	<u>\$ 67,353,289</u>
<i>Business-type activities</i>				
Net investments in capital assets	\$ 10,796,034	\$ 11,247,270	\$ 14,179,807	\$ 15,462,599
Restricted	689,514	562,485		
Unrestricted	5,776,571	7,139,231	5,545,190	5,935,174
Total business-type activities net position	<u>\$ 17,262,119</u>	<u>\$ 18,948,986</u>	<u>\$ 19,724,997</u>	<u>\$ 21,397,773</u>
<i>Primary government</i>				
Net investment in capital assets	\$ 60,938,345	\$ 62,640,476	\$ 68,392,151	\$ 69,917,619
Restricted	6,286,702	5,524,772	4,825,393	8,216,813
Unrestricted	14,505,446	12,006,495	4,910,491	10,616,630
Total primary government net position	<u>\$ 81,730,493</u>	<u>\$ 80,171,743</u>	<u>\$ 78,128,035</u>	<u>\$ 88,751,062</u>

2013	2014	2015	2016	2017	2018
\$ 56,461,478	\$ 56,995,945	\$ 56,431,400	\$ 56,878,228	\$ 56,601,988	\$ 59,589,114
7,944,025	9,049,015	11,517,455	13,808,573	17,256,904	18,219,942
(13,421,330)	(14,105,441)	(46,030,272)	(39,126,535)	(37,204,436)	(42,615,720)
<u>\$ 50,984,173</u>	<u>\$ 51,939,519</u>	<u>\$ 21,918,583</u>	<u>\$ 31,560,266</u>	<u>\$ 36,654,456</u>	<u>\$ 35,193,336</u>
\$ 15,963,759	\$ 17,679,506	\$ 15,266,626	\$ 15,985,969	\$ 15,985,969	\$ 15,985,969
5,238,849	5,663,853	9,163,991	9,672,252	9,812,211	9,777,967
<u>\$ 21,202,608</u>	<u>\$ 23,343,359</u>	<u>\$ 24,430,617</u>	<u>\$ 25,658,221</u>	<u>\$ 25,798,180</u>	<u>\$ 25,763,936</u>
\$ 72,425,237	\$ 74,675,451	\$ 71,698,026	\$ 72,864,197	\$ 72,587,957	\$ 75,575,083
7,944,025	9,049,015	11,517,455	13,808,573	17,256,904	18,219,942
(8,182,481)	(8,441,588)	(36,866,281)	(29,454,283)	(27,392,225)	(32,837,753)
<u>\$ 72,186,781</u>	<u>\$ 75,282,878</u>	<u>\$ 46,349,200</u>	<u>\$ 57,218,487</u>	<u>\$ 62,452,636</u>	<u>\$ 60,957,272</u>

CITY OF PACIFICA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 4,083,959	\$ 4,625,471	\$ 4,212,498	\$ 4,019,613	\$ 4,294,792
Public safety	15,306,306	15,149,459	14,460,040	13,568,582	13,572,060
Community Development	1,356,494	1,402,574	1,549,299	1,631,678	1,378,014
Public Works	4,422,332	4,801,291	4,881,082	4,688,440	4,088,408
Parks, Beaches & Recreation	4,035,233	3,681,863	3,919,199	4,005,189	3,880,586
Interest on Long-term Debt	2,225,220	1,777,280	2,174,281	2,120,772	2,037,476
Total Governmental Activities Expenses	<u>\$ 31,429,544</u>	<u>\$ 31,437,938</u>	<u>\$ 31,196,399</u>	<u>\$ 30,034,274</u>	<u>\$ 29,251,336</u>
Business-type activities:					
Sewer	\$ 9,084,439	\$ 9,658,229	\$ 10,944,059	\$ 10,124,492	\$ 10,231,084
Beach Parking					
Total Business-Type Activities Expenses	<u>\$ 9,084,439</u>	<u>\$ 9,658,229</u>	<u>\$ 10,944,059</u>	<u>\$ 10,124,492</u>	<u>\$ 10,231,084</u>
Total Primary Government Expenses	<u>\$ 40,513,983</u>	<u>\$ 41,096,167</u>	<u>\$ 42,140,458</u>	<u>\$ 40,158,766</u>	<u>\$ 39,482,420</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 77,393	\$ 69,853	\$ 48,038	\$ 12,512	\$ 15,902
Public Safety	1,001,112	840,467	851,020	681,205	836,279
Community Development	606,991	568,871	631,767	693,169	688,975
Public Works	1,741,147	683,914	683,914	701,012	701,012
Parks, Beaches & Recreation	1,642,848	1,558,394	1,843,700	2,063,812	2,067,301
Operating Grants and Contributions	4,364,106	1,884,748	1,980,279	1,726,522	1,817,278
Capital Grants and Contributions	2,936,150	4,049,601	2,348,301	3,519,266	2,311,468
Total Governmental Activities Program Revenues	<u>\$ 12,369,747</u>	<u>\$ 9,655,848</u>	<u>\$ 8,387,019</u>	<u>\$ 9,397,498</u>	<u>\$ 8,438,215</u>
Business-Type Activities:					
Charges for services:					
Sewer	\$ 11,885,526	\$ 11,367,645	\$ 11,694,198	\$ 11,980,789	\$ 12,500,814
Beach Parking					
Total Business-Type Activities Program Revenues	<u>11,885,526</u>	<u>11,367,645</u>	<u>11,694,198</u>	<u>11,980,789</u>	<u>12,500,814</u>
Total Primary Government Program Revenues	<u>\$ 24,255,273</u>	<u>\$ 21,023,493</u>	<u>\$ 20,081,217</u>	<u>\$ 21,378,287</u>	<u>\$ 20,939,029</u>
Net Revenues (Expenses)					
Governmental activities	\$ (19,059,797)	\$ (21,782,090)	\$ (22,809,380)	\$ (20,636,776)	\$ (20,813,121)
Business-type activities	2,801,087	1,709,416	750,139	1,856,297	2,269,730
Total Net Revenues (Expenses)	<u>\$ (16,258,710)</u>	<u>\$ (20,072,674)</u>	<u>\$ (22,059,241)</u>	<u>\$ (18,780,479)</u>	<u>\$ (18,543,391)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property taxes	\$ 10,484,389	\$ 10,603,749	\$ 10,564,253	\$ 10,434,510	\$ 10,701,810
Sales Taxes	1,365,710	1,306,611	1,434,710	1,519,978	1,588,277
Franchise Tax	1,740,754	1,372,885	1,565,634	1,595,929	1,617,727
Other Taxes	2,787,716	2,604,443	2,712,005	3,005,388	3,152,723
Motor vehicle in lieu - unrestricted	3,184,538	3,107,767	3,195,730	3,039,393	2,923,573
Investment earnings	528,768	211,681	192,620	334,475	164,114
Miscellaneous	507,569	341,313	324,709	469,780	357,630
Transfers	45,000	45,000	-	200,000	410,000
Total Governmental Activities	<u>\$ 20,644,444</u>	<u>\$ 19,593,449</u>	<u>\$ 19,989,661</u>	<u>\$ 20,599,453</u>	<u>\$ 20,915,854</u>
Business-type activities:					
Investment Earnings	\$ 23,667	\$ 22,451	\$ 25,872	\$ 16,479	\$ 21,468
Miscellaneous					42,047
Transfers	(45,000)	(45,000)	-	(200,000)	(410,000)
Total Business-Type Activities	<u>\$ (21,333)</u>	<u>\$ (22,549)</u>	<u>\$ 25,872</u>	<u>\$ (183,521)</u>	<u>\$ (346,485)</u>
Total Primary Government	<u>\$ 20,623,111</u>	<u>\$ 19,570,900</u>	<u>\$ 20,015,533</u>	<u>\$ 20,415,932</u>	<u>\$ 20,569,369</u>
Changes in Net Position before Extraordinary Item:					
Governmental Activities	\$ 1,584,647	\$ (2,188,641)	\$ (2,819,719)	\$ (37,323)	\$ 102,733
Business-type Activities	2,779,754	1,686,867	776,011	1,672,776	1,923,245
Total Primary Government before Extraordinary Item:	<u>\$ 4,364,401</u>	<u>\$ (501,774)</u>	<u>\$ (2,043,708)</u>	<u>\$ 1,635,453</u>	<u>\$ 2,025,978</u>
Extraordinary Item					
Gain on transfer of assets and liabilities to successor agency				\$ 5,557,942	\$ -
Changes in Net Assets After Extraordinary Item:					
Governmental Activities				5,520,619	102,733
Business-Type Activities				1,672,776	1,923,245
Total Primary Government				<u>\$ 7,193,395</u>	<u>\$ 2,025,978</u>

Notes:
The City began reporting in the GASB 34 format in 2003

2014	2015	2016	2017	2018
\$ 4,473,909	\$ 4,324,645	\$ 4,604,299	\$ 5,196,272	\$7,156,065
13,935,234	13,997,209	15,859,890	14,310,434	17,194,894
1,250,419	1,089,881	1,629,555	1,964,355	2,329,479
4,138,762	5,757,332	4,714,402	5,698,841	7,409,411
3,921,499	3,894,017	4,329,044	4,938,859	4,963,552
1,945,156	2,072,272	1,667,485	2,442,966	1,896,665
<u>\$ 29,664,979</u>	<u>\$ 31,135,356</u>	<u>\$ 32,804,675</u>	<u>\$ 34,551,727</u>	<u>\$ 40,950,066</u>
\$ 10,853,371	\$ 11,897,495	\$ 10,816,732	\$ 11,893,663	\$ 12,922,459
	515,915	532,102	502,373	562,426
<u>\$ 10,853,371</u>	<u>\$ 11,897,495</u>	<u>\$ 11,348,834</u>	<u>\$ 12,396,036</u>	<u>\$ 13,484,885</u>
<u>\$ 40,518,350</u>	<u>\$ 43,032,851</u>	<u>\$ 44,153,509</u>	<u>\$ 46,947,763</u>	<u>\$ 54,434,951</u>
\$ 18,796	\$ 29,769	\$ 126,156	\$ 74,899	\$109,145
999,209	938,379	1,043,155	987,163	1,141,995
989,356	1,922,976	3,638,027	2,333,796	2,216,407
791,041	743,700	786,000	743,700	743,700
2,248,642	2,107,720	2,220,263	2,231,797	2,486,816
2,153,345	4,321,012	3,923,126	4,124,499	3,541,903
6,364,781	4,709,960	4,912,145	2,458,959	3,759,417
<u>\$ 13,565,170</u>	<u>\$ 14,773,516</u>	<u>\$ 16,648,872</u>	<u>\$ 12,954,813</u>	<u>\$ 13,999,383</u>
\$ 13,331,596	\$ 13,721,346	\$ 12,959,708	\$ 12,715,024	\$ 13,761,816
	537,192	533,952	493,850	543,919
<u>13,331,596</u>	<u>13,721,346</u>	<u>13,493,660</u>	<u>13,208,874</u>	<u>14,305,735</u>
<u>\$ 26,896,766</u>	<u>\$ 28,494,862</u>	<u>\$ 30,142,532</u>	<u>\$ 26,163,687</u>	<u>\$ 28,305,118</u>
\$ (16,099,809)	\$ (16,361,840)	\$ (16,155,803)	\$ (21,596,914)	\$ (26,950,683)
2,478,225	1,845,128	2,144,826	812,838	820,850
<u>\$ (13,621,584)</u>	<u>\$ (14,516,712)</u>	<u>\$ (14,010,977)</u>	<u>\$ (20,784,076)</u>	<u>\$ (26,129,833)</u>
\$ 11,275,518	\$ 12,200,335	\$ 12,445,509	\$ 12,679,059	\$ 13,780,294
1,686,593	1,754,568	1,983,930	2,374,505	2,350,478
1,668,382	1,697,972	1,736,620	1,748,266	1,722,343
3,329,647	3,529,485	3,710,615	3,749,159	4,904,111
3,164,873	3,320,316	3,543,953	3,731,337	3,973,622
184,700	29,979	(44,457)	743,630	151,887
537,867	259,197	1,481,757	846,648	505,076
15,715	(150)	939,559	818,500	98,343
<u>\$ 21,863,295</u>	<u>\$ 22,791,702</u>	<u>\$ 25,797,486</u>	<u>\$ 26,691,104</u>	<u>\$ 27,486,154</u>
\$ 19,808	\$ 16,123	\$ 22,337	\$ 145,621	\$ 442,917
	150	(939,559)	(818,500)	(98,343)
<u>\$ 19,808</u>	<u>\$ 16,273</u>	<u>\$ (917,222)</u>	<u>\$ (672,879)</u>	<u>344,574</u>
<u>\$ 21,883,103</u>	<u>\$ 22,807,975</u>	<u>\$ 24,880,264</u>	<u>\$ 26,018,225</u>	<u>\$ 27,830,728</u>
\$ 5,763,486	\$ 6,429,862	\$ 9,641,683	\$ 5,094,190	\$ 535,471
2,498,033	1,861,401	1,227,604	139,959	1,165,424
<u>\$ 8,261,519</u>	<u>\$ 8,291,263</u>	<u>\$ 10,869,287</u>	<u>\$ 5,234,149</u>	<u>\$ 1,700,895</u>
\$ -	\$ -	\$ -	\$ -	\$ -
5,763,486	6,429,862	9,641,683	5,094,190	535,471
2,498,033	1,861,401	1,227,604	139,959	1,165,424
<u>\$ 8,261,519</u>	<u>\$ 8,291,263</u>	<u>\$ 10,869,287</u>	<u>\$ 5,234,149</u>	<u>\$ 1,700,895</u>

CITY OF PACIFICA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal year June 30,			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 3,951	\$ 3,702		
Unreserved	5,135	3,377		
Non Spendable			\$ 2,518,609	\$ 2,519,544
Committed			567,465	743,683
Assigned			150,369	130,858
Unassigned			841,392	227,012
Total General Fund	<u>\$ 9,086</u>	<u>\$ 7,079</u>	<u>\$ 4,077,835</u>	<u>\$ 3,621,097</u>
Interest receivable				
All Other Governmental Funds				
Reserved	\$ 2,881	\$ 3,415		
Unreserved	(1,771)	(2,313)		
Unreserved, reported in:				
Special revenue fund	(714)	(1,076)		
Capital projects fund	1,532	1,376		
Debt service funds	-	-		
Restricted			\$ 8,304,103	\$ 9,042,672
Committed			-	-
Assigned			-	-
Unassigned			(6,590,713)	(979,737)
Total All Other Governmental Funds	<u>\$ 1,928</u>	<u>\$ 1,402</u>	<u>\$ 1,713,390</u>	<u>\$ 8,062,935</u>
Total Governmental Funds	<u>\$ 11,014</u>	<u>\$ 8,481</u>	<u>\$ 5,791,225</u>	<u>\$ 11,684,032</u>

	Fiscal year June 30,					
	2013	2014	2015	2016	2017	2018
General Fund						
Non Spendable	\$ 2,522,197	\$ 2,540,590	\$ 3,996,158	\$ 3,947,951	\$ 4,021,024	\$4,003,847
Committed	899,051	907,519				
Assigned	117,873	168,197	904,240	904,240	904,240	1,407,541
Unassigned	127,980	1,341,251	1,893,507	4,960,039	5,404,857	7,142,843
Total General Fund	<u>\$ 3,667,101</u>	<u>\$ 4,957,557</u>	<u>\$ 6,793,905</u>	<u>\$ 9,812,230</u>	<u>\$ 10,330,121</u>	<u>\$ 12,554,231</u>
All Other Governmental Funds:						
Restricted	\$ 8,230,761	\$ 10,155,601	\$ 11,503,439	\$ 13,808,573	\$ 17,256,904	\$ 18,219,942
Committed	-	-	-	-	-	-
Assigned	-	-	14,016			
Unassigned	(818,354)	(1,656,694)	(1,312,645)	(2,410,718)	(3,518,187)	(6,077,744)
Total All Other Governmental Funds	<u>7,412,407</u>	<u>8,498,907</u>	<u>10,204,810</u>	<u>11,397,855</u>	<u>13,738,717</u>	<u>12,142,198</u>
Total Governmental Funds	<u>\$ 11,079,508</u>	<u>\$ 13,456,464</u>	<u>\$ 16,998,715</u>	<u>\$ 21,210,085</u>	<u>\$ 24,068,838</u>	<u>\$ 24,696,429</u>

CITY OF PACIFICA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012
Revenues				
Taxes	\$ 16,230	\$ 16,391	\$ 16,454	\$ 16,733
Licenses and permits	402	350	341	409
Fines and forfeitures	246	246	227	174
Use of money and property	679	390	154	220
Intergovernmental revenues	9,320	8,497	8,173	8,029
Charges for Services	2,777	1,592	1,676	1,515
Recreation Programs	597	445	654	786
Other Revenues	1,455	1,620	1,540	1,790
Total Revenues:	<u>31,706</u>	<u>29,531</u>	<u>29,219</u>	<u>29,656</u>
Expenditures				
Current:				
General government	4,209	7,430	3,884	3,428
Public safety	14,896	16,575	14,096	12,544
Community Development	1,306	3,275	1,435	1,491
Public Works	3,722	8,888	4,041	3,583
Parks, Beaches & Recreation	3,929	8,725	3,581	3,644
Non-departmental				
Capital outlay	3,912	2,286	754	2,843
Debt service:				
Principal retirement	35	550	1,482	1,561
Interest and Other Chares	2,340	1,540	2,256	2,250
Bond issuance cost				
Total Expenditures	<u>34,349</u>	<u>49,269</u>	<u>31,529</u>	<u>31,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,643)</u>	<u>(19,738)</u>	<u>(2,310)</u>	<u>(1,688)</u>
Other Financing Sources (Uses)				
Transfers in	2,391	1,489	3,387	3,449
Transfers out	(2,846)	(1,869)	(3,767)	(4,504)
Other Sources/Uses:				
Issuance of Debt	19,815	17,826		
Issuance of Discount	(596)	(241)		
Refunded to debt escrow agent	(15,747)	-		
Proceeds of long-term debt				
Total other financing sources (uses)	<u>3,017</u>	<u>17,205</u>	<u>(380)</u>	<u>(1,055)</u>
Net change in fund balances	<u>\$ 374</u>	<u>\$ (2,533)</u>	<u>\$ (2,690)</u>	<u>\$ (2,743)</u>
Debt service as a percentage of noncapital expenditures	7.4%	4.4%	13.5%	13.8%

	2013	2014	2015	2016	2017	2018
\$	17,238	\$ 18,138	\$ 21,216	\$22,294	\$22,411	\$23,768
	389	515	683	827	812	1,036
	179	301	153	150	161	190
	155	178	459	1,663	980	311
	7,233	10,614	8,567	7,439	6,605	7,637
	1,679	1,996	2,219	2,829	2,722	2,779
	820	813	897	898	845	989
	1,531	2,285	4,163	3,690	4,283	4,662
	29,224	34,840	38,357	39,790	38,819	41,372
	3,677	3,866	3,899	4,332	4,538	4,444
	12,452	12,940	14,199	14,555	15,452	16,192
	1,331	1,250	1,318	1,814	1,907	2,110
	3,356	3,347	4,259	3,707	4,597	4,041
	3,552	3,585	3,988	4,333	4,419	4,158
	2,659	3,529	3,077	3,393	1,952	6,701
	1,661	1,791	1,918	2,046	1,667	971
	1,912	1,878	1,777	1,686	1,957	1,335
					293	
	30,600	32,186	34,435	35,866	36,782	39,953
	(1,376)	2,654	3,922	3,924	2,037	1,419
	3,619	3,766	1,924	2,614	6,191	2,412
	(4,017)	(4,146)	(2,304)	(2,327)	(5,665)	(3,203)
					(16,794)	
	1,169				17,092	
	771	(380)	(380)	287	824	(790)
\$	(605)	\$ 2,274	\$ 3,542	\$ 4,211	\$ 2,861	\$ 628
	13.2%	12.87%	11.66%	11.49%	11.00%	6.1%

**CITY OF PACIFICA
TAXABLE SALES BY CATEGORY
LAST TEN YEARS (IN \$000's)**

<u>Categories</u>	<u>Annual Years</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Food Stores	\$ 25,359	\$ 25,033	\$ 24,665	\$ 25,723
Eating & Drinking Places	28,659	28,999	30,244	30,168
Building Materials	5,838	4,587	3,856	3,737
Auto Dealers & Supplies	3,953	3,655	3,637	3,819
Service Stations	44,064	34,149	39,755	49,578
Other Retail Stores	31,214	32,576	33,749	34,195
All Other Outlets	<u>35,454</u>	<u>28,446</u>	<u>32,277</u>	<u>30,113</u>
Total	<u><u>\$ 174,541</u></u>	<u><u>\$ 157,445</u></u>	<u><u>\$ 168,183</u></u>	<u><u>\$ 177,333</u></u>

Notes:

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.

* Information presented is most current at the time of preparation.

Source: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office and the HdL Companies

Annual Years					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 *</u>
\$ 26,201	\$ 26,938	\$ 27,941	\$ 27,953	\$ 24,570	\$ 27,139
33,666	39,443	45,038	49,449	50,501	52,742
3,863	3,735	3,805	3,929	3,839	4,173
4,095	4,385	4,685	4,534	4,520	4,804
52,508	54,192	52,293	44,580	38,839	41,061
34,441	35,602	34,111	35,469	42,975	43,231
33,155	36,638	38,654	40,107	47,816	50,044
\$ 187,929	\$ 200,933	\$ 206,527	\$ 206,021	\$ 213,060	\$ 223,194

**CITY OF PACIFICA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS**

<u>Annual Year</u>	<u>State Rate</u>	<u>City Direct Rate</u>	<u>San Mateo County Rate</u>	<u>City/County Public Safety</u>	<u>District Rate</u>	<u>Total</u>
2009	6.25%	0.75%	1.75%	0.50%	0.00%	9.25%
2010	6.25%	0.75%	1.75%	0.50%	0.00%	9.25%
2011	6.25%	0.75%	1.75%	0.50%	0.00%	9.25%
2012	5.25%	0.75%	1.75%	0.50%	0.00%	8.25%
2013	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2014	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2015	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2016	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2017	5.75%	0.75%	1.75%	0.50%	0.00%	8.75%
2018	5.75%	0.75%	1.75%	0.50%	0.00%	8.75%

Notes:

Proposition 172 approved by the voters in 1993 provides 1/2 cent sales tax for Public Safety Augmentation. San Mateo County Transportation Authority District is provided a 1/2 cent sales tax approved by the voters in 1989.

San Mateo County Transit District is provided a 1/2 cent sales tax approved by the voters in 1982.

Voters approved a San Mateo County Transactions and Use Tax of a 1/2 cent effective in 2013.

Source: State Board of Equalization & HdL Companies

CITY OF PACIFICA
TAX REVENUES BY SOURCE (GOVERNMENTAL FUNDS)
LAST TEN FISCAL YEARS
(IN \$000's)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Use of Money & Property</u>	<u>Inter-Governmental</u>	<u>Current Service Chgs.</u>	<u>Fines & Forfeitures</u>	<u>Other Revenues</u>	<u>TOTAL</u>
2008-2009	16,230,066	402,639	679,477	9,320,112	2,776,779	245,675	2,051,545	31,706,293
2009-2010	16,391,061	350,181	390,276	8,496,563	2,037,223	245,835	1,620,197	29,531,336
2010-2011	16,454,504	340,779	154,429	8,173,354	1,676,210	226,650	2,193,458	29,219,384
2011-2012	16,733,367	409,098	219,957	8,028,700	1,515,050	173,944	2,576,009	29,656,125
2012-2013	17,238,036	389,107	154,513	7,233,370	1,679,210	178,727	2,351,178	29,224,141
2013-2014	18,137,639	514,854	177,610	10,614,499	1,996,318	300,611	3,099,290	34,840,821
2014-2015	21,215,649	683,517	458,823	8,567,028	2,219,356	153,031	5,059,783	38,357,187
2015-2016	22,294,417	827,154	1,663,159	7,439,425	2,828,678	149,573	4,588,311	39,790,717
2016-2017	22,411,007	811,803	980,024	6,604,617	2,722,206	161,023	5,037,010	38,727,690
2017-2018	23,596,985	1,035,782	311,425	7,636,773	2,778,648	190,202	5,650,674	41,200,489
% Change 2009-2018	45.39%	157.25%	-54.17%	-18.06%	0.07%	-22.58%	175.44%	29.94%

Notes:

Above amounts include General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Other Governmental Funds..
Above amounts exclude other financing sources.

Source: Annual Financial Statements, City of Pacifica and City's Comprehensive Annual Financial Reports

CITY OF PACIFICA, CALIFORNIA
 ASSESSED VALUATION, TAX RATE, AND TAX LEVIES
 (IN \$000's)
 LAST TEN FISCAL YEARS

Fiscal Year	LOCALLY ASSESSED						TOTALS							
	Secured			Unsecured			Total Before Exemptions			Exemptions/Net Totals				
	Land Value	Improvements	Personal Property	Land Value	Improvements	Personal Property	Land Value	Improvements	Personal Property	Grand Total	(1) H.O.P.T.R.	Other	Total Exemptions	Net Subject To Tax
2008-2009	2,068,296	2,434,746	3,695	4,876	17,659	21,944	2,073,171	2,452,405	25,639	4,551,215	57,951	56,485	114,437	4,436,778
2009-2010	2,017,339	2,389,859	3,578	4,884	16,833	34,565	2,022,223	2,406,692	38,143	4,467,058	58,584	54,790	113,374	4,353,684
2010-2011	2,019,330	2,387,399	2,710	6,572	17,123	34,100	2,025,902	2,404,522	36,810	4,467,234	58,844	54,695	113,539	4,353,695
2011-2012	2,049,170	2,404,036	2,415	4,917	21,139	31,638	2,054,087	2,425,175	34,053	4,513,315	58,411	56,038	114,449	4,398,866
2012-2013	2,074,034	2,426,543	2,423	4,933	19,077	37,361	2,078,967	2,445,620	39,784	4,564,371	57,436	57,796	115,232	4,449,139
2013-2014	2,174,610	2,534,526	2,615	4,906	19,263	19,445	2,179,516	2,553,789	22,060	4,755,365	56,906	58,966	115,872	4,639,493
2014-2015	2,294,249	2,647,779	2,352	5,041	21,781	22,507	2,299,290	2,669,560	24,859	4,993,709	56,151	61,142	117,293	4,876,416
2015-2016	2,460,040	2,815,658	2,172	4,108	22,270	31,051	2,464,148	2,837,928	33,223	5,335,299	55,523	65,832	121,355	5,213,944
2016-2017	2,622,536	2,952,932	2,132	4,041	18,948	21,509	2,626,577	2,971,880	23,641	5,622,098	54,992	52,206	107,198	5,514,900
2017-2018	2,836,115	3,100,809	2,089	4,385	14,214	21,638	2,840,500	3,115,023	23,727	5,979,250	54,419	56,353	110,772	5,868,478
% Change 2009-2018	37.12%	27.36%	-43.46%	-10.07%	-19.51%	-1.39%	37.01%	27.02%	-7.46%	31.38%	-6.09%	-0.23%	-3.20%	32.27%

(1) Homeowner's Property Tax Relief

Notes:

* California property tax assessments are "acquisition" based, rather than cyclical based. In California, the property tax system is acquisition based, meaning that a real property is assessed upon acquisition or when newly constructed, and assessed at a ratio of 100% of fair market value as of the event date. After the acquisition or new construction basis is determined, year to year increases in assessed value are limited to no more than 2%. In the event of an economic downturn, real property is assessed at the lower of its acquisition basis, increased by the maximum of 2% per year or the fair market value as of January 2, whichever is lower.

Source: County Tax Rolls - The County has never provided a breakdown between Residential, Commercial and Industrial Property.

CITY OF PACIFICA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Annual Year	City Direct Rate			Overlapping Rates						Total Direct Rate
	City Basic Rate	General Obligation Debt Service	Redevelopment Debt Service Rate	Pacifica School District	South San Francisco Unified	Jefferson High School & Elementary School Districts	San Mateo Junior College & High School	Millbrae Elementary	San Mateo County as Distributor	
2009	0%	0%	2.90%	0.0384%	0.0162%	0.0687%	0.0463%	0.0000%	1%	2.9019%
2010	0%	0%	2.90%	0.0417%	0.0195%	0.0749%	0.0501%	0.0185%	1%	2.9019%
2011	0%	0%	2.90%	0.0412%	0.0196%	0.0815%	0.0515%	0.0254%	1%	2.9019%
2012	0%	0%	0.00%	0.0422%	0.0221%	0.0829%	0.0582%	0.0295%	1%	0.0019%
2013	0%	0%	0.00%	0.0432%	0.0327%	0.0746%	0.0575%	0.0355%	1%	0.0020%
2014	0%	0%	0.00%	0.0403%	0.0328%	0.1287%	0.0549%	0.0428%	1%	0.0019%
2015	0%	0%	0.00%	0.0392%	0.0513%	0.1192%	0.0665%	0.0464%	1%	0.0019%
2016	0%	0%	0.00%	0.0250%	0.0457%	0.1257%	0.0716%	0.0461%	1%	0.0019%
2017	0%	0%	0.00%	0.0311%	0.0467%	0.1480%	0.0662%	0.0430%	1%	0.0019%
2018	0%	0%	0.00%	0.0281%	0.0366%	0.1479%	0.0695%	0.0343%	1%	0.0019%

Notes:

Under constitutional Amendment (Proposition 13) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of the full market value of property. This tax is collected by the County Tax Collector and distributed on a formula determined by the State Legislature. Local agencies levy the tax rate only for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

Source: County of San Mateo Controller's Office - 2008-2009 thru 2017-2018 Property Tax Rate Book & HdL Companies

CITY OF PACIFICA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND TEN YEARS AGO
 (in \$000's)

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FPA WD Lands End LLC	\$85,633	1	1.44%	\$48,493	1	1.11%
AIMCO Pacifica Park Apartments	53,542	2	0.90%	19,975	4	0.46%
Linda Mar Shopping Center, LLP	34,914	3	0.59%	31,466	2	0.72%
PK III Fairmont Shopping Center	30,313	4	0.51%	27,319	3	0.63%
CRP/PSE Seaside Pacifica Owner	24,617	5	0.41%			
Oceanview Housing Associates LLC	21,482	6	0.36%			
Marymount Summit ,LLC	20,312	7	0.34%	18,306	5	0.42%
Tajirian Investments LLC	17,136	8	0.29%			
Bay Apartment Communities, Inc.	15,248	9	0.26%	13,426	8	0.31%
Upsky Lighthouse Hotel LLC	15,190	10	0.26%			
Horizon West Apartments, LLC				15,690	6	0.36%
Harry B. Lewis, et al				14,184	7	0.33%
National Church Residences				13,129	9	0.30%
LBN Properties LP				12,817	10	0.29%
Total	<u>\$318,387</u>		<u>5.36%</u>	<u>\$214,805</u>		<u>4.93%</u>

Notes:

This schedule serves a dual purpose of providing basic information about our jurisdiction's most significant revenue payers and highlighting the degree to which a government is dependent on a small number of payers.

Source: HdL Companies report and 2009 CAFR-Source: Tax Rolls provided by County Assessor's Office, County of San Mateo, California, March 1, 2009

CITY OF PACIFICA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (IN \$000's)

Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	8,597	8,554	99.50%	0	8,554	99.50%
2010	8,499	8,499	100.00%	0	8,499	100.00%
2011	8,532	8,532	100.00%	0	8,532	100.00%
2012	8,678	8,519	98.17%	0	8,519	98.17%
2013	8,688	8,641	99.46%	0	8,641	99.46%
2014	9,010	9,010	100.00%	0	9,010	100.00%
2015	9,738	9,738	100.00%	0	9,738	100.00%
2016	10,068	10,068	100.00%	0	10,068	100.00%
2017	10,795	10,810	100.14%	0	10,810	100.14%
2018	11,530	11,530	100.00%	0	11,530	100.00%
% Change 2009-2018	0.3412	0.3479			0.3479	0.0050

Notes:

This Statement shows the period for which the tax is levied.

Includes Homeowner's Tax Relief (HOPTR).

Under constitutional Amendment (Proposition 13) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of the full market value of property. This tax is collected by the County Tax Collector and distributed on a formula determined by the State Legislature. Local agencies levy the tax rate only for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

* Information presented is most current at the time of preparation.

Sources: City Financial Reports and Office of the Controller, County of San Mateo

**CITY OF PACIFICA
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Governmental Activities					
Fiscal Year Ending	Pension Obligation Bond	Capital Lease Payable	Notes Payable	Certificates of Participation	Total Governmental Activities Debt
2009	-	-	\$875,378	\$19,815,000	\$20,690,378
2010	\$18,176,373	-	875,378	19,305,000	38,356,751
2011	17,170,125	-	875,378	18,850,000	36,895,503
2012	16,161,022	-	875,378	18,325,000	35,361,400
2013	15,059,702	\$1,120,756	875,378	16,754,619	33,810,455
2014	13,857,073	1,021,637	875,378	17,295,000	33,049,088
2015	12,712,826	918,514	875,378	16,740,000	31,246,718
2016	11,303,736	811,224	-	16,210,000	28,324,960
2017	9,748,420	699,600	-	16,977,583	27,425,603
2018	8,893,219	583,466	-	16,862,704	26,339,389

Notes:

Details regarding the city's debt can be found in the notes to the financial statements.
The City issued a total of \$13,630,000 of new certificates of participation in 1999, 2000 and 2003.
The City issued \$19,815,000 of new COP's in 2008, refunding the 1999, 2000 and 2003 COP's.
The City issued \$20,500,000 in Pension Obligation Bonds in 2010.
The City issued \$14,680,000 (par value) of new COP's in 2016, refunding the 2008 COP's

Sources: City's Comprehensive Annual Financial Reports 2009-2018.

CITY OF PACIFICA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Business-Type Activities

<u>Fiscal Year Ending</u>	<u>Sewer Bonds</u>	<u>Notes Payable</u>	<u>Total Business-Type Government</u>	<u>Total Primary Government</u>	<u>Estimated Median Personal Income</u>	<u>Population</u>	<u>Debt Per Capita</u>	<u>Per Capita Personal Income</u>	<u>Debt as a Percentage of Personal Income</u>
2009	13,380,000	23,749,506	37,129,506	57,819,884	57,014	39,984	1,446	41,153	0.07%
2010	15,558,627	22,112,004	37,670,631	76,027,382	63,500	40,431	1,880	36,144	0.05%
2011	15,269,875	20,444,965	35,714,840	72,610,343	62,917	37,658	1,928	39,648	0.05%
2012	15,018,978	18,747,852	33,766,830	69,128,230	n/a	37,948	1,822	41,909	0.06%
2013	11,275,298	23,043,678	34,318,976	68,129,431	n/a	38,292	1,779	42,099	0.06%
2014	11,172,927	21,406,345	32,579,272	65,628,360	n/a	38,315	1,713	43,390	0.07%
2015	9,736,334	20,375,644	30,111,978	61,358,696	n/a	37,806	1,623	45,452	0.07%
2016	9,436,801	18,070,515	27,507,316	55,832,276	n/a	38,124	1,464	45,591	0.08%
2017	35,297,847	15,756,776	51,054,623	78,480,226	n/a	38,418	2,043	46,553	0.06%
2018	34,886,481	13,434,113	48,320,594	74,659,983	n/a	39,087	1,910	46,043	0.06%

Notes:

This schedule displays the Enterprise Fund debt of the Wastewater Treatment Plant. Details regarding the city's debt can be found in the notes to the financial statements.

Sources:

The City's Comprehensive Annual Financial Reports 2009-2018.

CITY OF PACIFICA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS (IN \$000's)

FISCAL YEAR ENDING JUNE 30

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Valuation	\$4,436,778	\$4,353,684	\$4,353,695	\$4,398,866	\$4,449,139	\$4,696,398	\$4,932,567	\$5,213,945	\$5,514,900	\$5,934,385
Debt Limit	166,379	163,263	163,264	164,957	166,843	176,115	184,971	195,523	206,809	222,539
Total Net Debt Applicable to Limit	19,815	37,481	36,020	34,486	32,936	33,049	31,247	28,325	27,426	26,339
Legal Debt Margin	\$146,564	\$125,782	\$127,244	\$130,471	\$133,907	\$143,066	\$153,724	\$167,198	\$179,383	\$196,200
Total Net Debt applicable to the limit as a percentage of debt limit	11.91%	22.96%	22.06%	20.91%	19.74%	18.77%	16.89%	14.49%	13.26%	11.84%

Notes:

Debt Limit is 3.75% of Assessed Value.

Source: City of Pacifica and San Mateo County Assessor's records

CITY OF PACIFICA
WASTEWATER OBLIGATIONS PLEDGED REVENUE COVERAGE
LAST TEN YEARS (IN \$000's)

Enterprise Fund Bonds							
Fiscal Year	Operating Revenues	(1) Less Operating Expenses	Pledged Net Revenue	(2) Bonded Debt Service	(3) Other Parity Debt Service	Total Parity Debt Service	(4) Coverage
2009	11,886	5,839	6,047	473	2,418	2,891	2.09
2010	11,367	6,359	5,008	473	2,417	2,890	1.73
2011	11,694	6,389	5,305	473	2,416	2,889	1.84
2012	11,981	6,735	5,246	473	2,414	2,887	1.82
2013	12,501	6,704	5,797	473	2,405	2,878	2.01
2014	13,332	7,281	6,051	473	2,549	3,022	2.00
2015	13,721	7,663	6,058	359	2,514	2,873	2.11
2016	12,960	7,851	5,109	337	2,514	2,851	1.79
2017	12,715	8,444	4,271	1,163	2,514	3,677	1.16
2018	13,762	8,660	5,102	1,399	2,513	3,912	1.30

Special Assessment Bonds

Fiscal Year	Debt Service (000's)	
	Principal	Interest
2009	0	0
2010	0	0
2011	0	0
2012	0	0
2013	0	0
2014	0	0
2015	0	0
2016	0	0
2017	0	0
2018	0	0

Notes:

- (1) Operating Expenses excludes depreciation, capital expenditures and debt service
- (2) Include the Series 2014 and the Series 2017 Wastewater Revenue Refunding Bonds
- (3) Includes the SRF Loan, CSCDA 2001 Loan and the 2012 Loan. Debt service on the SRF Loan for FY2006 and FY2007 had been prepaid by the 2004 Wastewater Bonds
- (4) The bond indentures and the 2012 Loan Agreement require minimum annual debt service coverage of 1.25x. The 2001 CSCDA loan requires a minimum annual DS coverage of 1.10x.

Source: City Financial Reports

**CITY OF PACIFICA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year Ending	Population	Median Personal Income	Per Capita Personal Income	Unemployment Rate %
2008	39,473	58,567	42,773	5.6
2009	39,984	57,014	41,153	9.8
2010	40,431	63,500	36,144	10.2
2011	37,658	n/a	39,648	9.1
2012	37,948	n/a	41,909	5.8
2013	38,292	n/a	42,099	4.9
2014	38,315	n/a	43,390	3.9
2015	37,806	n/a	45,452	3.1
2016	38,124	n/a	45,591	2.8
2017	38,418	n/a	46,553	2.0
2018	39,087	n/a	46,043	2.5

Notes and Data Sources:

The City of Pacifica is not a Standard Metropolitan Statistical Area (SMSA).

Population: California State Department of Finance, Unemployment Data: California Employment Development Department
2000-2009 Income: ESRI - Demographic Estimates are based on the last available census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

2010 and later - Income - US Census Bureau, most recent American Community Survey

Source: HdL Companies via U.S. Census Bureau, California State Department of Finance and California Employment Development Department

CITY OF PACIFICA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

Employer	2017*			2009		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Pacifica School District	349	1	N/A	307	1	N/A
Safeway (3)	274	2	N/A	214	3	N/A
City of Pacifica	192	3	N/A	287	2	N/A
Jefferson High School	100	4	N/A	170	4	N/A
Oceana Market	55	5	N/A			
Starbucks (3)	50	6	N/A			
Rite Aid (2)	43	7	N/A	52	6	N/A
Recology of the Coast	33	8	N/A			
Ross Dress for Less	30	9	N/A	48	8	N/A
North Coast County Water District	21	10	N/A	22	9	N/A
Lucky (Save Mart Supermarkets)				125	5	N/A
Coastside Scavenger				50	7	N/A

Notes:

The City does not track this information. Our business license tax is based on gross receipts.
The City of Pacifica is not a Standard Metropolitan Statistical Area (SMSA) so this information is not readily available.

Source: City of Pacifica Research

* Information presented is most current at the time of preparation.

CITY OF PACIFICA
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government											
Administration	7	7	7	7	6	6	6	6	7	7	7
Finance	7.5	7	7	7	6	6	6	6	6.5	7.5	6.5
Parks	39.75	37.75	37.75	58	58	58	53	54	65.5	53	51
Planning & Building	9	9	8	8	8	8	8	7	7	7	7
Public Works	24	24	26	26	18	18	20	21	19	22	23
Engineering	4	4	4	5	5	5	5	5	5	6	6
Police											
Officers	40	40	36	36	33	33	33	34	29	33	37
Civilians	12.5	11.5	12.5	13	4	4	5	4	3	4	4
Fire											
Firefighters	28	27	27	27	23	23	25	25	25	25	23
Civilians	1	1	1	1.5	1	1	1	1	1	1	1
Wastewater Division	19.75	19.75	19.75	19.75	24	24	24	26	24	26	27
Total	192.5	188	186	208.25	186	186	186	189	192	191.5	192.5
Authorized Full-Time Positions									159	161	161

Notes:

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
 Full-time equivalent employment is calculated by dividing total labor hours by 2080.
 Total includes both Full time and Part-Time (converted to full-time equivalent) Positions excluding City Council.

Source: City Financial Reports

CITY OF PACIFICA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FISCAL YEAR ENDING JUNE 30

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building Permits Issued	970	967	1,036	1,279	1,514	1,501	1,587	1,682	1,921	1,811
Building Inspections Conducted	2,745	2,727	2,500	2,770	2,710	2,818	3,018	4,093	4,610	4,630
Police										
Physical Arrests	1,102	1,105	932	803	812	812	923	864	702	816
Parking Violations	3,250	3,427	2,635	1,829	3,652	3,652	5,085	4,700	5,099	6,257
Traffic Violations	3,368	3,472	3,074	2,880	2,966	2,966	2,193	1,763	2,090	2,718
Fire										
Emergency Responses	2,852	3,708	2,782	2,862	1,873	3,117	3,147	3,215	2,977	3,142
Fires Extinguished	139	104	87	90	101	96	106	88	77	66
Inspections	1,085	943	954	1,023	1,056	895	951	955	730	783
Other Public Works										
Street Re-surfacing (miles)	3.07	2.02	1.05	0.00	0.00	0.00	0.90	0.00	0.00	0.51
Potholes Repaired	414	420	432	363	379	379	351	1,125	1,200	1,200
Parks, Beaches & Recreation	estimated	estimated	estimated	estimated	estimated	estimated	estimated	estimated	estimated	estimated
Community Center Admissions	105,000	100,000	96,000	94,000	98,000	91,000	95,730	89,654	98,480	92,000
Enterprise Fund WWTP										
Residential Sewer Accounts	11,319	11,319	11,323	11,330	11,340	11,440	11,455	11,480	11,470	11,479
Commercial Sewer Accounts	318	318	318	318	318	316	340	345	342	343
Total Accounts	11,637	11,637	11,641	11,648	11,658	11,756	11,795	11,825	11,812	11,822
New Connections	30	-	3	4	7	1	4	10	17	10
Avg Daily Sewage Treatment (Gallons)	2,674,000	3,117,000	3,110,000	2,832,000	2,350,000	2,240,000	2,240,000	2,463,000	3,230,000	2,463,000

Notes:

The City has not tracked some of this information in past years

Source: Various City Departments

CITY OF PACIFICA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR ENDING JUNE 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	12	12	12
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (miles)	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9
Highways (miles)	0	0	0	0	0	0	0	0	0	0
Streetlights	1,775	1,775	1,775	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Traffic Signals	5	5	5	5	5	5	5	5	5	5
Parks, Beaches & Recreation										
Acreage	142.68	142.68	148.13	148.13	148.13	148.13	148.13	148.13	148.13	148.13
Playgrounds	13	13	14	14	14	14	14	14	14	14
Baseball Diamonds	5	5	5	5	5	5	5	5	5	5
Soccer/Football Fields	3	3	2	2	2	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Wastewater										
Sanitary Sewers (miles)	165	165	165	165	165	165	165	165	104	104
Storm Sewers (miles)	90	90	90	90	90	90	90	90	90	90
Treatment Capacity (gallons)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Notes:
 No capital asset indicators are available for the general government function.

Source: Various City Departments

**CITY OF PACIFICA
SEWER RATES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Minimum Annual Charge	Rate per 100 Cubic Feet
2009	456.70	9.51463
2010	468.28	9.75568
2011	493.54	10.28208
2012	510.34	10.63211
2013	567.18	11.81632
2014	567.18	11.81632
2015	583.26	12.15128
2016	600.42	12.50867
2017	626.14	13.04476
2018	676.24	14.08834

Notes:

Sewer rates are based on water usage. The North Coast County Water District invoices customers directly for water usage.

Source: City Records

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APPENDIX D

PROPOSED FORM OF FINAL OPINION

October 23, 2019

City Council
City of Pacifica
170 Santa Maria Avenue
Pacifica, California 94044

OPINION: \$9,685,000 City of Pacifica
 2019 Taxable Pension Obligation Refunding Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and delivery by the City of Pacifica (the "City") of \$9,685,000 aggregate principal amount of bonds of the City designated the "City of Pacifica 2019 Taxable Pension Obligation Refunding Bonds" (the "Bonds"), issued under the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), an Indenture of Trust dated as of October 1, 2019 (the "Indenture"), between the City and U.S. Bank National Association, as trustee, and a resolution adopted by the City Council of the City on September 23, 2019 (the "Resolution").

We have examined the Bond Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. In rendering our opinion, we are also relying upon the judgment of the San Mateo Superior Court rendered on December 12, 2008 in City of Pacifica vs. All Persons Interested, etc., Case No. CIV 476435, with respect to the obligations which are refunded from the proceeds of the Bonds.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to adopt the Resolution, to enter into the Indenture and perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds constitute legal, valid and binding obligations of the City enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$9,685,000
CITY OF PACIFICA
2019 TAXABLE PENSION OBLIGATION REFUNDING BONDS,

This CONTINUING DISCLOSURE AGREEMENT (this “**Disclosure Agreement**”), by and between the CITY OF PACIFICA (the “**City**”) and the Dissemination Agent in connection with the issuance of the 2019 Taxable Pension Obligation Refunding Bonds captioned above (the “**Bonds**”). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of October 1, 2019 (the “**Indenture of Trust**”), between U.S. Bank National Association, as trustee (the “**Trustee**”) and the City.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means Digital Assurance Certification or a Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means U.S. Bancorp Investments, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020, with the report for the 2018-19 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) information concerning the audited revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;
- (ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the Issuer which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;
- (iii) information concerning the assessed valuation of properties within the City from the most recently available County Assessor's Roll, showing the valuation for secured and unsecured property;
- (iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year;
- (v) table showing General Fund tax revenue collections by source, and
- (vi) information, based on the most recent actuarial report received by PERS, on the City's unfunded liability with respect to its PERS retirement plans, and the current year's contribution rate.

(c) In addition to any of the information expressly required to be provided under this Disclosure Agreement, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial

obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture of Trust.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Agreement, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement,

and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City. The initial Dissemination Agent shall be Digital Assurance Compliance.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture of Trust for amendments to the Indenture of Trust with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation

under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Agreement, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture of Trust, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: October 23, 2019

CITY OF PACIFICA

By _____
City Manager

ACCEPTED AND AGREED:

DIGITAL ASSURANCE CERTIFICATION,
as Dissemination Agent

By: _____
Name:
Title

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF PACIFICA

Name of Issue: \$9,685,000 City of Pacifica 2019 Taxable Pension Obligation Refunding Bonds,

Date of Issuance: October 23, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated October 23, 2019. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF PACIFICA

By: _____
Its: _____

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APPENDIX F

DTC AND THE BOOK-ENTRY PROVISIONS

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the City nor the Underwriter take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (in this Appendix, the “Bonds”). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of each series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one bond will be issued with respect to each \$500 million of principal amount and an additional bond will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Bonds within an issue are being prepaid, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from City or the trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the trustee, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or the trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to City or the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

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