

**\$4,350,000**  
**City of Redwood City**  
**Community Facilities District No. 2010-1**  
**(One Marina)**  
**Special Tax Refunding Bonds**  
**Series 2016**

**Continuing Disclosure Annual Report**  
**for the Fiscal Year Ended June 30, 2016**

**Prepared on Behalf of:**

**CITY OF REDWOOD CITY**  
1017 Middlefield Road  
Redwood City, CA 94063

**Prepared by:**

**DAVID TAUSSIG & ASSOCIATES, INC.**  
5000 Birch Street, Suite 6000  
Newport Beach, CA 92660

Public Finance  
Facilities Planning  
Urban Economics

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Newport Beach  
Fresno  
Riverside  
San Francisco

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## **I. Introduction**

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This continuing disclosure annual report (the "Annual Report") has been prepared pursuant to the provisions of the Continuing Disclosure Agreement, dated as of June 28, 2016 (the "Disclosure Agreement"), by and between the City of Redwood City (the "City") and David Taussig & Associates, Inc. in its capacity as dissemination agent (the "Dissemination Agent") in connection with the issuance of \$4,350,000 in aggregate principal amount of City of Redwood City Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds (the "Bonds"). The Bonds were issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2016 (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of the Community Facilities District No. 2010-1 (One Marina), City of Redwood City, County of San Mateo, California (the "District"), and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). All capitalized terms used herein shall have the meanings set forth in the Disclosure Agreement.

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## II. Contents of Annual Report

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The District's Annual Report contains or incorporates by reference the following documents and information as required under Section 3 of the Disclosure Agreement:

**(a) Audited financial statements for the period ending June 30, 2016.**

A copy of the City's audited financial statements for the fiscal year ended June 30, 2016 is included as Exhibit A to this Annual Report.

**(b) The following additional items with respect to the Bonds:**

- (1) Principal amount of Bonds outstanding as of the September 2<sup>nd</sup> preceding the filing of the Annual Report.

The principal amount of Bonds outstanding as of September 2, 2016 equaled \$4,350,000.

- (2) Tabular or numerical information of the types contained in the Official Statement in the following tables (a) **Table 1**, Distribution of Land Use Classes Under the Rate and Method based on the most recent Special Tax levy preceding the filing of the Annual Report, (b) **Table 3**, Distribution of Value-to-District Lien Ratios based on the most recent Special Tax levy preceding the filing of the Annual Report and the assessed value of parcels within the District on which the Special Taxes are levied as shown on the assessment roll of the San Mateo County Assessor last equalized prior to the September 30 next preceding the filing of the Annual Report, and (c) **Table 4**, Special Tax Levies, Collections and Delinquencies including a list of all taxpayers which own property within the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes.

Applicable tables are included as Exhibit B to this Annual Report. Furthermore, there are no taxpayers which own property within the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied.

- (3) Balance in Bond Reserve Fund as of the September 2<sup>nd</sup> preceding the filing of the Annual Report.

The balance in the Bond Reserve Fund (valued at cost) as of September 2, 2016 equaled \$188,153.

- (4) Status of foreclosure proceedings for any parcels within the District on which the Special Taxes are levied, if any, and a summary of results of foreclosure sales, if available, as of the September 30 next preceding the filing of the Annual Report.

As of September 30, 2016 there were no property owners within the District delinquent in the payment of Special Taxes, and accordingly, pursuant to the provisions set forth in the Fiscal Agent Agreement, the District is not required to commence foreclosure proceedings at this time.

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**EXHIBIT A**

**AUDITED FINANCIAL STATEMENTS**

**THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER AND DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.**

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# City of Redwood City

## 2016 Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016





*City of Redwood City  
Comprehensive Annual Financial Report  
June 30, 2016*

# City of Redwood City

Redwood City, California



***Comprehensive Annual Financial Report***

***For the Fiscal Year Ended June 30, 2016***

**City of Redwood City  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2016**

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December 12, 2016

Honorable Mayor John Seybert  
Members of the City Council,  
City Manager, and Citizens of the  
City of Redwood City  
Redwood City, California

I am pleased to submit for your information and consideration the Comprehensive Annual Financial Report of the City of Redwood City for the fiscal year ended June 30, 2016.

This report contains a complete set of audited financial statements, prepared by the City's Finance Division in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). The responsibility for both the accuracy of the printed data and the completeness and fairness of the presentation including all disclosures rests with the management of the City. It is our opinion: that the data presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial positions and results of operations of the City and its related entities as measured by the financial activities of their various funds; and that all disclosures necessary for the reader to gain a full understanding of their financial activities have been included. To provide a reasonable basis for making those representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP.

Badawi and Associates, a firm of independent, licensed and Certified Public Accountants, has audited the City's financial statements for the fiscal year ended June 30, 2016. The objective of the independent audit is to provide reasonable assurance that the financial statements of the City and related entities are free of material misstatement. The auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's basic financial statements as of and for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a 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. Redwood City's MD&A can be found immediately following the report of the independent auditors. The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure.

#### **REPORTING ENTITY AND ITS SERVICES**

Redwood City is a San Francisco Bay Area community located in the heart of Silicon Valley. With a population of over 85,000, Redwood City is the third largest city within the County of San Mateo. The City of Redwood City was incorporated in 1867 and became a Charter City in 1929. It operates under a council-manager form of government and is a full service City, providing a range of services that include police and fire protection,

recreation and parks, libraries, street maintenance and construction, infrastructure improvements, planning and zoning, water delivery, port facilities, and storm drains. Although the City maintains sewer lines and pump stations, the sewer plant and treatment services are provided by Silicon Valley Clean Water (formerly the South Bayside System Authority), a joint powers authority of which Redwood City is an equity holder.

The financial reporting entity includes all funds of the primary government (i.e. the City of Redwood City) as well as its component units. The City Council serves in separate session as the governing bodies of the Successor Agency to the Redevelopment Agency of Redwood City, the Redwood City Facilities and Infrastructure Authority, and the Public Financing Authority although these agencies are legal entities apart from the City. Debt service paid during the year is shown under debt service funds. Under the City Charter, the City Council appoints the Board of Port Commissioners which oversees the operations of the Port of Redwood City, which is considered a department of the City of Redwood City. The Port of Redwood City is an enterprise activity and is presented as an enterprise fund.

Financial information for separate legal entities related to the City including the Redwood City Facilities and Infrastructure Authority, Redwood City Public Financing Authority, and Successor Agency to the Redevelopment Agency of Redwood City is blended in the City's financial statements in accordance with Governmental Accounting Standards Board Statement No. 14.

## **FINANCIAL INFORMATION**

### **Accounting System and Budgetary Control**

The City's accounting records for governmental operations are maintained on a modified accrual basis, with the revenues being recorded when both measurable and available, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprises are maintained on the accrual basis.

In developing and modifying the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

Because the cost of internal controls should not outweigh their benefits, the City's controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the evaluation of costs and benefits requires estimates and judgments by management. Within this framework, we believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

Beginning with the financial statements for fiscal year 2014-15, Redwood City, along with other governmental agencies, was required to implement a new accounting standard, Governmental Accounting Standards Board Statement 68 (GASB 68). GASB 68 required all governmental agencies to record the unfunded pension liability on their balance sheet (i.e. Statement of Net Position). More detailed information regarding the pension liability is available in Note 9.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

The local economy is recovering from the “Great Recession” more robustly than the national economy with the unemployment rate in San Mateo County remaining at 3.3% as of June 2016, which was the same as of June 2015, and which is slightly higher than Redwood City’s unemployment rate of 3%. Both San Mateo County and Redwood City unemployment rates are consistently lower than the State’s unemployment rate of 5.7% and the national rate of 4.9%. The number of employed residents in the County increased slightly from 426,600 in June 2015 to 430,900 in June 2016.

The Redwood City commercial real estate market continues to exhibit signs of high demand with the citywide vacancy rate stable at 3.3% as of the second quarter 2016. Vacancy rates as of June 2016 in Redwood City’s downtown area are notably lower, with retail vacancy down to 1.2% from 2.5% last year. The office space vacancy rate has increased slightly to 4.4% as of June 2016 compared to 3.2% as of June 2015.

We believe these indicators paint a positive picture of the local economy and provide a solid underpinning for steady economic growth continuing into the near future. Recognizing that local and regional growth have exacerbated long-term mobility and affordable housing challenges, the City Council has taken numerous steps to address these issues, including adoption of a housing impact fee, authorization of using City land on Bradford Street for affordable housing, and asking the City’s Housing and Human Concerns Committee to assess new strategies for addressing housing challenges. The City Council has also directed staff to complete a citywide transportation study and will undertake several related planning projects, including the El Camino Real Corridor Plan and the Downtown Transit Center and Broadway Streetcar/Urban Circulator Study.

### **Economic Development Initiatives**

In 2011, the City Council adopted the Downtown Precise Plan, to establish development standards for new development within the Downtown area and create a review process that would remove some of the uncertainty associated with the development approval process. The adoption of this document as well as approving several public/private partnerships to get the first few developments in the downtown moving forward has started the creation of a vibrant downtown district where Redwood City residents enjoy working, living, and playing.

The opening of the Crossing 900 Building, brought the first major office development to downtown Redwood City since the development of the City and County offices. This 306,000 square foot building, home to five new businesses and over 1,500 employees, has helped to bolster the daytime population of downtown which is necessary to support the many locally owned restaurants and service businesses in the downtown. In addition to this new development, three other office buildings are currently under construction, which will add an additional 250,000 square feet of new leasable space in the downtown area. Most of the new structures under construction are fully leased with new companies looking to bring their businesses into Downtown Redwood City.

In addition to the new office developments locating in the Downtown, Redwood City is also seeing a growth in housing production. As part of the Downtown Precise Plan, 2,500 new housing units could be built in the Downtown area. As of November 2016, approximately 1,000 of those units are now built and occupied with tenants and the remainder of the 1,500 allocated units are either under construction or completing their entitlements to be built. These new housing units have started to bring a much-needed evening population to the Downtown area, thus creating the critical mass necessary to support new retail establishments. The remaining residential units are expected to be completed near the end of 2018.

Outside of the Downtown area, the City continues to see interest in developing additional housing for the community. Two new residential housing developments are underway along the east side of Veteran’s Boulevard, providing an additional 225 units. 131 units are proposed near the terminus of Redwood Creek at the Bay, and an additional 400 units along with 400,000 square feet of office space are proposed at Broadway Plaza

at Woodside Road. Though the proposed developments have not been approved, there is strong market interest in housing construction in Redwood City. Construction of new housing units will help meet the City's and region's long-term housing challenges.

In addition to the new housing projects outside of the downtown, the Planning Commission issued final approvals for architectural designs for the Stanford in Redwood City project. This was the final step in moving forward with the proposed development that was approved as part of the Stanford in Redwood City Precise Plan and Development Agreement approved by the City Council in September 2013. Phase I of the project will include the construction of 570,000 square feet of office space, a 1,057 space parking structure, a fitness center, childcare facility and a 2.4 acre publicly-accessible open space. As part of the development, Stanford is providing over \$15 million in community benefits for such things as education, sustainability, public transportation studies, affordable housing and more.

### **Long-Term Financial Planning**

Maintaining a sustainable budget and prudently planning for the City's current and long-term needs is a top priority for Redwood City. The City continues to focus strategically on appropriate funding strategies for annual operations, a robust capital improvement program and future liabilities. Each year, the City prepares a five-year forecast to project revenue and expenditure trends. These forecasts are an integral part of the annual budget process as the City seeks to establish and implement its priorities in a fiscally sustainable manner. The City reviews major cost drivers to anticipate and control expenses to the full extent possible and makes fiscal decisions within the framework of the forecast. The City also monitors its revenue sources to identify and plan for trends. A summary of major revenue sources and other significant financial planning items is below.

### **Sales Tax**

Sales tax is an important source of general fund revenue as it accounts for almost 20% of total general fund revenues. Sales tax revenue has increased 2% on a year over year basis in FY 2015-16 but, when compared to FY 2015-16 budget, generated approximately 1% less revenue than expected. Given the cyclical nature of the local economy, the loss of retail sales tax generators such as Office City and Lyngso and the stabilizing of the rate of new vehicles sales, it is anticipated that sales tax revenue will remain flat or possibly even decline in the near future.

Consistent, steady growth in the general retail category, due in part to large retailers and online sales growth in the building materials segment, and growth in the restaurant segment continue to more than offset the decreasing revenue associated with a growing number of businesses engaged in selling and delivering software digitally to their customers. Transactions of this kind are not subject to sales tax under State Board of Equalization Regulations. Regarding retail sales, it is important to note that there is a growing risk of erosion in sales tax revenue due to the increase in online retail sales. The growing trend toward online retail sales and the risk that this poses to local sales tax revenue is a regional issue, not unique to Redwood City.

### **Property Taxes**

Property tax accounts for 40% of City revenue and is a key indicator of the City's economic outlook. Projections for secured taxes in Redwood City in FY 2016-17 call for an 5.5% increase over FY 2015-16 actuals with indications that growth in assessed value will continue in FY 2016-17 due to strong real estate sales, property improvements, and development.

### **Utilities Users Taxes**

This City collects a voter-approved Utilities User Tax (UUT) on gas, electricity, cable and telecommunications services. UUT revenue increased 3.2% in 2015-16 compared to 2014-15, driven by an increase in P.G.&E utility rates and usage, although other sources of UUT revenues such as wireless and cable continue to decline. Following the passage of Assembly Bill 1717 in 2014, the City entered into an agreement with the State Board of

Equalization for the collection of our UUT on prepaid wireless services. We began collecting revenue on prepaid wireless in January 2016 and will continue until AB 1717 sunsets in 2020. This revenue source amounted to \$67,600 for FY 2015-16. While traditional UUT revenue has been dedicated on an annual basis to support the City's capital improvement program, the City has committed this new source of UUT revenue to affordable housing.

#### **Educational Revenue Augmentation Fund Refunds**

In FY 1992-93 and FY 1993-94, the State shifted property taxes from cities, counties, and special districts to school districts to supplant funding that the State was providing to school districts. The funds shifted from these local governments are placed into the Educational Revenue Augmentation Fund (ERAF) by the County Controller. The Controller then disburses these funds to school districts based upon the formula prescribed by State law. Any funds remaining in ERAF (after the distribution to the school districts) are returned to the cities, county, and special districts in proportion to the amount they contributed to ERAF. This return of property tax revenue is difficult to anticipate due to complicated State school funding formulas and at risk of reduction or elimination by State action. In FYs 2014-15 and 2015-16, the City received \$5.1 million and \$4.8 million annually respectively. This level of funding was higher than can be expected in the future due to various one-time factors and recent and potential changes in school financing, which the County Controller has indicated could significantly reduce this revenue source in FY 2015-16 and future years. The City's policy is to budget what reasonably can be estimated, which is approximately \$2.5 million or about 52%. Any additional funds will be committed to one time uses and to reduce long term liabilities, per City Council direction.

#### **In Lieu Sales Tax Triple Flip**

The "Triple Flip" was part of the State's 2004 budget in which sales and use taxes that previously went to cities and counties were diverted to the State to be used to repay the State's Economic Recovery Bonds. The Economic Recovery Bonds were defeased in July 2015 and the final "Triple Flip" payment was received in August 2016.

#### **Successor Agency to the Redevelopment Agency**

As Successor Agency, the City continues the focus on the disposition of the \$10.3 million in funds that had been in the former Redevelopment Agency's possession and which were encumbered for below-market housing through an agreement with the Legal Aid Society. The control of these funds has been in dispute with the State of California Department of Finance (DOF) since the Redevelopment Agency was dissolved in FY 2011-12. The City filed suit against the State challenging the DOF's position that these funds are unencumbered and must be remitted to the County Controller. Although the State prevailed in the Superior Court trial the City's legal team does not agree with the Court's decision and has filed an appeal. The appeal is fully briefed and the City is awaiting a court date.

In the meantime, new State legislation (SB107) was passed in September 2015 requiring that all obligations determined by the DOF be paid in order for successor agencies to receive the benefits of a finding of completion. The City remitted the funds prior to the end of calendar year 2015 for distribution to the taxing entities while it continues to pursue its appeal. The City advised the taxing entities to hold the funds in case the City prevails in this appeal.

The City also continues to work with the State of California regarding the disposition of several former Redevelopment Agency land parcels.

#### **Relevant Financial Policies**

In April 1999 the City Council adopted a policy targeting the unreserved portion of the general fund's fund balance designated for subsequent year's expenditures to fall within a range from 15% to 20% of anticipated general fund revenues. As a result of implementing GASB 54 these amounts are now reported under the category "Unassigned

Fund Balances". In recent fiscal years, the City has used balances in excess of the reserve policy to pay down unfunded liabilities.

In addition, the City Council adopted a Debt Disclosure Policy and updated the investment policy. The City reviews these policies regularly and uses them to maintain sound fiscal practices. The City has also established cash management, accounting, budgetary and risk management policies and practices that are essential to the City's long-term fiscal health. These financial policies and practices also promote public confidence and increase the City's credibility in the eyes of bond rating agencies and potential investors. Such policies also provide the resources to react to financial needs in a prudent manner.

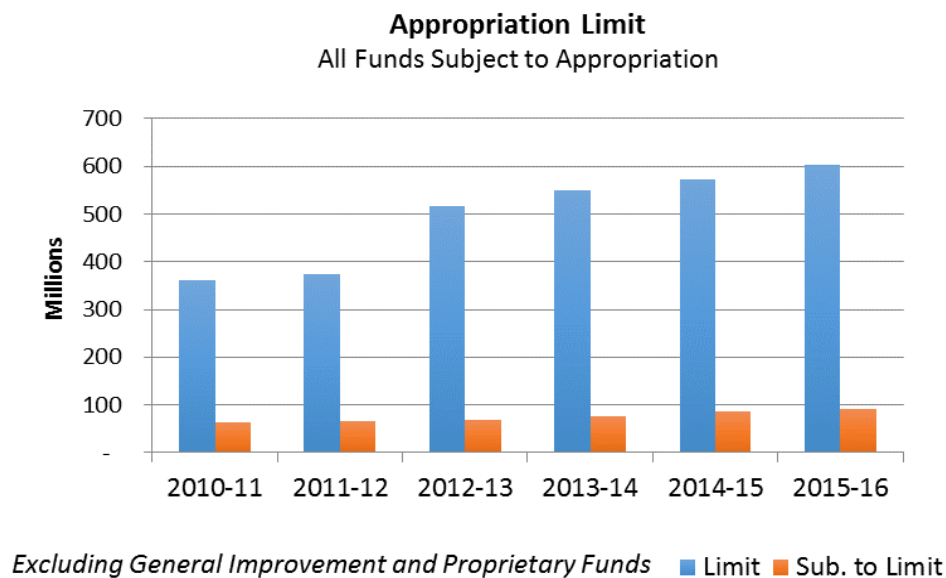
The City also elected to change investment practices by hiring a third party to provide independent, professional investment management services. The purpose is to create a more strategic investment policy, and to diversify the City's investments.

**Appropriation Limit**

Article XIII B of the California State Constitution, which became effective in FY 1979-80, and which was modified (by Proposition 111) in November 1989, establishes, by formula, an appropriation limit for governmental agencies. Using the appropriations of FY 1978-79 as the base year, the limit is modified by the change in the composite consumer price index, population, and the value of commercial property development within the City limits during each fiscal year. Article XIII B also sets the guidelines as to what is to be included in the appropriation limits.

The appropriation limit for Redwood City for FY 2015-16 was at \$602,484,739 while the actual appropriations subject to the limit amounted to \$ 91,095,700. The 2015-16 appropriation limit has increased from FY 2014-15 due primarily to the increase (3.82%) in per capital personal income, one of the factors used in calculating the change in the appropriation limit.

The following graph indicates the trend in appropriations subject to limitation:



## **OTHER INFORMATION**

### **Annual Independent Audit**

The annual audit of the books and financial records of Redwood City was completed by Badawi and Associates, certified public accountants appointed by the City Council. The independent auditor's report has been made a part of this report.

### **Awards**

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Redwood City for its Comprehensive Annual Financial Report (CAFR) for the FY ended June 30, 2015. This is the 29<sup>th</sup> consecutive year that Redwood City has received this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate of achievement program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of this report could not have been achieved without the skillful, dedicated and efficient services of the entire staff of the Finance Division. I would like to extend special recognition to Derek Rampone for his professionalism and leadership in overseeing this process. Special thanks must also be expressed to Toni Saldou, Jun Nguyen Luis Bertelsen, Jennifer Chang, Carolyne Kerans, and Sylvia Peters for their important contributions, and to Nancy Murguia for her support with the publication of this document.

I would also like to thank and commend the City Council and City Manager for their ongoing interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner in the best interests of the residents of Redwood City.

Respectfully submitted,

A handwritten signature in black ink that reads "Kimbra McCarthy". The signature is fluid and cursive, with a large loop at the end of the last name.

Kimbra McCarthy  
Assistant City Manager of Administrative Services  
City of Redwood City  
Redwood City, California



Government Finance Officers Association

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

Presented to

**City of Redwood City  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**CITY OF REDWOOD CITY - REDWOOD CITY, CALIFORNIA**

**PRINCIPAL OFFICIALS**

AS OF JUNE 30, 2016

**CITY COUNCIL**

John Seybert, Mayor .....	November 2017
Ian Bain, Vice Mayor .....	November 2019
Alicia C. Aguirre .....	November 2019
Janet Borgens.....	November 2019
Jeffrey Gee .....	November 2017
Diane Howard .....	November 2017
Shelly Masur.....	November 2019

**CITY MANAGER**

Melissa Stevenson Diaz

**DEPARTMENT DIRECTORS**

Assistant City Manager / Community Development.....	Aaron Aknin
City Clerk .....	Silvia Vonderlinden
Finance (Interim) .....	Starla Jerome-Robinson
Fire Chief .....	Stan Maupin
Library .....	Derek Wolfgram
Parks, Recreation, and Community Services .....	Chris Beth
Police Chief .....	JR Gamez
Public Works .....	Ramana Chinnakotla

**CITY ATTORNEY (Acting)**

Michelle Kenyon

City of Redwood City  
1017 Middlefield Road  
Redwood City, California 94063  
Telephone: (650) 780-7070  
Fax: (650) 366-2447  
E-Mail: [mail@redwoodcity.org](mailto:mail@redwoodcity.org)  
Web Site: [www.redwoodcity.org](http://www.redwoodcity.org)

**CITY OF REDWOOD CITY - REDWOOD CITY, CALIFORNIA**

**FINANCE DEPARTMENT STAFF**

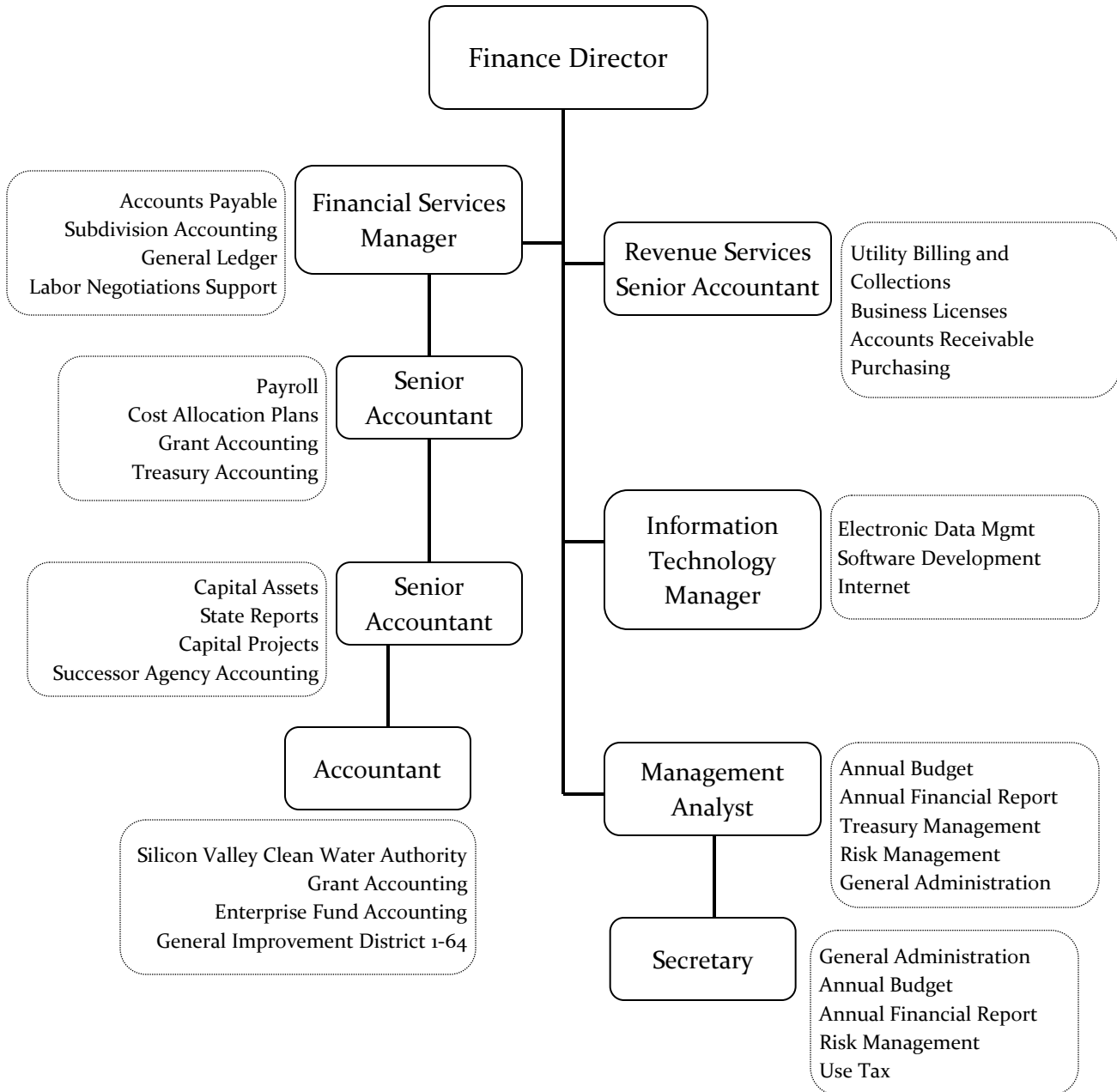
**As of June 30, 2016**

Starla Jerome-Robinson .....Interim Director of Finance  
Alison Freeman .....Financial Services Manager  
Jennifer Chang .....Senior Accountant  
Carolyn Kerans .....Senior Accountant  
Jun Nguyen .....Senior Accountant  
Antonia Saldou .....Accountant  
Sylvia Bravo Peters .....Management Analyst  
Nancy Murguia .....Secretary



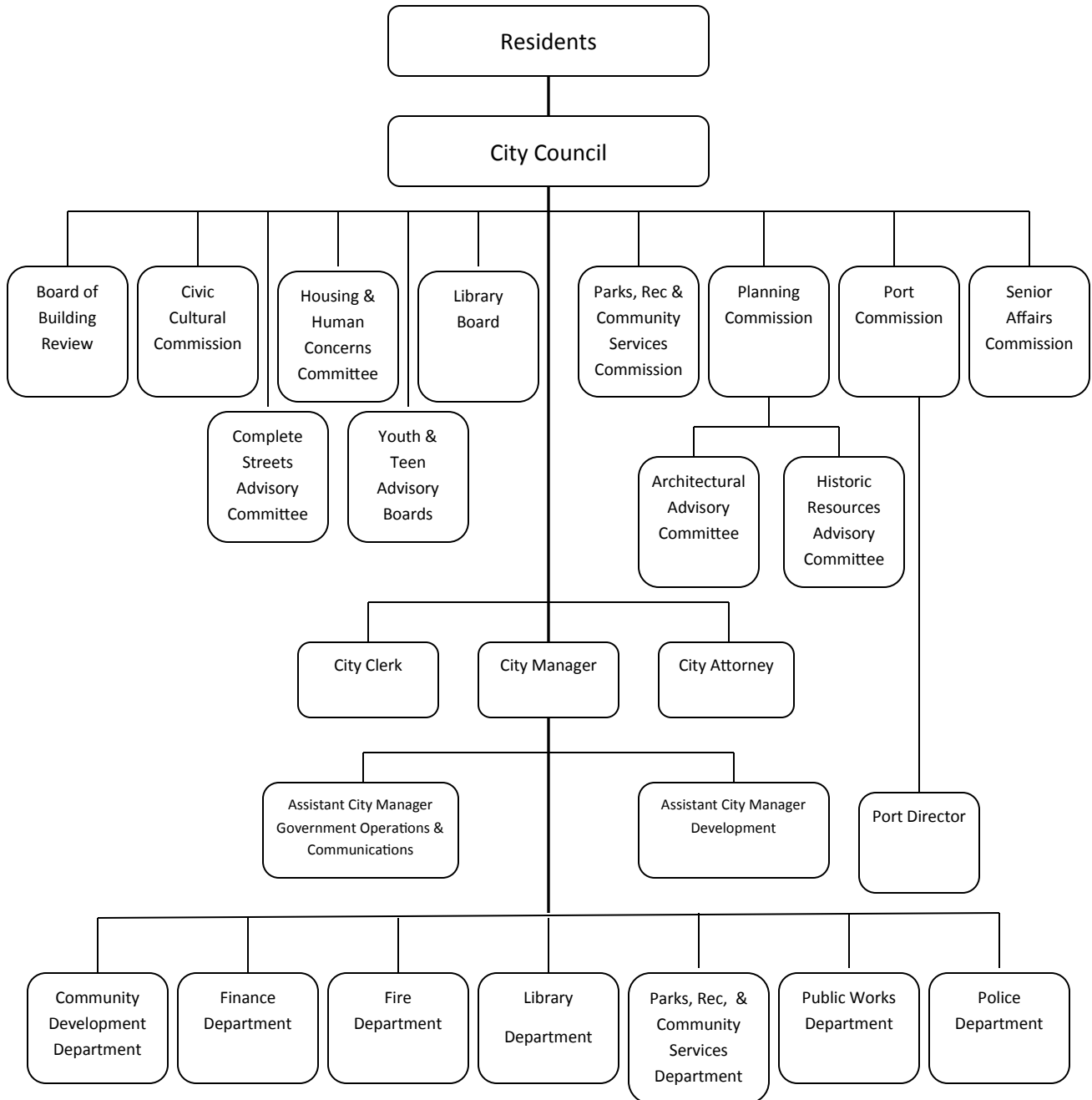
June 30, 2016

## Finance Department





June 30, 2016



## **CORE PURPOSE**

Build a Great Community Together

## **CORE VALUES**

### **Excellence:**

Passion to Do Our Best in Each Moment

### **Integrity:**

Do the Right Thing, Not the Easy Thing

### **Service:**

We Care and It Makes a Difference

### **Creativity:**

Freedom to Imagine and Courage to Act



*City of Redwood City  
Comprehensive Annual Financial Report  
June 30, 2016*

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
of the City of Redwood City  
Redwood City, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood City, California (City), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the City's investment in the Silicon Valley Clean Water Authority, which represents 40 percent, 43 percent and 10 percent, respectively, of the City's assets, net position, and revenues of the Sewer Utility Fund and 12 percent, 17 percent, and 5 percent, respectively, of the assets, net position, and revenues of the business-type activities. The City's investment in the Silicon Valley Clean Water Authority was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the City's investment in the Silicon Valley Clean Water Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and schedules of funding progress other post-employment benefit plans 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, general fund comparative statements, general fund comparative budgetary schedules on pages 98-99, combining and individual nonmajor fund financial statements, budgetary comparison information for non-major funds, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general fund comparative statements, comparative budgetary schedules on pages 98-99, combining and individual nonmajor fund financial statements, and budgetary comparison information for non-major funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund comparative statements, combining and individual nonmajor fund financial statements, and budgetary comparison information for non-major funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, 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 City's internal control over financial reporting and compliance.



Badawi and Associates  
Certified Public Accountants  
Oakland, California  
December 19, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

### FISCAL YEAR 2015-16 FINANCIAL HIGHLIGHTS

During fiscal year 2015-16, the City experienced growth in revenues as the local economy continued to grow. Financial highlights of the fiscal year include the following:

- The City's total net position increased \$30.6 million in FY 2015-16, after a \$34.2 million increase in the preceding fiscal year. At June 30, 2016, net position totaled \$396.1 million, comprised of \$159.7 million for governmental activities and \$236.4 for business-type activities.
- Total City revenues, including program and general revenues, were \$232.9 million, an increase of \$16.7 million over the prior fiscal year, while total expenses were \$202.3 million, an increase of \$20.3 million from FY 2014-15.
- Net position in governmental activities increased \$9.4 million, while net position in business-type activities increased \$21.2 million.
- Governmental program revenues were \$40.9 million, which reflected a decrease of \$4.2 million over the prior fiscal year.
- Governmental general revenues increased to \$97.4 million in FY 2015-16, up \$3.4 million from the prior fiscal year.
- Governmental program expenses increased to \$125.4 million in FY 2015-16, up \$5.4 million from the prior fiscal year.
- Total revenues from business-type activities increased to \$94.6 million in FY 2015-16, up \$17.5 million from the prior fiscal year.
- Total expenses of business-type activities increased to \$76.9 million in FY 2015-16, a \$15.0 million increase over the prior fiscal year.
- General fund revenues of \$118.4 million increased by \$6.2 million over the prior fiscal year.
- General fund expenditures of \$101.7 million increased by \$5.8 million over the prior fiscal year.
- General fund balance of \$28.4 million at June 30, 2016 decreased by \$167 thousand over the prior fiscal year.

For more in-depth information on the highlights above, see pages 9-11.

### OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

1. Introductory section, which includes the transmittal letter and general information
2. Management's Discussion and Analysis (this part)
3. The Basic Financial Statements, which include the government-wide and the fund financial statements, along with the notes to these financial statements
4. Required supplementary information
5. Combining statements for non-major governmental funds and fiduciary funds
6. Statistical information

### **The Basic Financial Statements**

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Position for the fiscal year.

All of the City's activities are grouped into government activities and business-type activities, as explained below. All the amounts in the Statement of Net Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's general fund and other major funds. The Fund Financial Statements, which are prepared using the modified accrual basis of accounting, measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major funds are explained below.

### **The Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the following:

**Governmental Activities** — All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, culture-recreation, public improvements, planning and zoning, and general administration services. These activities have been broken down into various functions, such as community development, human services, public safety, transportation, environmental support and protection, leisure, cultural and information services, and policy development and implementation. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.

**Business-type Activities** — All the City's enterprise activities are reported here, including water, sewer, parking, the Port of Redwood City, and Docketown Marina. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Government-wide financial statements are prepared on the full accrual basis, which means they measure the flow of all economic resources of the City as a whole.

*The government-wide financial statements may be found on pages 20-21 of this report.*

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Redwood 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 of Redwood City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year, and may change from fiscal year to fiscal year as a result of changes in the pattern of the City's activities.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements. 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 the City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the 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 of Redwood City maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Outlay Fund, which meet the criteria to be considered major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Redwood City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund.

*The governmental fund financial statements may be found on pages 24-27 of this report.*

Proprietary funds are maintained in two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sewer, parking, Port, and Docktown Marina operations. Internal services funds are used to account for costs of the City's equipment services, the City's insurance program, the costs of the City's telephone/communications and information technology services, maintenance and repair of buildings, custodial services, and employee benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

*The proprietary fund financial statements may be found on pages 29-31 of this report.*

Since the City's internal service funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal service funds may not be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the internal service funds.

Comparisons of budget and actual financial information are presented only for the general fund and other major funds that are special revenue funds. For the fiscal year ended June 30, 2016 there were no major special revenue funds.

### **Fiduciary Funds**

The City maintains fiduciary funds that consist of a Private Purpose Trust Fund and Agency Funds. The Private Purpose Trust Fund accounts for the activity of the former Redevelopment Agency of Redwood City, while the Agency Funds account for tax free employee and employer contributions made under the provisions of section 125 of the Internal Revenue Code (cafeteria benefits fund), and for transactions involving the Pacific Shores Community Facilities District, the Shores Transportation Improvement District, the One Marina Community Facilities District, and the Community Benefit Improvement District. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and the Agency Funds Statement of Changes in Assets and Liabilities. The accounting used for fiduciary funds is much like that used for proprietary funds. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

*The fiduciary fund financial statements may be found on pages 32-33 of this report.*

### **Notes to the Financial Statements**

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

*The Notes to the Financial Statements may be found on pages 34-84 of this report.*

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may over time serve as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$365.4 million at June 30, 2015.

**City's Net Position (in Millions)**

	Governmental Activities		Business-type Activities		Total		Variance
	2016	2015	2016	2015	2016	2015	
	\$	\$	\$	\$	\$	\$	
Cash and investments	152.571	156.331	91.469	87.771	244.040	244.102	-0.025%
Other assets	38.929	37.945	45.971	35.782	84.900	73.727	15.155%
Capital assets	193.563	186.821	200.074	195.333	393.637	382.154	3.005%
Total assets	<u>385.063</u>	<u>381.097</u>	<u>337.514</u>	<u>318.886</u>	<u>722.577</u>	<u>699.983</u>	3.228%
Total deferred outflows of resources	<u>14.391</u>	<u>15.006</u>	<u>4.922</u>	<u>3.359</u>	<u>19.313</u>	<u>18.365</u>	5.162%
Long-term debt outstanding	12.778	12.974	75.700	78.604	88.478	91.578	-3.385%
Other liabilities	<u>217.714</u>	<u>206.570</u>	<u>27.670</u>	<u>25.546</u>	<u>245.384</u>	<u>232.116</u>	5.716%
Total liabilities	<u>230.492</u>	<u>219.544</u>	<u>103.370</u>	<u>104.150</u>	<u>333.862</u>	<u>323.694</u>	3.141%
Total deferred inflows of resources	<u>9.271</u>	<u>26.306</u>	<u>2.692</u>	<u>2.908</u>	<u>11.963</u>	<u>29.214</u>	-59.050%
Net Position:							
Net investment in capital assets	191.852	184.443	132.570	125.259	324.422	309.702	4.753%
Restricted	60.812	57.862	5.662	5.742	66.474	63.604	4.512%
Unrestricted	<u>(92.973)</u>	<u>(92.052)</u>	<u>98.142</u>	<u>84.191</u>	<u>5.169</u>	<u>(7.861)</u>	165.755%
Total net position	<u>159.691</u>	<u>150.253</u>	<u>236.374</u>	<u>215.192</u>	<u>396.065</u>	<u>365.445</u>	8.379%

The largest portion (81.9%) of the City's net position reflects its capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16.8%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the government's ongoing obligations (although portions of unrestricted net position may by law or contract be only used for specified purposes and may not necessarily be used for any general governmental purpose) to residents and creditors. Due to the City's net pension liability, the City's unrestricted net position has a balance of \$5.169 million, or 1.6% of total net position.

The City's net position increased by \$30.6 million during the current fiscal year.

City of Redwood City  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2016

**Changes in City's Net Position (in Millions)**

	Governmental Activities		Business-type Activities		Total		Variance
	2016	2015	2016	2015	2016	2015	
	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Program revenues:							
Community development	9.616	7.631			9.616	7.631	26.012%
Human Services		0.477				0.477	-100.000%
Public safety	8.882	9.064			8.882	9.064	-2.008%
Transportation	7.970	10.288			7.970	10.288	-22.531%
Environmental support and protection	1.562	1.745			1.562	1.745	-10.487%
Leisure, cultural and information services	10.486	13.222			10.486	13.222	-20.693%
Policy development and implementation	2.405	2.735			2.405	2.735	-12.066%
Water			38.228	37.083	38.228	37.083	3.088%
Sewer			45.533	29.837	45.533	29.837	52.606%
Parking			2.402	2.020	2.402	2.020	18.911%
Port of Redwood City			6.863	6.722	6.863	6.722	2.098%
Docktown Marina			0.664	0.681	0.664	0.681	-2.496%
General revenues:							
Taxes/special assessments	95.747	90.284	0.157	0.124	95.904	90.408	6.079%
Investment earnings	1.425	1.055	0.742	0.587	2.167	1.642	31.973%
Gain (loss) on sale of capital assets		1.315				1.315	
Other	0.199	1.278	0.001	0.002	0.200	1.280	-84.375%
Total revenues	<u>138.292</u>	<u>139.094</u>	<u>94.590</u>	<u>77.056</u>	<u>232.882</u>	<u>216.150</u>	7.741%
<b>Expenses</b>							
Community development	10.472	9.592			10.472	9.592	9.174%
Human services	1.673	1.486			1.673	1.486	12.584%
Public safety	65.192	62.454			65.192	62.454	4.384%
Transportation	13.001	12.945			13.001	12.945	0.433%
Environmental support and protection	3.524	2.723			3.524	2.723	29.416%
Leisure, cultural and information services	25.393	23.747			25.393	23.747	6.931%
Policy development and implementation	6.122	7.044			6.122	7.044	-13.089%
Interest on long term debt	0.023	0.039			0.023	0.039	-41.026%
Water			33.505	30.937	33.505	30.937	8.301%
Sewer			34.346	22.082	34.346	22.082	55.538%
Parking			3.006	2.916	3.006	2.916	3.086%
Port of Redwood City			5.179	5.232	5.179	5.232	-1.013%
Docktown Marina			0.826	0.763	0.826	0.763	8.257%
Total expenses	<u>125.400</u>	<u>120.030</u>	<u>76.862</u>	<u>61.930</u>	<u>202.262</u>	<u>181.960</u>	11.157%
Change in net position before transfers	12.892	19.064	17.728	15.126	30.620	34.190	-10.442%
Transfers	<u>(3.453)</u>	<u>(0.022)</u>	<u>3.453</u>	<u>0.022</u>			
Change in net position	9.439	19.042	21.181	15.148	30.620	34.190	-10.442%
Net position - July 1, as restated	<u>150.253</u>	<u>131.211</u>	<u>215.192</u>	<u>200.044</u>	<u>365.445</u>	<u>331.255</u>	10.321%
Net position - June 30	<u>159.692</u>	<u>150.253</u>	<u>236.373</u>	<u>215.192</u>	<u>396.065</u>	<u>365.445</u>	8.379%

**GOVERNMENTAL ACTIVITIES**

Governmental activities prior to transfers increased the City's net position by \$12.89 million. Including transfers, governmental activities net position increased \$9.44 million. Transfers out of governmental activities and into business-type activities during FY 2015-16 consisted of the transfer out of the General Fund to the Docktown Marina fund of \$3.004 million to cover litigation settlement expenses, transfer out

of the General Fund to the Water Fund in the amount of \$173 thousand to support operations, and transfer out of the Special Gas Tax Street Improvement Special Revenue Fund to the Sewer Fund in the amount of \$276 thousand for a developer fee deposited into the Special Gas Tax Street Improvement Special Revenue Fund in FY 2014-15.

**Key elements of the increase/decrease in revenues for governmental activities are as follows:**

General governmental revenues (non-program) increased by 3.7%, or \$3.439 million from FY 2014-15 as almost all broad categories of general revenues increased, other than property transfer taxes, gain on sale of capital assets, and other revenues, which all decreased. Within the broad categories, property taxes increased \$3.487 million, sales taxes increased \$1.141 million, franchise taxes increased \$121 thousand, property transfer taxes decreased \$459 thousand, business license taxes increased \$121 thousand, utility users taxes increased \$297 thousand, transient occupancy taxes increased by \$419 thousand, and investment earnings increased by \$370 thousand. There was no gain on sale of capital assets during FY 2015-16, which was a decrease of \$1.315 million. Other revenues decreased \$1.079 million from \$1.278 million in FY 2014-15 to \$199 thousand in FY 2015-16, partly due to presenting the motor vehicle in lieu tax as a single line item (\$337 thousand), which was presented as other revenue in the prior fiscal years.

Community development revenues increased due to an increase in building permits issued and an increase in the grant amount received from the Housing and Urban Development Department for the Community Development Block Grant program. Human services revenues decreased due to the grant funded programs for Fair Oaks Community Center being reclassified to the Leisure, cultural, and information services function. Public safety revenues slightly decreased due to decreases in operating and capital grants and contributions, offset by an increase in fees collected for full fire services provided by Redwood City to the City of San Carlos through an agreement between the Cities. Transportation revenues decreased due to a decrease in gasoline taxes and a decrease in grant revenues, offset by an increase in developer contributions. Environmental support and protection revenues decreased slightly due to the decrease in the receipt of developer contributions. Leisure, cultural and information services decreased primarily due to the large decrease in the receipt of Park Impact Fees for housing projects in the downtown area and at the harbor. Policy development and implementation revenue slightly decreased due to the City receiving less of reimbursement from the State of California for prior fiscal year State mandated programs.

**Key elements of the increase/decrease in expenses for governmental activities are as follows:**

Total governmental activities expenses were up \$5.37 million or 4.5% due to increases in almost all functions, except policy development and implementation. Interest on long-term debt decreased slightly to \$23 thousand.

Community development expenses increased \$880 thousand primarily due to increases in building regulation, administration, and code enforcement. Human services expenses increased slightly (\$187 thousand) due to general increases related to employee costs and supplies and services. Public safety expenses increased by \$2.738 million primarily due to increases in police administration, property/evidence, PAL, patrol services, and criminal investigation, as well as an increase in fire operations, prevention, training, EMS, emergency operations, and San Carlos Fire operation costs, offset by decreases in fire administration and police records and training. A component of these increased expenses is the increase in required CalPERS contributions. Transportation expenses increased \$56 thousand due to increased expenditures in the Capital Outlay Fund (for non-capitalized transportation

project expenditures), the Transportation Grants Fund and the Traffic Mitigation Fees Fund, offset by a decrease in the Transportation Fund. Environmental support and protection increased \$801 thousand mostly due to the allocation of internal service fund operating losses being allocated differently in FY 2015-16. Leisure, cultural, and information services increased \$1.646 million due to increased costs to operate the Library, and increases in community services and street tree maintenance expenses. Policy development and implementation decreased \$922 thousand due to less expenditures in the capital outlay fund related to non-capitalized policy development and implementation expenditures (projects).

During FY 2015-16 there was a decrease of \$16 thousand in interest expense related to the outstanding 2013 Public Financing Authority Refunding Lease.

### **BUSINESS-TYPE ACTIVITIES**

Business-type activities prior to transfers increased the City's net position by \$17.728 million in FY 2015-16.

#### **Key elements accounting for increases or decreases in revenues and expenses are as follows:**

Business-type revenues increased primarily due to the increase in utility rates and parking rates, and an increase in the value of our investment in the Silicon Valley Clean Water Authority (Authority) of \$10.759 million during the FY 2015-16, compared to a decrease of \$4.359 in FY 2014-15. A large part of this increase in the value of the investment was due to our contribution of \$10 million to partially supplant our portion of the bond issued by the Authority in FY 2015-16. Port revenues increased \$141 thousand due to increased maritime revenue from higher cargo tonnage, as well as capital contributions of \$83 thousand that were received in FY 2015-16.

The water utility's expenses were higher in FY 2015-16 due to an increase in the rates charged for water by the San Francisco Public Utilities Commission, an increase in employee costs, utility costs, contractual services, and insurance costs and claims, offset by decreases in supplies and services and non-capitalized project costs.

Sewer utility expenses increased due to an increase in payments to Silicon Valley Clean Water (SVCW) for wastewater treatment, and debt service reimbursement for SVCW debt issued for wastewater system capital improvements, as well as an increase in employee costs, utility costs, non-capitalized project costs, and insurance costs and claims, offset by decreases in maintenance and supplies and services.

The expenses of the parking fund increased \$90 thousand due to slight increases in utility costs, contractual services, and insurance costs and claims, offset by decreases in employee costs, maintenance, and supplies and services.

The expenses of the Port of Redwood City experienced a slight decrease of \$53 thousand primarily due to a decrease in interest expense of \$163 thousand, offset by an increase in operating expenses.

During fiscal year 2015-16, the third full fiscal year of operations of the Docktown Marina by the City, expenses increased by \$63 thousand, primarily due to an increase in employee costs and contractual services, offset by decreases in maintenance, utilities, and supplies and services.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The general government functions are contained in the general, special revenue, debt service, and capital project funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources by using the modified accrual basis of accounting. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the City's governmental funds reported combined fund balances of \$124.939 million, which reflects a decrease of \$2.253 million from the beginning fiscal year balance.

Governmental fund revenues increased \$2.426 million this fiscal year to \$136.882 million. Significant increases occurred in the general fund and transportation grants fund, offset by decreases in the special gas tax street improvement fund, the parks impact and in lieu fee fund, and the One Marina CFD Fund. Expenditures, including capital outlay, increased \$13.81 million this fiscal year to \$131.693 million. A portion of the increase was attributable to the \$5.828 million expenditure increase in the general fund, described below, and increased expenditures related to community development, public safety, and transportation programs.

The general fund is the primary operating fund of the City. At June 30, 2016, unassigned fund balance of the general fund was \$25.2 million, while total fund balance decreased to \$28.438 million from a beginning fund balance of \$28.605 million, as a result of expenditures and transfers out of \$119.130 million exceeding revenues and transfers in of \$118.963 million. Unassigned fund balance decreased \$999 thousand during the fiscal year, leaving less resources available for ongoing operations when compared to the prior fiscal year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.8% of total fund expenditures, while total fund balance represents 28.0% of that same amount.

The following are the major funds that qualified under the reporting criteria for major funds selection:

**General Fund** – General fund revenues increased approximately \$6.213 million this fiscal year due to increases in all revenues, except for contributions and other revenues. These increases were a result of the continued recovery from the recession. The increase in property taxes of \$3.306 million resulted primarily from an increase in assessed value. There was a slight decrease in revenue received in the general fund from the county as its share of the Education Revenue Augmentation Fund (ERAF) refund in FY 2014-15. ERAF decreased by \$340,297 to a total of \$4.774 million.

ERAF, which was created by state law in the early 1990's, allowed the state to shift on an ongoing basis a portion of each city, county, and special district's property taxes to school districts. This shift allowed the state to decrease the state's general fund support to schools throughout the state and concomitantly

reduced state funding of schools. Within each county, ERAF revenues are allocated to schools based upon a formula that considers, among several factors, the average daily attendance and the amount of each school district's own property tax revenue. Within San Mateo County, the outcome of applying this formula was that the school districts did not require all of the funds shifted from the cities, county, and special districts. Consequently, these funds were returned to each entity in proportion to the amount that was initially collected.

Sales and other taxes increased by \$879 thousand, due to increased taxable sales within the City, as a result of continued economic recovery. Sales taxes increased \$1.141 million, while other taxes decreased \$262 thousand.

Licenses and permits increased \$805 thousand, a 55% increase, due to increases in building activity.

Intergovernmental revenues increased \$721 thousand primarily due to an increase in mutual aid reimbursement revenue from fire operations.

Charges for current services increased \$445 thousand primarily due to an increase in revenue received from the City of San Carlos for fire services provided, and an increase in recreational program revenue.

General fund expenditures increased \$5.828 million over the prior fiscal year. The increase primarily resulted from programmatic changes, including increases in required CalPERS contributions, and additional employees in public safety, leisure, cultural and information services, and policy development and implementation, which enhanced the quality of service and programs provided to the public. Additionally, there were increased consultant costs related to the increased building activity in the City and planning related projects.

Transfers out of the general fund increased \$5.32 million in FY 2015-16 primarily due to an increase in the transfer out to the doctown marina fund of \$2.982 and an increase of \$1.8 million for the transfer to the self-insurance internal service fund to cover increased workers' compensation costs.

**Capital Outlay Fund** – This fund accounts for resources provided to finance general governmental capital projects. In FY 2015-16, the capital outlay fund generated \$846 thousand in revenue, most of which was from developer contributions. This fund was also the recipient of \$8.822 million of transfers from the general fund primarily from the Utility User's Tax, which has been allocated to support the City's infrastructure. Total outlays were \$12.758 million of which \$7.424 million met the City's criteria for capitalization. The balance (\$5.334 million) was expended in FY 2015-16. Total outlays in the prior fiscal year (FY 2014-15) were \$7.208 million. Of the capital outlay fund's \$28.971 million fund balance, \$16.41 million was committed, and \$12.561 million was assigned.

**Proprietary Funds** – Enterprise fund net position totaled \$236.373 million at the end of the fiscal year, an increase of \$21.181 million over the prior fiscal year balance of \$215.192 million. Enterprise operating revenues were \$79.798 million this fiscal year, an increase of \$2.777 million over last fiscal year, while net non-operating revenues (expenses) were \$8.754 million compared to a negative \$6.978 million the prior fiscal year. Net non-operating revenues (expenses) experienced a \$15.732 million increase primarily due to decreases in interest expense of \$456 thousand, an increase in investment revenues of \$156 thousand, and an increase in the investment in the Silicon Valley Clean Water Authority of \$15.118 million (current fiscal year increase of \$10.759 versus a decrease of \$4.359 in the prior fiscal year).

Enterprise fund operating expenses were \$73.940 million this fiscal year, up \$15.342 million from the prior fiscal year, most of which was due to higher operating expenses in the sewer utility fund (\$12.265 million).

**Water Utility** – The water utility fund realized operating income of \$3.960 million in the current fiscal year, down from the operating income of \$6.644 million in the prior fiscal year. Revenues increased by \$1.164 million, while expenses also increased by \$2.568 million, and transfers into the water fund increased by \$689 thousand.

**Sewer Utility** – The sewer utility fund realized operating income of \$406 thousand in the current fiscal year, down from the operating income of \$10.481 million in the prior fiscal year. Revenues increased by \$11.410 million, while expenses increased by \$7.905 million from the prior fiscal year, primarily due to expenses and increase in the investment in the Silicon Valley Clean Water Authority. Net transfers out increased by \$240 thousand as well.

**Parking Fund** – Operating revenues increased by \$318 thousand this fiscal year to \$2.401 million, while operating expenses increased by \$90 thousand to \$3.006 million. The net position of the parking fund decreased by \$338 thousand primarily due to depreciation on capital assets.

**Port Fund** – Operating revenues were slightly up \$58 thousand while operating expenses were up \$75 thousand over FY 2014-15. Nonoperating expenses were down \$141 thousand and capital contributions were up \$83 thousand from FY 2014-15. Overall, net position increased from \$33.245 million to \$34.991 million, or 5.3%.

**Docktown Marina** – This fund's activity began in March 2013. During this third full fiscal year of operations it had \$664 thousand in operating revenues, \$826 thousand in operating expenses, and \$15 thousand in investment earnings. During the FY 2015-16, the General Fund transferred \$3.004 million into the Docktown Marina Fund in relation to the litigation settlement agreement. The Docktown Marina Fund had a change in net position of \$2.857 million, resulting in an ending net position of \$2.692 million.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Property taxes exceeded budget by \$4.133 million primarily due to the receipt of a \$4.774 million payment from the County of San Mateo due to the over-deduction of education revenue augmentation fund amounts from the City in prior fiscal years. This payment exceeded the estimated revenue amount by \$2.274 million. Other factors were the receipt of residual property tax distribution attributable to the former Redevelopment Agency in the amount of \$3.399 million, which exceeded the estimated amount by \$350 thousand, and the overall increase in property taxes as the housing market strengthened.

Sales and other taxes were greater than budget by \$204 thousand mostly due to an unanticipated increase in franchise taxes (\$1.091 million) and utility users tax (\$271 thousand), offset by shortfalls in transient occupancy tax (\$299 thousand) and sales tax (\$227 thousand).

Licenses and permits were less than budget by \$126 thousand due to building permits and fire permits coming in lower than expected.

Use of money and property tax revenue was greater than budget by \$321 thousand due to greater investment earnings than expected as investment returns continued to rise.

Intergovernmental revenue was greater than budget by \$59 thousand, with no large variances in any particular grant or contribution.

Charges for current services were greater than budget by \$488 thousand primarily due to downtown program revenues, planning related fees and recreation program fees exceeding expectations, offset by fire services fees falling short of budget. Fire Services fees were below budget due to lower than expected revenue from fire inspection fees and less revenue related to a fire services contract with the City of San Carlos.

Other revenue was slightly over budget by \$16 thousand due to the receipt of accounts that were sent to collection exceeding original estimates.

Expenditures, overall, were \$1.528 million less than budgeted primarily due to most departments not exceeding their budgets and having unfilled positions stay vacant.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY 2015-16, the City had \$393.637 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in the table below. Additional information on the City's capital assets can be found in Note 4 of this report.

#### Capital Assets at fiscal Year-end (in Millions)

	Governmental Activities		Business-Type Activities		Total		Variance
	2016	2015	2016	2015	2016	2015	
	\$	\$	\$	\$	\$	\$	
Land	31.397	31.397	3.180	3.180	34.577	34.577	0.000%
Streets	114.667	111.450			114.667	111.450	2.886%
Construction in progress	24.539	16.023	10.008	7.487	34.547	23.510	46.946%
Buildings	83.309	83.309	62.467	61.213	145.776	144.522	0.868%
Equipment	24.622	23.905	1.684	1.682	26.306	25.587	2.810%
Improvements	7.884	6.906	196.336	189.850	204.220	196.756	3.794%
Harbor improvements			4.774	4.774	4.774	4.774	0.000%
Parks, bridges, etc.	32.210	30.619			32.210	30.619	5.196%
Traffic signals	2.641	2.641			2.641	2.641	0.000%
Storm drains	12.190	11.850			12.190	11.850	2.869%
Less accumulated depreciation	(139.895)	(131.279)	(78.376)	(72.853)	(218.271)	(204.132)	6.926%
<b>Total capital assets</b>	<b>193.564</b>	<b>186.821</b>	<b>200.073</b>	<b>195.333</b>	<b>393.637</b>	<b>382.154</b>	<b>3.005%</b>

**Governmental Activities** – Streets increased due to the completion of the Brewster Avenue pedestrian improvement project and the City's acceptance of developer improvements at several sites throughout the City. Equipment increased due to the replacement and addition of 27 vehicles through the equipment replacement program. Improvements increased due to the completion of the material handling system and installation of the modular early childhood learning center. Parks and bridges increased due to the

completion of the new dog park and the Jardin de Ninos Park renovation. Storm drains increased due to the completion of the Seaport pump station and developer improvements at two sites throughout the City. Construction in progress increased primarily due to work being done on the 101/84 Highway interchange and the Red Morton Community Center synthetic turf replacement and other upgrades to the site.

**Business-Type Activities** – Buildings increased due to various building improvements at the Port. Equipment slightly increased due to the purchase of equipment at the Port. Increases in the improvements category were caused by completion of a portion of the replacement of the water distribution system, the sewer collection system, and the sewer rehabilitation program. Construction in progress increased due to the extension of the recycled water main, rehabilitation and/or replacement of three pump stations, and replacement of the parking control system in the downtown area.

**Long-Term Debt**

Issues described in detail in Notes 6 and 7 to Financial Statements.

**Outstanding Debt (in Millions)**

	Governmental Activities		Business-Type Activities		Total		Variance
	2016	2015	2016	2015	2016	2015	
	\$	\$	\$	\$	\$	\$	
Revenue bonds			74.814	77.749	74.814	77.749	-3.775%
Refunding lease	1.711	2.378			1.711	2.378	-28.049%
Accrued sick leave and vacation	11.067	10.596	0.886	0.855	11.953	11.451	4.384%
<b>Total long term debt</b>	<b>12.778</b>	<b>12.974</b>	<b>75.700</b>	<b>78.604</b>	<b>88.478</b>	<b>91.578</b>	<b>-3.385%</b>

**SPECIAL ASSESSMENT DISTRICT DEBT**

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts.

At June 30, 2016, a total of \$14.755 million in special assessment district debt was outstanding, issued by three special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

**PRIVATE PURPOSE TRUST FUND DEBT**

On February 1, 2012, the Redevelopment Agency of the City of Redwood City was dissolved pursuant to California State law, and as of that date, the long-term debt associated with the former Redevelopment Agency was transferred to a private purpose trust fund for the Successor Agency. At June 30, 2016, the Successor Agency had tax allocation bonds outstanding in the amount of \$39,974,921 including unamortized premium and accreted interest payable.

### **ECONOMIC OUTLOOK AND NEXT FISCAL YEAR'S BUDGET**

Redwood City, like many cities, relies heavily upon property taxes and sales taxes to finance general governmental activities with these two revenues accounting for approximately 40.4% and 19.2% of general fund revenues respectively in FY 2015-16. In FY 2015-16 the City experienced significant gains in these revenues with property taxes increasing 7.8% and sales taxes increasing 5.1%. We see the increases in each of these revenues, both of which are sensitive to consumer confidence, reflecting the strength of the local job market. Given the continued increase in the number of local residents employed and the low unemployment rate, we are hopeful that these revenues will continue to grow.

The adopted FY 2016-17 general fund budget projects a surplus of \$168 thousand. For the foreseeable future, contributions to retirement system are estimated to increase each fiscal year, due to changes in the actuarial assumptions and methodologies used by the California Public Employees Retirement System. City staff is monitoring these factors very closely and is keeping the City Council apprised of significant developments. While property taxes and sales taxes have shown strong increases in recent fiscal years, it is unlikely these increases will continue. All of these factors will be taken into consideration when developing the FY 2017-18 budget.

### **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 the Finance Division, at 1017 Middlefield Road, Redwood City, CA 94063.



*City of Redwood City  
Comprehensive Annual Financial Report  
June 30, 2016*

## STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis of accounting — the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of the City's governmental activities in a single column, and the financial position of all City business-type activities in a single column; these columns are followed by a total column that presents the financial position of the entire City.

The City's governmental activities include the activities of its general fund, along with all its special revenue, capital projects and debt service funds. Since the City's internal service funds service these funds, their activities are consolidated with governmental activities, after eliminating inter-fund transactions and balances. The City's business-type activities include all its enterprise fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the fund financial statements, which reflect only current assets, current liabilities, available revenues, and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues — that is, revenues which are generated directly by these programs — are then deducted from program expenses to arrive at the net expense of each governmental and business-type activity. The City's general revenues are then listed in the governmental activities or business-type activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

CITY OF REDWOOD CITY, CALIFORNIA  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities \$	Business-Type Activities \$	Total \$
<b>ASSETS</b>			
Cash and investments available for operations	147,841,933	84,582,808	232,424,741
Cash and investments, restricted	4,728,557	6,885,855	11,614,412
Receivables (net of allowance for uncollectibles):			
Taxes and assessments - current	9,699,935		9,699,935
Accounts	1,898,747	5,442,931	7,341,678
Loans	8,429,543		8,429,543
Accrued interest	1,325,919	23,507	1,349,426
Due from other governmental agencies	4,880,129	1,175,766	6,055,895
Internal balances	2,100,000	(2,100,000)	
Advances to RDA successor agency	3,957,246		3,957,246
Inventory of supplies at cost	124,323		124,323
Deposits	530,000	10,360	540,360
Prepaid items and other assets	242,052	1,309,121	1,551,173
Land held for redevelopment	5,741,208		5,741,208
Investment in sewer authority		39,710,068	39,710,068
Investment in sewer capacity rights		400,000	400,000
Capital assets:			
Nondepreciable	55,936,284	13,188,603	69,124,887
Depreciable buildings, property, equipment and infrastructure, net	137,627,494	186,884,694	324,512,188
Total assets	385,063,370	337,513,713	722,577,083
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refundings		1,794,296	1,794,296
Deferred outflows - pension	155,127		155,127
Deferred pension contributions	14,235,421	3,127,358	17,362,779
Total deferred outflows of resources	14,390,548	4,921,654	19,312,202
<b>LIABILITIES</b>			
Accounts payable	7,579,111	6,298,441	13,877,552
Accrued interest payable	6,461	1,034,646	1,041,107
Accrued payroll	4,352,304		4,352,304
Deposits payable	8,175,968	1,189,448	9,365,416
Unearned revenue	6,368,221	2,213,490	8,581,711
Insurance claims payable:			
Due in one year	4,277,299		4,277,299
Due in more than one year	18,839,543		18,839,543
Accrued sick leave and vacation:			
Due in one year	432,796	402,093	834,889
Due in more than one year	10,633,804	402,093	11,035,897
Net OPEB obligation due in more than one year	6,488,784	704,449	7,193,233
Net Pension liability	161,625,625	16,311,237	177,936,862
Long-Term Debt:			
Due in one year	676,920	2,851,916	3,528,836
Due in more than one year	1,034,666	71,962,031	72,996,697
Total liabilities	230,491,502	103,369,844	333,861,346
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	9,271,040	2,692,013	11,963,053
Total deferred inflows of resources	9,271,040	2,692,013	11,963,053
<b>NET POSITION</b>			
Net investment in capital assets	191,852,192	132,569,634	324,421,826
Restricted for:			
Capital projects	14,467,826	438,201	14,906,027
Transportation	9,534,679		9,534,679
Environmental support	20,013,048		20,013,048
Leisure, cultural, and information services	255,061		255,061
Debt service		5,224,265	5,224,265
Community development projects	16,445,436		16,445,436
Public safety	96,031		96,031
Total restricted	60,812,081	5,662,466	66,474,547
Unrestricted	(92,972,897)	98,141,410	5,168,513
Total net position	159,691,376	236,373,510	396,064,886

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Overhead Charges	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governmental Activities:</b>								
Community development	10,469,065	2,922	6,340,242	2,159,728	1,116,553	(855,464)		(\$855,464)
Human services	1,673,308					(1,673,308)		(1,673,308)
Public safety	65,192,296		7,905,079	977,001		(56,310,216)		(56,310,216)
Transportation	13,001,063			1,486,065	6,483,545	(5,031,453)		(5,031,453)
Environmental support and protection	3,504,576	19,460	1,460,797	14,517	86,195	(1,962,527)		(1,962,527)
Leisure, cultural and information services	25,367,819	24,784	3,090,945	2,489,586	4,905,872	(14,906,200)		(14,906,200)
Policy development and implementation	7,090,052	(967,772)	1,775,752	628,933		(3,717,595)		(3,717,595)
Interest on long term debt	23,269					(23,269)		(23,269)
<b>Total Governmental Activities</b>	<b>126,321,448</b>	<b>(920,606)</b>	<b>20,572,815</b>	<b>7,755,830</b>	<b>12,592,165</b>	<b>(84,480,032)</b>		<b>(84,480,032)</b>
<b>Business-Type Activities:</b>								
Water Utility Fund	32,958,022	547,006	35,202,290	16,316	3,009,151		4,722,729	4,722,729
Sewer Utility Fund	34,094,403	251,162	45,510,319		23,046		11,187,800	11,187,800
Parking Fund	2,915,043	90,686	2,400,997	927			(603,805)	(603,805)
Port of Redwood City	5,179,284		6,779,863		82,799		1,683,378	1,683,378
Docktown Marina	794,449	31,752	663,658				(162,543)	(162,543)
<b>Total Business-Type Activities</b>	<b>75,941,201</b>	<b>920,606</b>	<b>90,557,127</b>	<b>17,243</b>	<b>3,114,996</b>		<b>16,827,559</b>	<b>16,827,559</b>
<b>Total</b>	<b>202,262,649</b>		<b>111,129,942</b>	<b>7,773,073</b>	<b>15,707,161</b>	<b>(84,480,032)</b>	<b>16,827,559</b>	<b>(67,652,473)</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes						48,033,490	157,417	48,190,907
Sales taxes						23,513,420		23,513,420
Franchise taxes						4,349,427		4,349,427
Property transfer taxes						946,259		946,259
Business license taxes						2,483,708		2,483,708
Utility users taxes						9,632,779		9,632,779
Transient occupancy taxes						6,451,477		6,451,477
Motor vehicle in lieu tax						336,777		336,777
Investment Earnings						1,424,919	742,410	2,167,329
Other						199,510	755	200,265
Transfers						(3,453,013)	3,453,013	
<b>Total general revenues and transfers</b>						<b>93,918,753</b>	<b>4,353,595</b>	<b>98,272,348</b>
<b>Change in Net Position</b>						<b>9,438,721</b>	<b>21,181,154</b>	<b>30,619,875</b>
<b>Net position-Beginning</b>						<b>150,252,655</b>	<b>215,192,356</b>	<b>365,445,011</b>
<b>Net position-Ending</b>						<b>159,691,376</b>	<b>236,373,510</b>	<b>396,064,886</b>

See accompanying notes to financial statements



*City of Redwood City  
Comprehensive Annual Financial Report  
June 30, 2016*

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types. The governmental funds described below were determined to be major funds by the City in fiscal year 2015-16.

### **GENERAL FUND**

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

### **CAPITAL OUTLAY FUND**

This fund accounts for all miscellaneous capital improvement projects that are financed by the general fund.

CITY OF REDWOOD CITY, CALIFORNIA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016

	General Fund	Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
<b>ASSETS</b>				
Cash and investments available for operations	35,852,795	27,229,095	48,405,464	111,487,354
Cash and investments, restricted		128,491	4,600,066	4,728,557
Receivables (net of allowance for uncollectibles):				
Taxes and assessments - current	9,141,396		558,539	9,699,935
Accounts	1,643,694		30,007	1,673,701
Loans	1,205,478	214,286	7,009,779	8,429,543
Accrued interest	279,016		1,041,144	1,320,160
Due from other governmental agencies	3,122,201		1,548,126	4,670,327
Due from other funds		495,263	8,607	503,870
Advances to RDA successor agency		2,269,543	1,687,703	3,957,246
Prepaid items	86,385	104,202	1,500	192,087
Land held for redevelopment			5,741,208	5,741,208
<b>Total Assets</b>	<b>51,330,965</b>	<b>30,440,880</b>	<b>70,632,143</b>	<b>152,403,988</b>
<b>LIABILITIES</b>				
Accounts payable	3,984,399	1,026,178	1,959,836	6,970,413
Accrued payroll	4,352,304			4,352,304
Deposits payable	7,720,787	444,093	11,088	8,175,968
Due to other funds	503,870			503,870
Unearned revenue	6,301,397		66,824	6,368,221
Accrued sick leave and vacation	30,137		27,760	57,897
<b>Total Liabilities</b>	<b>22,892,894</b>	<b>1,470,271</b>	<b>2,065,508</b>	<b>26,428,673</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - interest			1,035,962	1,035,962
<b>Total Deferred Inflows of Resources</b>			<b>1,035,962</b>	<b>1,035,962</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Loans	1,205,478			1,205,478
Prepaid items	86,385	104,202	1,500	192,087
Restricted for:				
Community development			15,409,474	15,409,474
Public safety			96,031	96,031
Transportation			9,533,184	9,533,184
Environmental support and protection			2,411,850	2,411,850
Leisure, cultural and information services			17,856,259	17,856,259
Capital projects			14,058,832	14,058,832
Other purposes	96,338		312,656	408,994
Committed to:				
General plan	837,563			837,563
Capital projects		16,305,266	2,573,833	18,879,099
Community benefits			955,756	955,756
Human services financial assistance			913,530	913,530
Housing purposes			1,698,497	1,698,497
Assigned to:				
Capital projects		12,561,141	1,709,271	14,270,412
Other purposes	978,967			978,967
Unassigned:	25,233,340			25,233,340
<b>TOTAL FUND BALANCES</b>	<b>28,438,071</b>	<b>28,970,609</b>	<b>67,530,673</b>	<b>124,939,353</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>51,330,965</b>	<b>30,440,880</b>	<b>70,632,143</b>	<b>152,403,988</b>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA  
RECONCILIATION OF THE  
GOVERNMENTAL FUNDS - BALANCE SHEET  
WITH THE STATEMENT OF NET POSITION  
JUNE 30, 2016

	\$
TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	124,939,353
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p>	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	184,594,448
<b>ALLOCATION OF INTERNAL SERVICE FUND NET POSITION</b>	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The assets and liabilities of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Position.	9,234,790
<b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b>	
The amounts below are revenues in the statement of activities that do not provide current financial resources and therefore are not reported as revenues in the Funds:	
Interest revenue	1,035,962
<b>LONG TERM ASSETS AND LIABILITIES</b>	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt	(1,711,586)
Interest payable	(6,461)
Accrued sick leave and vacation	(10,052,545)
Net OPEB obligation	(5,997,462)
Net Pension liability	(147,255,515)
DEFERRED OUTFLOWS OF RESOURCES - Deferred employer pension contributions	11,442,790
DEFERRED OUTFLOWS OF RESOURCES - Pension	155,127
DEFERRED INFLOWS OF RESOURCES - Pension	(6,687,525)
NET POSITION OF GOVERNMENTAL ACTIVITIES	159,691,376

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
<b>REVENUES</b>				
Property taxes/special assessments	47,851,873		1,460,797	49,312,670
Sales and other taxes	44,186,332			44,186,332
Licenses and permits	2,272,333	7,707	4,871,246	7,151,286
Fines, forfeitures and penalties	767,857		215,592	983,449
Use of money and property	569,715	270,765	1,324,263	2,164,743
Intergovernmental	5,475,525	86,195	7,703,326	13,265,046
Charges for current services	16,280,079	34,006	586,764	16,900,849
Contributions	431,924	436,003	1,428,146	2,296,073
Other	599,378	10,905	10,964	621,247
<b>Total Revenues</b>	<b>118,435,016</b>	<b>845,581</b>	<b>17,601,098</b>	<b>136,881,695</b>
<b>EXPENDITURES</b>				
Current Operations:				
Community development	8,267,137	338,213	1,715,457	10,320,807
Human services	1,524,187		100,000	1,624,187
Public safety	64,493,704	422,723	104,073	65,020,500
Transportation	290,747	3,523,346	5,285,624	9,099,717
Environmental support and protection	245,121	587,979	1,527,069	2,360,169
Leisure, cultural and information services	23,115,583	120,108	301,471	23,537,162
Policy development and implementation	3,661,518	342,055	255,559	4,259,132
Capital outlay	44,485	7,423,665	7,261,874	14,730,024
Debt service:				
Principal retirement			666,814	666,814
Interest and fiscal charges	41,457		33,239	74,696
<b>Total Expenditures</b>	<b>101,683,939</b>	<b>12,758,089</b>	<b>17,251,180</b>	<b>131,693,208</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>16,751,077</b>	<b>(11,912,508)</b>	<b>349,918</b>	<b>5,188,487</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	527,271	8,822,477	1,446,143	10,795,891
Transfers (out)	(17,445,633)	(209,808)	(581,993)	(18,237,434)
<b>Total Other Financing Sources (Uses)</b>	<b>(16,918,362)</b>	<b>8,612,669</b>	<b>864,150</b>	<b>(7,441,543)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(167,285)</b>	<b>(3,299,839)</b>	<b>1,214,068</b>	<b>(2,253,056)</b>
Fund balances - beginning	28,605,356	32,270,448	66,316,605	127,192,409
<b>FUND BALANCES - ENDING</b>	<b>28,438,071</b>	<b>28,970,609</b>	<b>67,530,673</b>	<b>124,939,353</b>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA  
RECONCILIATION OF THE  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

	\$
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(2,253,056)
Amounts reported for governmental activities in the Statement of Activities are different because of the following	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	14,771,876
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,250,744 which has already been allocated to serviced funds.)	(7,844,211)
Loss on sale of capital assets	(780)
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities	
Repayment of debt principal is added back to fund balance	666,814
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change)	
Change in compensated absences	(536,002)
Change in interest payable	9,970
Interest receivable and intergovernmental revenue	(171,848)
Deferred pension contributions	11,442,790
Pension expense	(8,034,417)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities:	
Change in Net Position - All Internal Service Funds	1,387,585
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	9,438,721

See accompanying notes to financial statements

## PROPRIETARY FUND FINANCIAL STATEMENTS

### ENTERPRISE FUNDS

#### WATER UTILITY FUND

This fund is used to account for the provision of water services to the residents of Redwood City and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, capital improvements, financing, and billing/collections.

#### SEWER UTILITY FUND

This fund is used to account for the provision of sewer services to the residents of Redwood City and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, capital improvements, financing, and billing/collections.

#### PARKING FUND

This fund is used to account for on-street and off-street parking operations within the boundaries of the central business district of the City. All activities necessary to provide metered parking within the district are accounted for in these funds, including, but not limited to, administration, operations and maintenance, capital improvements, meter collection, and financing including related debt service. The authority for the formation of the district and the issuance of revenue bonds are contained in the State of California's Streets and Highway Code.

#### PORT OF REDWOOD CITY (PORT FUND)

This fund is used to account for Port activities within the Port Department as defined in the City Charter. These activities include, but are not limited to, administration, maintenance and operations, and Port improvements. Management of the Port of Redwood City is provided by the Port Commission, whose members are appointed for four-year terms by the City Council. The only limitation to the commissioner's authority is the power to levy taxes, which must be approved by the City Council. Also, the City Charter provides that the City Treasurer is the Port Treasurer and the City Attorney is the Port Attorney. This fund is included in this report because both the Bureau of Census and the State of California require the City to include a summary of the Port's financial transactions in the respective reports.

#### DOCKTOWN MARINA

This fund is used to account for the operation of the Docktown Marina including administration, operations, maintenance and billing/collections.

### INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods and services provided by one City department to others on a cost reimbursement basis. Internal service funds are included with enterprise funds as both use the same accounting and financial reporting.

CITY OF REDWOOD CITY, CALIFORNIA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	Business-Type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Non-Major Docktown Marina		
	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
Current assets:							
Cash and investments available for operations	31,306,204	25,342,608	10,022,281	14,964,469	2,947,246	84,582,808	36,354,579
Receivables (net of allowance for uncollectibles):							
Accounts	2,944,782	1,709,370	55,367	725,185	8,227	5,442,931	225,046
Accrued interest	23,507					23,507	5,759
Due from other governmental agencies	185,220	990,546				1,175,766	209,802
Due from other funds							300,000
Inventory of supplies at cost							124,323
Deposits	10,360					10,360	530,000
Prepaid items and other assets	40,686	969,354		299,081		1,309,121	49,965
Total current assets	<u>34,510,759</u>	<u>29,011,878</u>	<u>10,077,648</u>	<u>15,988,735</u>	<u>2,955,473</u>	<u>92,544,493</u>	<u>37,799,474</u>
Noncurrent assets:							
Cash and investments, restricted	5,391,178		438,201	1,056,476		6,885,855	
Advances to other funds							1,800,000
Investment in sewer authority		39,710,068				39,710,068	
Investment in sewer capacity rights				400,000		400,000	
Capital assets:							
Nondepreciable	2,591,000	3,797,731	1,427,221	5,372,651		13,188,603	434,894
Depreciable buildings, property, equipment and infrastructure, net	108,632,668	26,237,651	21,897,271	30,004,199	112,905	186,884,694	8,534,436
Total noncurrent assets	<u>116,614,846</u>	<u>69,745,450</u>	<u>23,762,693</u>	<u>36,833,326</u>	<u>112,905</u>	<u>247,069,220</u>	<u>10,769,330</u>
Total assets	<u>151,125,605</u>	<u>98,757,328</u>	<u>33,840,341</u>	<u>52,822,061</u>	<u>3,068,378</u>	<u>339,613,713</u>	<u>48,568,804</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on refundings	1,544,251			250,045		1,794,296	
Deferred employer pension contributions	1,645,828	802,410	424,768	165,636	88,716	3,127,358	2,792,631
Total deferred outflows of resources	<u>3,190,079</u>	<u>802,410</u>	<u>424,768</u>	<u>415,681</u>	<u>88,716</u>	<u>4,921,654</u>	<u>2,792,631</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	3,474,483	1,792,117	456,298	535,266	40,277	6,298,441	608,698
Deposits payable	971,088		13,200	162,693	42,467	1,189,448	
Due to other funds	300,000					300,000	
Insurance claims payable - current portion							4,277,299
Accrued sick leave and vacation - current portion	243,611	87,006	71,476			402,093	379,703
Revenue bonds payable - current portion	2,080,000			771,916		2,851,916	
Unearned revenue	1,956,324		81,886	175,280		2,213,490	
Accrued interest payable	985,866			48,780		1,034,646	
Total current liabilities	<u>10,011,372</u>	<u>1,879,123</u>	<u>622,860</u>	<u>1,693,935</u>	<u>82,744</u>	<u>14,290,034</u>	<u>5,265,700</u>
Noncurrent liabilities:							
Insurance claims payable							18,839,543
Accrued sick leave and vacation	243,611	87,006	71,476			402,093	576,455
Advances from other funds	1,800,000					1,800,000	
Net OPEB obligation	306,124	115,029	52,540	230,756		704,449	491,322
Net Pension liability	8,054,634	3,838,315	2,308,773	1,781,952	327,563	16,311,237	14,370,110
Revenue bonds payable	57,542,450			14,419,581		71,962,031	
Total noncurrent liabilities	<u>67,946,819</u>	<u>4,040,350</u>	<u>2,432,789</u>	<u>16,432,289</u>	<u>327,563</u>	<u>91,179,810</u>	<u>34,277,430</u>
Total liabilities	<u>77,958,191</u>	<u>5,919,473</u>	<u>3,055,649</u>	<u>18,126,224</u>	<u>410,307</u>	<u>105,469,844</u>	<u>39,543,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows - pension	1,453,308	689,268	373,593	120,882	54,962	2,692,013	2,583,515
<b>NET POSITION</b>							
Net investment in capital assets	51,601,217	30,035,382	23,324,492	27,495,638	112,905	132,569,634	8,969,330
Restricted for capital projects			438,201			438,201	
Restricted for debt service	4,405,312			818,953		5,224,265	
Unrestricted	18,897,656	62,915,615	7,073,174	6,676,045	2,578,920	98,141,410	265,460
Total net position	<u>74,904,185</u>	<u>92,950,997</u>	<u>30,835,867</u>	<u>34,990,636</u>	<u>2,691,825</u>	<u>236,373,510</u>	<u>9,234,790</u>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Non-Major Downtown Marina		
<b>Operating Revenues:</b>							
Charges for services	35,202,290	34,751,478	2,400,997	6,779,863	663,658	79,798,286	27,064,029
<b>Total Operating Revenues</b>	<b>35,202,290</b>	<b>34,751,478</b>	<b>2,400,997</b>	<b>6,779,863</b>	<b>663,658</b>	<b>79,798,286</b>	<b>27,064,029</b>
<b>Operating Expenses:</b>							
Employee services	5,077,450	2,562,626	1,090,817	1,316,203	301,684	10,348,780	12,280,119
Maintenance	1,707,202	824,622	75,132	116,100	12,564	2,735,620	774,227
Water purchases	15,225,601					15,225,601	
Utilities	1,019,854	775,485	152,554	256,019	70,559	2,274,471	40,833
Contractual services	1,530,473	25,101,346	850,222	695,022	216,969	28,394,032	3,701,041
Supplies and services	2,399,434	1,639,287	131,879	516,769	154,003	4,841,372	2,634,548
Noncapitalized projects	3,314	2,254,223				2,257,537	
Depreciation and amortization	2,993,516	627,173	579,103	1,289,310	32,258	5,521,360	1,250,774
Insurance and claims	1,285,162	560,803	126,022	330,618	38,164	2,340,769	9,399,166
<b>Total Operating Expenses</b>	<b>31,242,006</b>	<b>34,345,565</b>	<b>3,005,729</b>	<b>4,520,041</b>	<b>826,201</b>	<b>73,939,542</b>	<b>30,080,708</b>
<b>Operating Income (Loss)</b>	<b>3,960,284</b>	<b>405,913</b>	<b>(604,732)</b>	<b>2,259,822</b>	<b>(162,543)</b>	<b>5,858,744</b>	<b>(3,016,679)</b>
<b>Nonoperating Revenues (Expenses):</b>							
Gain (loss) on disposal of capital assets							(54,542)
Property taxes			157,417			157,417	
Grant revenue	16,316		927			17,243	
Investment earnings	306,009	250,884	108,437	61,861	15,219	742,410	401,827
Interest expense	(2,252,122)			(628,180)		(2,880,302)	
Increase (decrease) in investment in sewer authority		10,758,841				10,758,841	
Insurance recovery	755					755	7,479
Contributions							
Other	(10,900)			(31,063)		(41,963)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(1,939,942)</b>	<b>11,009,725</b>	<b>266,781</b>	<b>(597,382)</b>	<b>15,219</b>	<b>8,754,401</b>	<b>354,764</b>
<b>Net Income (Loss) Before Capital Contributions and Transfers</b>	<b>2,020,342</b>	<b>11,415,638</b>	<b>(337,951)</b>	<b>1,662,440</b>	<b>(147,324)</b>	<b>14,613,145</b>	<b>(2,661,915)</b>
Capital contributions	3,009,151	23,046		82,799		3,114,996	60,970
Transfers in	689,046	276,000			3,004,253	3,969,299	4,000,000
Transfers (out)		(516,286)				(516,286)	(11,470)
<b>Total Capital Contributions and Transfers</b>	<b>3,698,197</b>	<b>(217,240)</b>		<b>82,799</b>	<b>3,004,253</b>	<b>6,568,009</b>	<b>4,049,500</b>
<b>Change in net position</b>	<b>5,718,539</b>	<b>11,198,398</b>	<b>(337,951)</b>	<b>1,745,239</b>	<b>2,856,929</b>	<b>21,181,154</b>	<b>1,387,585</b>
<b>Total net position-beginning</b>	<b>69,185,646</b>	<b>81,752,599</b>	<b>31,173,818</b>	<b>33,245,397</b>	<b>(165,104)</b>	<b>215,192,356</b>	<b>7,847,205</b>
<b>Total net position-ending</b>	<b>74,904,185</b>	<b>92,950,997</b>	<b>30,835,867</b>	<b>34,990,636</b>	<b>2,691,825</b>	<b>236,373,510</b>	<b>9,234,790</b>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Non-Major Docktown Marina	Totals	Governmental Activities - Internal Service Funds
	\$	\$	\$	\$	\$	\$	\$
<b>Cash flows from operating activities:</b>							
Cash received from customers	34,716,844	35,333,751	2,412,250	6,769,783	659,039	79,891,667	
Cash received from interfund services provided							27,369,714
Cash payments to suppliers for goods and services	(20,350,543)	(28,900,029)	(875,944)	(1,872,247)	(446,501)	(52,445,264)	(14,628,979)
Cash payments to employees for services	(5,380,923)	(2,730,382)	(1,084,812)	(1,380,018)	(318,120)	(10,894,255)	(12,829,869)
Right of way compensation	(2,262,500)	(1,865,119)	(42,000)			(4,169,619)	
Net cash provided by (used in) operating activities	6,722,878	1,838,221	409,494	3,517,518	(105,582)	12,382,529	(89,134)
<b>Cash flows from noncapital financing activities:</b>							
Nonoperating grant revenue	16,316		927	51,736		68,979	
Insurance recovery	755					755	7,479
Property taxes			157,417			157,417	
Transfers in	689,046	276,000			3,004,253	3,969,299	4,000,000
Transfers out		(516,286)				(516,286)	(11,470)
Advances to other funds	(300,000)					(300,000)	300,000
Other				256		256	
Net cash provided by (used in) noncapital financing activities	406,117	(240,286)	158,344	51,992	3,004,253	3,380,420	4,296,009
<b>Cash flows from capital and related financing activities:</b>							
Acquisition and construction of capital assets	(3,283,736)	(4,026,740)	(871,561)	(2,081,112)		(10,263,149)	(1,066,244)
Contributions	3,009,151	23,046				3,032,197	60,970
Principal retirements	(2,200,153)			(736,029)		(2,936,182)	
Interest paid	(2,027,984)			(610,471)		(2,638,455)	
Proceeds from sale of capital assets							(54,542)
Net cash used in capital and related financing activities	(4,502,722)	(4,003,694)	(871,561)	(3,427,612)		(12,805,589)	(1,059,816)
<b>Cash flows from investing activities:</b>							
Interest on investments	304,438	250,884	108,437	61,861	15,220	740,840	399,400
Net cash provided by investing activities	304,438	250,884	108,437	61,861	15,220	740,840	399,400
Net increase (decrease) in cash and cash equivalents	2,930,711	(2,154,875)	(195,286)	203,759	2,913,891	3,698,200	3,546,459
Cash and cash equivalents at beginning of year	33,766,671	27,497,483	10,655,768	15,817,186	33,355	87,770,463	32,808,120
Cash and cash equivalents at end of year	36,697,382	25,342,608	10,460,482	16,020,945	2,947,246	91,468,663	36,354,579
<b>Financial statement presentation:</b>							
Cash and investments available for operations	31,306,204	25,342,608	10,022,281	14,964,469	2,947,246	84,582,808	36,354,579
Cash and investments, restricted	5,391,178	-	438,201	1,056,476	-	6,885,855	-
Cash and cash equivalents at end of year	36,697,382	25,342,608	10,460,482	16,020,945	2,947,246	91,468,663	36,354,579
<b>Reconciliation of Net Cash Flow from Operating Activities</b>							
Operating income (loss)	3,960,284	405,913	(604,732)	2,259,822	(162,543)	5,858,744	(3,016,679)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>							
Depreciation	2,993,516	627,173	579,103	1,289,310	32,258	5,521,360	1,250,774
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(408,643)	(167,551)	(42,199)	(10,080)	(4,631)	(633,104)	280,954
Decrease (increase) in due from other governmental agencies	796,678	749,824				1,546,502	24,731
Decrease (increase) in inventory/prepaid expenses/deposits	(4,611)	(85,533)		38,379	7,500	(44,265)	99,503
Increase (decrease) in vacation & sick leave payable	2,670	(18,360)	52,472			36,782	(30,221)
Increase (decrease) in accounts payable	562,608	476,151	417,865	8,430	38,258	1,503,312	(391,951)
Increase (decrease) in customer deposits	36,308		(28,434)	(254)	12	7,632	
Increase (decrease) in unearned revenue	(909,789)		81,886	75		(827,828)	
Increase (decrease) in deferred employer contributions	(929,366)	(462,217)	(205,778)	(6,920)	(61,780)	(1,666,061)	(1,493,486)
Increase (decrease) in other pension deferred inflows	(11,929)	(5,815)	5,100	(203,026)	(644)	(216,314)	(20,241)
Increase (decrease) in net pension liability	635,152	318,636	154,211	141,782	45,988	1,295,769	994,198
Increase (decrease) in insurance claims payable							2,213,284
Total adjustments	2,762,594	1,432,308	1,014,226	1,257,696	56,961	6,523,785	2,927,545
Net cash provided by (used in) operating activities	6,722,878	1,838,221	409,494	3,517,518	(105,582)	12,382,529	(89,134)
Noncash investing, capital and financing activities:							
Noncash capital contributions	207,190	23,046				230,236	
Gain (loss) on disposal of equipment							(54,542)
Increase (decrease) in investment in sewer authority		10,758,845				10,758,845	

See accompanying notes to financial statements

CITY OF REDWOOD CITY  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	Successor Agency Private Purpose Trust Fund	Agency Funds
	<u>          </u> \$	<u>          </u> \$
<b>ASSETS</b>		
Cash and Investments, restricted	6,834,640	3,246,334
Accounts	667	
Loans	1,073,924	
Accrued Interest Receivable	249,924	
Deposits		29,505
Non depreciable capital assets	3,126,664	
Depreciable capital assets, net	13,654,556	
Unamortized bond issuance costs	<u>528,140</u>	
 Total Assets	 <u><u>25,468,515</u></u>	 <u><u>3,275,839</u></u>
 <b>LIABILITIES</b>		
Accounts payable	4,031	
Advances from City	3,957,246	
Accrued interest payable		
Long-term debt:		
Due in one year	1,889,861	
Due in more than one year	38,085,060	
Due to Bondholders		3,115,744
Employee Benefit Plans Payable		72,044
Due to Community Benefit Improvement District		<u>88,051</u>
 Total Liabilities	 <u><u>43,936,198</u></u>	 <u><u>3,275,839</u></u>
 <b>NET POSITION</b>		
Held in trust for other governments	<u><u>(18,467,683)</u></u>	

See accompanying notes to financial statements

CITY OF REDWOOD CITY  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Successor Agency Private Purpose Trust Fund <hr style="border: none; border-top: 1px solid black;"/>
	\$
ADDITIONS	
Property taxes	5,211,208
Investment earnings	<u>87,875</u>
Total additions	<u>5,299,083</u>
DEDUCTIONS	
Community development	124,211
Depreciation	517,127
Interest and fiscal agency expenses of former redevelopment agency	<u>2,495,181</u>
Total deductions	<u>3,136,519</u>
Change in net position	2,162,564
Net position - beginning, as restated	<u>(20,630,247)</u>
Net position - ending	<u><u>(18,467,683)</u></u>

See accompanying notes to financial statements

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

**A. Reporting Entity**

The City of Redwood City was incorporated in 1867, became a Charter City in 1929, and operates under a council-manager form of government. The City has defined its reporting entity in accordance with generally accepted accounting principles (“GAAP”) in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Based upon the application of these criteria, the following is a brief description of each component unit included within the City’s reporting entity. All such component units have been “blended” as though they are part of the primary government because the component unit’s governing body is substantially the same as the City’s primary government and there is a financial benefit or burden relationship between the City and the component unit, management of the City has operational responsibilities for the component unit, and/or the component units provide services entirely to the City or otherwise exclusively benefits the City, even though it does not provide services directly to it.

Redwood City Facilities and Infrastructure Authority (RCFISA) was established in 1986 to finance the construction of certain public facilities such as the Main Fire Station, City Hall, and Main Library. After acquiring certain properties from the City, RCFISA leased them back to the City. The lease money provided the funds for the debt service for the certificates of participation issued by the RCFISA to acquire the properties from the City.

The Public Financing Authority (PFA) was established in 1991 to finance construction of the new Police Facility, to finance the defeasance of outstanding certificates of participation issued by the RCFISA, and to issue tax increment bonds on behalf of the former Redevelopment Agency. The PFA has since issued various types of debt on behalf of the City and the former Redevelopment Agency.

The Port of Redwood City was established under the City Charter as a department of the City and is managed by the Port Commission of Redwood City, whose members are appointed by the City Council. This commission is a semi-autonomous body and has full authority to manage the Port. Its financial system is maintained separately from the City by the Port’s own financial staff. The Port’s treasurer and legal counsel are the City’s Finance Director and the City Attorney, respectively. The financial transactions of the Port are incorporated as an enterprise fund. Financial statements for the Port of Redwood City may be obtained from the Port at 675 Seaport Blvd., Redwood City, CA 94063.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Separate financial statements are not prepared for other component units.

**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 is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and 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 (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. 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 and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for proprietary funds are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Major Funds**

GASB Statement No. 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

The City reported the following major governmental funds in the accompanying financial statements:

General fund is to account for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

Capital outlay fund is to account for all miscellaneous capital improvement projects that are financed by the general fund.

The City reported all of its enterprise funds except the Docktown Marina Fund as major funds in the accompanying financial statements:

Water utility fund is to account for the provision of water services to the residents of Redwood City.

Sewer utility fund is to account for the provision of sewer services to the residents of Redwood City.

Parking fund is to account for on-street and off-street parking operations within the boundaries of the central business district of the City.

Port of Redwood City (Port fund) is to account for Port activities within the Port Department including, but not limited to, administration, maintenance and operations, and Port improvements.

The City also reports the following fund types:

Internal service funds - Internal service funds are used to account for costs of the City's equipment services, the City's insurance program, the costs of the City's telephone/communications and information technology services, maintenance and repair of buildings, custodial services, and employee benefits. These services are provided to departments and other governments on a cost-reimbursement basis.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary funds** – These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains one private purpose trust fund to account for activities of the Successor Agency to the former Redevelopment Agency.

The City also maintains five agency funds - Employee Benefit Plans Fund, Pacific Shores Community Facilities District Fund, the Shores Transportation Improvement District Fund, the One Marina Community Facilities District Fund, and the Community Benefit Improvement District Fund - as an agent of the bondholders, City employees, or the Downtown Redwood City Community Benefit Improvement District.

**D. Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after year-end.

The City's fiduciary funds consist of one private purpose trust fund and agency funds which use the accrual basis of accounting. The private purpose trust fund uses the economic resources measurement focus, whereas the agency funds do not have a measurement focus.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general 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 equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

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/expenses. The City's policy is to first apply restricted resources to such programs, followed by unrestricted resources if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

**E. *Compensated Absences***

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental activities, the current liability for the payouts made after June 30, 2016 for those employees retired on or before June 30, 2016 appears in the respective funds and the long-term liability appears in the government-wide financial statements. This liability is set up for the current employees at the current rates of pay. An employee may accumulate vacation up to two years entitlement and sick leave up to 960 or 1,920 hours depending on the bargaining unit (with the exception that Battalion Chiefs who work 24 hour shifts may accumulate up to 2,400 hours of sick leave).

An employee may elect to receive compensation in lieu of sick leave credits for any calendar year with payment equal to varying amounts from 25% to 50% of the year's unused sick leave, depending upon the employee's sick leave usage during the year. In addition to sick leave, payouts are made for unused administrative holidays and accrued compensatory time.

If sick leave and vacation are not used by the employee or paid out during the term of employment, compensation is payable to the employee at the time of separation. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is compensated at 50% of accumulated hours at retirement depending upon varying restrictions of the bargaining units. Upon termination only accrued vacations are compensated. Each 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 the compensated absences.

Individual proprietary funds are responsible for the repayment of the liability attributable to their respective funds.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Cash and Cash Equivalents**

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. *Inventories and Prepaid Items***

Inventories are stated at moving average cost. The cost is recorded as expenditure at the time an individual inventory item is consumed. As inventories must be maintained at a certain level, an amount for inventories is recorded as non-spendable in the general fund balances. Consequently, these non-spendable fund balance amounts are not available for appropriation.

General fund inventories consist of stationery. Equipment services fund inventory consists of tires, batteries, testing equipment, automotive parts, and small tools.

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

**H. *Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1, and are collected for a 12 month period effective July 1 by the San Mateo County tax collector. Taxes are billed once a year in late October and are payable in two equal installments due by December 10 and April 10 of the following year. The taxes not paid by those dates are subject to a penalty of 10%.

In September of 1993, the County of San Mateo Board of Supervisors adopted the “Teeter Plan” for secured property taxes. Under the Teeter Plan, the state law allows the county to advance to the cities all property taxes billed, regardless of whether the taxes have been paid. The county then is entitled to keep all penalties and interest accruing on delinquent taxes. Property taxes on unsecured taxable property are not affected by this change.

Under Proposition 13, adopted by the voters in a statewide ballot in 1978, assessed value is increased by the cost of living index, not to exceed 2% as of January 1 each year except for those properties that have changed ownership during the 12-month period since the lien date. City property tax revenues are recognized when levied to the extent that they result in current receivables.

**I. *Unbilled Service Receivables***

In the water and sewer utilities, residential customers are billed bi-monthly and all commercial and industrial customers monthly. Revenue is recorded as billed to customers on a cyclical basis. No accrual is made for unbilled services. There were no unbilled services in Port, parking, Docketown Marina, or internal service funds as of June 30, 2016.

There is no accrual for unbilled water services as of June 30, 2016; revenues cannot be recognized since water meters are not read at such date. Management believes that the revenue from unbilled services does not have a material effect on total revenue.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The City’s policy is to capitalize all assets with costs exceeding certain minimum thresholds, \$5,000 for machinery and equipment, \$100,000 for buildings, improvements, and infrastructure, and with useful lives exceeding two years.

With the implementation of GASB Statement No. 34, the City recorded all of its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems using the basic approach.

The purpose of depreciation is to spread the cost of 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 capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

The City has assigned the useful lives listed as follows to capital assets:

Buildings	20-50 Years	Storm Drains	40 Years	Traffic Signals	20 Years
Improvements	33-60 Years	Bridges	30 Years	Streets	20 Years
Equipment	2-15 Years	Parks	25 Years		

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to the unamortized losses on refunding of debt. The losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. The City also has deferred outflows of resources related to employer pension contributions and other amounts related to pension actuarial valuations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, advances from the federal and state governments, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available. The City also has deferred inflows of resources related to pension actuarial valuations.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. *Interfund Transactions***

Interfund transactions are reflected as loans, services provided or used, reimbursements, or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**M. *Use of Estimates***

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**N. *Pensions***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***O. Receivable from Successor Agency***

During FY 2004/05, the Capital Outlay Fund advanced \$3,000,000 to the former redevelopment agency fund to fund various downtown improvements. Prior to the dissolution of the redevelopment agency, the former redevelopment agency fund repaid \$730,457, leaving a balance of \$2,269,453. During FY 2011/12, the redevelopment agency was dissolved and the advance payable was transferred to the successor agency private purpose trust fund. During FY 2009/10, the low and moderate income housing fund advanced \$2,812,838 to the former redevelopment agency fund to partially finance the amount taken away from the redevelopment agency by the State of California. Prior to the dissolution of the redevelopment agency, the former redevelopment agency fund repaid \$562,568 to the low and moderate income housing fund. During FY 2011/12, the redevelopment agency was dissolved and the advance payable was transferred to the successor agency private purpose trust fund. During FY 2011/12, the successor agency repaid \$562,567 to the low and moderate income housing fund, leaving a balance of \$1,687,703.

***P. Implementation of New GASB Pronouncements***

In FY 2015-16 the City adopted the following new accounting standard in order to conform to the following Governmental Accounting Standards Board Statement:

GASB Statement No. 72, *Fair Value Measurement and Application*– This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*- The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on beginning net position as part of implementation of this accounting standard.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*— The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard.

**NOTE 2 – CASH AND INVESTMENTS**

**A. Cash and Deposits**

The carrying amount of the City’s cash and deposits, including restricted cash, was \$1,678,097 at June 30, 2016. Bank balances before reconciling items were \$2,594,206 at June 30, 2016. Of the total bank balances, \$500,000 was insured or held by the City or its agent in the City's name.

All cash deposits in banks are fully insured or collateralized. California state law requires that public fund deposits be collateralized by either government securities with a value equal to 110% of the deposits or first trust deed mortgage notes having a value equal to 150%. Per state law each institution must use a third party (which may be the institution’s trust department) to hold the pledged collateral in a pool to secure all the institution’s public fund deposits. The code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash is considered to be held in the City’s name. Banks and savings and loans in California are subject to state-mandated reporting requirements to ensure that the required levels of control are maintained. The City may waive collateral requirements for deposits, which are fully insured with each financial institution up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Cash balances from all funds are combined and invested to the extent possible pursuant to the City Council approved investment policy and guidelines and state government code. The earnings from these investments are allocated monthly to each fund based on an average of monthly opening and closing balances of cash and investments. Investments are stated at fair value. All enterprise fund investments are considered to be liquid investments for cash flow purposes.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2016:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
	\$	\$	\$	\$
Cash and investments	147,841,933	84,582,808	-	232,424,741
Restricted cash and investments	4,728,557	6,885,855	10,080,974	21,695,386
<b>Total cash and investments</b>	<b>152,570,490</b>	<b>91,468,663</b>	<b>10,080,974</b>	<b>254,120,127</b>

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**B. Risk Disclosures**

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed three years. Specific maturities of investments depend on liquidity needs.

As of June 30, 2016, the City had the following cash and investments available for operations:

Cash and Investments	Total	Investment Maturities (in years)		
		1 year or Less	1 - 2 years	2- 3 years
Demand Accounts at Banks	1,678,097	1,678,097		
Petty Cash	11,860	11,860		
County of San Mateo Investment Pool	50,325,003	50,325,003		
California Local Agency Investment Fund	45,194,491	45,194,491		
U.S. Agencies, Securities, and Corporate Notes:				
Federal Home Loan Bank	14,014,690		8,009,170	6,005,520
Federal National Mortgage Association	20,041,220		9,027,930	11,013,290
Federal Home Loan Mortgage Corporation	80,139,790		59,058,940	21,080,850
Federal Farm Credit	21,019,590	6,002,550	12,016,320	3,000,720
<b>Total</b>	<b>\$ 232,424,741</b>	<b>\$ 103,212,001</b>	<b>\$ 88,112,360</b>	<b>\$ 41,100,380</b>

*Credit Risk* – Defined as the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. Credit Risk shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the City’s capital base and cash flow. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of commercial paper investments to those rated A-1 by Standard and

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

Poor's or P-1 by Moody's Investor's Service, and corporate bonds to those rated A or better by Standard and Poor's or Moody's Investor's Service.

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No limit	No limit
Federal Agency or Government Sponsored Enterprises (GSEs)	N/A	70%	35%
Local Agency Investment Fund	N/A	No limit	\$65 Million
San Mateo County Pool	N/A	No limit	\$50 Million
State and Local Agency Bonds	N/A	20%	2%
Money Market and Mutual Funds	N/A	20%	5%
U.S. Medium-Term Notes	3 years	20%	2%
Certificates of Deposit	3 years	10%	2%
Prime Commercial Paper	270 days	10%	2%
Bankers' Acceptances	180 days	10%	2%
Repurchase Agreements	90 days	10%	No limit

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
<b>U.S. Agencies, Securities, and Corporate Notes:</b>			
Federal Home Loan Bank	Aaa	AA+	
Federal National Mortgage Association	Aaa	AA+	AAA
Federal Home Loan Mortgage Corporation	Aaa	AA+	AAA
Federal Farm Credit	Aaa	AA+	AAA
U.S. Treasury Securities	Aaa	AA+	AAA
<b>External Investment Pools:</b>			
San Mateo County Investment Fund	Not Rated	AAAf/S1	Not Rated
California Local Agency Investment Fund	Not Rated	Not Rated	Not Rated

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the County Pool and LAIF, are held by third-party custodians (Union Bank of California Trust Division, U.S. Bank and

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

Bank of New York). Union Bank, U.S. Bank, and Bank of New York are registered members of the Federal Reserve Bank. The securities held by Union Bank, U.S. Bank, and Bank of New York are in street name, and an account number assigned to the City identifies ownership. None of the City's investments were subject to custodial credit risk.

In fiscal year 1997-98, the City adopted Governmental Accounting Standards Board Statement No. 31, which requires that the City's investments be carried at fair value instead of cost. Under GASB 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year-end, and it must include the effects of these adjustments in income for that fiscal year. Changes in value at the fiscal year ended June 30, 2016 from the fiscal year ended June 30, 2015 amounted to an unrealized gain of \$366,784.

GASB 31 applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair value adjustments required by GASB 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its value at each succeeding fiscal year-end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

**C. *Restricted Cash***

The City's restricted cash consisted of \$13,580,937 in cash and investments as of June 30, 2016 held by trustees or fiscal agents. The City had \$8,114,449 in restricted cash and investments held by the City. This restricted cash is pledged for the payment or security of certain bonds, certificates of participation, and lease obligations. The California government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. In some situations, these investments differ from those permitted by the City investment policy. Included in these investments at June 30, 2016 is a guaranteed investment contract with a maturity date in fiscal year 2035 authorized in the bond indenture and by City Council prior to purchase.

**D. *External Investment Pools***

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, supranational obligations, and corporations.

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

These investments may include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, the City had \$46,459,995 (estimated fair value) invested in LAIF. LAIF had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2016, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs.

Accordingly, as of June 30, 2016, the City's investment in LAIF at fair value amounted to \$46,459,995 using a LAIF fair value factor of 1.000621222. The fair value of the City's position in the pool is materially equivalent to the value of the pool shares.

The City is also a voluntary participant in the San Mateo County Investment Fund that is regulated by California Government Code Section 16429 under oversight of the Treasurer of the County of San Mateo. The City reports its investment in the San Mateo County Investment Fund at the fair value amount provided by County of San Mateo. Included in the San Mateo County Investment Fund investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, repurchase agreements, and corporations.

**E. Investment Valuation**

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2016 are described on the following page.

Investments included in restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Securities of U.S. Government	\$	\$	\$	\$
Treasury and Agencies:				
Federal Home Loan Bank	14,014,690		14,014,690	
Federal national Mortgage Association	20,041,220		20,041,220	
Federal Home Loan Mortgage Corporation	80,139,790		80,139,790	
Federal Farm Credit Bank	21,019,590		21,019,590	
San Mateo County Investment Pool	50,325,003		50,325,003	
California Local Agency Investment Fund	45,194,491		45,194,491	
Subtotal	230,734,784		230,734,784	
California Local Agency Investment Fund (Restricted)	8,114,449		8,114,449	
Total investments subject to levelling disclosure	238,849,233		238,849,233	

Treasury securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Federal Farm Credit Bank Bonds, Federal Home Loan Banks, Federal Home Loan Mortgage Corporate Notes, Federal National Mortgage Association Notes and Corporate Notes categorized as Level 2 are valued based on matrix pricing which use observable market inputs such as yield curves and market indices that are derived principally from or corroborated by observable market data by correlation to other means.

The City's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) and the San Mateo County Investment Pool (SMCIP) is based on the fair market value factors provided by LAIF and SMCIP that are calculated based on the total fair market value of the pool. LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets and investments categorized as Level 2 such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices that are derived principally from or corroborated by observable market data by correlation to other means. SMCIP includes investments in LAIF, Treasury securities, Federal Agency securities, U.S. Instrumentalities, floating rate securities, and corporate bonds. SMCIP utilizes a pricing service that uses valuation techniques that utilizes observable market inputs such as yield curves and market indices that are derived principally from or corroborated by observable market data by correlation to other means. The City categorized its investments in LAIF and in the SMCIP based on the lowest significant input used to determine the fair market value of the total pool.

**NOTE 3 - LOANS RECEIVABLE**

As of June 30, 2016, loans receivable consists of the following:

	Government-Wide	Private Purpose Trust Fund
	\$	\$
Wyndham Place First Time Homebuyer Loan Program	363,978	
City Centre Plaza Loans	371,076	1,073,924
First Time Homebuyer Silent Loan Program	288,106	
Loans with Non-profits and For Profit Organizations	1,133,153	
Housing Rehabilitation Loans	1,474,513	
Shores Childcare Loan	1,205,478	
First Community Housing Loan	2,627,000	
PAL Loan	214,286	
Kainos Home and Training Center Loans	1,493,222	
HIP Housing Development Corporation Loan	92,197	
Mental Health Association of San Mateo County Loan	400,000	
Mezes Court Association	259,757	
Allowance for Uncollectible Loans	(1,493,222)	
Total	<u>8,429,544</u>	<u>1,073,924</u>

**A. Wyndham Place First Time Homebuyer Loan Program**

The City established a First Time Homebuyer Program during fiscal year 1995 on a specific development sponsored by the former Redevelopment Agency called Wyndham Place. The program currently involves the resale of Wyndham units where the City has First Right of Refusal. The City exercises its First Right of Refusal and markets the units to qualified buyers.

A portion of the City’s Shared Appreciation is used to assist the new buyer in the Resale Program. While the initial program in 1995 made 0% interest loans, current buyers in the Resale Program are assisted according to the needs of the borrower. Depending on the borrower’s ability to secure private financing for a first mortgage, the City loan is underwritten based on the borrower’s spendable income.

These loans bear no interest and are secured by second deeds of trust on the property, and typically, no payments are due until five years after the date of purchase. As of June 30, 2016 the City has outstanding loans of \$363,978 to eleven Wyndham Place buyers.

**B. City Centre Plaza Loans**

The former Redevelopment Agency sold several parcels of land to the developers of the City Centre Plaza project (a residential and commercial development) for \$1,700,000 in 1996. The developers constructed City Center Plaza, which contains 81 affordable housing units, a childcare facility, residential and commercial parking, and 17,900 square feet of retail space. The promissory note from Mezes Court Associate in the amount of \$1,445,000 is to be repaid through 2028 from surplus revenues generated by the housing project and accrued interest at 3%, with \$371,076 due to the City’s Low and Moderate Income Housing Asset Fund, and \$1,073,924 due to the Successor Agency Private Purpose Trust Fund.

**NOTE 3 - LOANS RECEIVABLE (CONTINUED)**

**C. *First Time Homebuyer Silent Loan Program***

In 2000, the former Redevelopment Agency established a First Time Homebuyer Silent Loan Program. Loans are deferred for the first five years, and then amortized at 4% interest over the remaining 25 years. An Equity Participation requirement shares appreciation based on the amount of the Agency's original loan amount. At June 30, 2016 there were outstanding loans to four homebuyers totaling \$288,106.

**D. *Loans with Non-profits and For Profit Organizations***

The City and former Redevelopment Agency loaned \$500,000 to MP Redwood Court Associates and \$650,000 to Hallmark Apartments LLP. The MP Redwood Court Associates loan agreement was entered into in July 2003 for the repair and rehabilitation of housing units. The loan term is 55 years and bears 0% interest. The loan to Hallmark Apartments LLP has interest deferred for the first 30 years after which it bears interest at 3% until the December 2058 maturity. The outstanding balance at June 30, 2016 was \$1,133,153.

**E. *Housing Rehabilitation Loans***

The City and former Redevelopment Agency have outstanding loans for housing rehabilitation in the amount of \$1,474,513.

**F. *Shores Childcare Loan***

The City entered into an agreement with Shores Childcare, LLC whereby \$3,200,000 was loaned to Shores Childcare, LLC for construction of a childcare facility on City-owned land in the Redwood Shores area. The term of the loan is 20 years maturing January 2023, with interest payable quarterly and calculated based on the quarterly rate of the State of California Local Agency Investment Fund plus 250 basis points. The outstanding balance of the loan at June 30, 2016 was \$1,205,478.

**G. *First Community Housing Loan***

The City entered into an agreement with First Community Housing whereby \$2,627,000 (\$200,000 from Community Development Block Grant, \$1,927,000 from the former Redevelopment Agency low and moderate housing fund, \$500,000 pass-through from County of San Mateo) was loaned to First Community Housing for construction of the Villa Montgomery housing development at El Camino and Vera Avenue. The portion of the loan attributable to the former Redevelopment Agency has been transferred to the City's Low and Moderate Income Housing Asset fund. The loan bears interest at 3% for 40 years. The loan will be repaid annually from 70% of the project's net cash flow. The outstanding balance of the loan at June 30, 2016 was \$2,627,000.

**H. *Police Activities League Loan***

In March 2006, the City paid off a construction loan in the amount of \$1,500,000 that the Police Activities League (PAL), a separate, private, non-profit agency, entered into with Bay Area Bank to partially finance the construction of the new PAL community center at Taft School. The City Council and PAL agreed that one-half of the amount, or \$750,000, will be paid back to the City by PAL over a period of 15 years. The outstanding balance of the loan at June 30, 2016 was \$214,286.

**NOTE 3 - LOANS RECEIVABLE (CONTINUED)**

***I. Kainos Home and Training Center Loan***

In 1989-90, the City entered into an agreement with Kainos Home and Training Center whereby \$548,000 from Community Development Block Grant was loaned to acquire and rehabilitate property at 2555 Middlefield Road. In 2013-14, Kainos Home and Training Center sold 2555 Middlefield Road, and used the proceeds from the sale to purchase 2761 Fair Oaks Avenue. The current City loan is structured as a lien transfer of the original amount plus the shared equity of \$437,722 from 2555 Middlefield Road to 2761 Fair Oaks Avenue, totaling \$985,722. The loan bears no interest and is due and payable on March 29, 2039.

In 1997-98, the City entered into an agreement with Kainos Home and Training Center whereby \$57,500 from Community Development Block Grant was loaned to acquire property at 2033 Jefferson Avenue for Kainos Home and Training Center. The loan is deferred and payable upon the sale of the property, at which time the City would receive repayment of the loan plus any accrued equity based on the prorated City share.

In 2012-13, the City entered into an agreement with Kainos Home and Training Center whereby \$450,000 from HOME grant was loaned to acquire property located at 1033 Redwood Avenue for special needs housing. The loan is deferred for a term of 30 years at 0% interest.

The loans to Kainos Home and Training Center are intended to be forgiven upon maturity, and therefore, an allowance for uncollectible loans has been set up in the amount of \$1,493,222.

***J. HIP Housing Development Corporation (HHDC) Loan***

In March 2013, the City entered into an agreement with HHDC whereby \$92,197 from HOME investment Partnership Act (HOME) funds were loaned to assist in the rehabilitation of a 12 unit apartment building located at 1157-1161 Willow Road in Menlo Park. The loan is deferred for a term of 30 years at 3% interest. The outstanding balance of the loan at June 30, 2016 was \$92,197.

***K. Mental Health Association of San Mateo County (MHA) Loan***

In July, 2013, the City entered into an agreement with MHA whereby \$400,000 from Community Development Block Grant (CDBG) was loaned to assist with the acquisition of a vacant commercial property located at 105 5<sup>th</sup> Avenue in Redwood City. The loan is deferred for a term of 30 years at 0% interest.

***L. Mezes Court Association***

The City entered into an agreement with Mezes Court Associates on November 24, 2015 whereby \$259,757 from Community Development Block Grant was loaned to acquire property at 950 Main Street for affordable rental housing as set forth in the loan agreement evidencing the loan. The loan accrues interest from December 1, 2016 at the rate of two percent (2%) annual, simple interest for 57 years. Principal and interest are payable in full on the date which 57 years from the date of recordation of the Deed of Trust or the date of sale of property.

City of Redwood City  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2016

**NOTE 4 – CAPITAL ASSETS**

**A. Summary**

Capital assets at June 30 are comprised of the following:

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
<b>Government activities</b>					
Capital assets not being depreciated:					
Land	31,397,153				31,397,153
Construction in progress	16,023,246	15,286,887		(6,771,002)	24,539,131
Total capital assets not being depreciated	47,420,399	15,286,887		(6,771,002)	55,936,284
Capital assets being depreciated:					
Buildings	83,309,015				83,309,015
Accumulated depreciation	(28,421,561)	(1,664,156)			(30,085,717)
Improvements other than buildings	6,905,894			977,661	7,883,555
Accumulated depreciation	(1,852,132)	(337,004)			(2,189,136)
Parks	28,371,402			1,590,920	29,962,322
Accumulated depreciation	(16,156,494)	(932,567)			(17,089,061)
Streets	111,449,970	410,910		2,805,909	114,666,789
Accumulated depreciation	(64,761,026)	(4,062,160)			(68,823,186)
Bridges	2,248,335				2,248,335
Accumulated depreciation	(1,899,996)	(74,944)			(1,974,940)
Traffic Signals	2,640,545				2,640,545
Accumulated depreciation	(2,111,379)	(83,814)			(2,195,193)
Storm Drains	11,850,347	139,599		200,000	12,189,946
Accumulated depreciation	(2,135,886)	(348,375)			(2,484,261)
subtotal	129,437,034	(6,952,511)		5,574,490	128,059,013
Machinery & Equipment	23,904,681	97,424	(577,013)	1,196,512	24,621,604
Accumulated depreciation	(13,940,691)	(1,592,608)	480,176		(15,053,123)
Net capital assets being depreciated	139,401,024	(8,447,695)	(96,837)	6,771,002	137,627,494
Governmental activity capital assets, net	186,821,423	6,839,192	(96,837)		193,563,778
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	3,180,272				3,180,272
Construction in progress	7,487,366	10,031,641		(7,510,676)	10,008,331
Total capital assets not being depreciated	10,667,638	10,031,641		(7,510,676)	13,188,603
Capital assets being depreciated					
Harbor Improvements	4,773,955				4,773,955
Accumulated depreciation	(3,048,958)	(125,922)			(3,174,880)
Buildings	61,212,575			1,254,108	62,466,683
Accumulated depreciation	(13,114,160)	(1,278,341)			(14,392,501)
Machinery and equipment	1,682,325	1,272			1,683,597
Accumulated depreciation	(1,479,413)	(73,923)			(1,553,336)
Improvements other than buildings	189,849,551	230,236		6,256,568	196,336,355
Accumulated depreciation	(55,210,732)	(4,044,447)			(59,255,179)
Net capital assets being depreciated	184,665,143	(5,291,125)		7,510,676	186,884,694
Business-type activity capital assets, net	195,332,781	4,740,516			200,073,297

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

**B. Depreciation Allocation**

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

**Governmental Activities**

Community Development	\$ 209,489
Human Services	77,270
Public Safety	1,221,235
Transportation	4,136,086
Leisure, cultural, and information services	2,165,834
Policy development and implementation	848,548
Environmental support and protection	437,166
Total Depreciation Expense-Governmental Activities	<u>\$ 9,095,628</u>

**Business-Type Activities**

Water Utility Fund	\$ 2,994,789
Sewer Utility fund	627,173
Parking Fund	579,103
Dock Town	32,258
Port of Redwood City	1,289,310
Total Depreciation Expense-Business-Type Activities	<u>\$ 5,522,633</u>

**NOTE 5 – INVESTMENT IN SILICON VALLEY CLEAN WATER AUTHORITY**

Redwood City has an investment of \$33,350,588 in a joint powers authority (JPA) with the cities of San Carlos, Belmont, and the West Bay Sanitation District. In addition, the City has an investment of \$6,359,480, in Silicon Valley Clean Water Authority (SVCW) stage II construction. SVCW operates and maintains a sewer plant which was jointly constructed with federal and state grants and contributions from participating entities. SVCW is run by its board of directors which is comprised of four members. The city councils of each member city and the board of the West Bay Sanitation District each select one of their own members to serve on this board. No member agency has control of SVCW's budget, finances, or operations. The board acts autonomously of the respective member agencies.

Audited financial statements are available from Silicon Valley Clean Water Authority, 1400 Radio Road, Redwood City, CA 94065.

During the fiscal year ended June 30, 2016, the City contributed \$10,000,000 for capital funding in-lieu of full participation in the JPA's 2015 Wastewater Revenue Bonds (Bonds). This contribution reduced the City's share of the 2015 Bonds by this amount.

**NOTE 5 – INVESTMENT IN SILICON VALLEY CLEAN WATER AUTHORITY (Continued)**

The condensed unaudited financial information of the JPA as of June 30, 2016 is as follows:

Total Assets	\$	304,262,866
Deferred Outflows of Resources		3,547,927
Total Liabilities		224,521,135
Deferred Inflows of Resources		4,125,769
Total Net Position	\$	<u>79,163,889</u>
Total Operating Revenues	\$	50,284,840
Total Operating Expenses		30,749,580
Total Operating Income (loss)		19,535,260
Other Income (loss)		(5,785,038)
Net Income (loss)	\$	<u>13,750,222</u>
Cumulative Agency Balances:		
Belmont	\$	21,179,816
San Carlos		5,012,757
Redwood City		39,710,068
West Bay Sanitation District		13,261,248
Total Net Position	\$	<u>79,163,889</u>

**NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT**

**A. Description**

Redwood City has no outstanding general obligation bonds. The following is the only long-term obligation of the City.

**2013 Public Financing Authority Refunding lease** – In May 2013, the City entered into a lease agreement with BBVA Compass Bank in the amount of \$3,360,000 to refund the 2003 Public Financing Authority Bonds. Net proceeds of \$3,292,748 plus the 2003 Public Financing Authority Bond Reserve were utilized for the purpose of establishing an irrevocable escrow to refund \$5,880,000 of the City’s 2003 Public Financing Authority Bonds. Principal is due in annual installments of \$347,486 to \$687,180, with total principal and interest remaining on the lease in the amount of \$2,450,768 through July 15, 2018. Payments are made from the Public Financing Authority Refunding Lease Debt Service fund out of lease payment revenue received from the general fund, requiring less than 10% of net revenues. The refunding resulted in a decrease in total debt service payments of \$347,302 and an economic gain of \$270,485.

**NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)**

**B. Changes in Long-Term Obligations**

As of June 30, 2016, the City had the following long-term obligations outstanding:

	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due within One year
	%	\$	\$	\$	\$	\$
<b>Governmental Activities:</b>						
<b>Revenue Bonds</b>						
2013 PFA Refunding Lease	1.51	2,378,400		666,814	1,711,586	676,920
Total Bonds and Loans		2,378,400		666,814	1,711,586	676,920
<b>Accrued Sick Leave and Vacation</b>		10,595,579	943,381	472,360	11,066,600	432,796
Total Governmental Activities Long-Term Debt		12,973,979	943,381	1,139,174	12,778,186	1,109,716

At year-end, \$956,158 of internal service fund compensated absences is included in the above amounts. For the governmental activities, compensated absences are generally liquidated by the general fund.

**C. Annual Repayment Requirements for Long-Term Debt**

Year End June 30	Refunding Lease	
	Principle	Interest
	\$	\$
2017	676,920	23,299
2018	687,180	13,039
2019	347,486	2,624
	1,711,586	38,962

**NOTE 7 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT**

**A. Description**

**Revenue Bonds:**

**Port of Redwood City 2012 Revenue Bonds** – In June 2012, bonds were issued in the amount of \$10,000,000 to finance construction of the Port’s Wharf 1 & 2 Redevelopment Project. The bonds are due in annual installments of \$386,916 to \$725,679 through 2032, with total principal and interest remaining of \$11,876,699. The bonds are payable out of net revenues of the Port, which are expected to equal at least 120% of the annual debt service requirement.

**NOTE 7 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)**

**Port of Redwood City 2015 Revenue Bonds** – In June 2015, bonds were issued in the amount of \$6,940,000 to (a) refund the 1999 Bonds, (b) purchase the 2015 Reserve Fund Policy in lieu of cash funding a reserve fund for the 2015 Bonds, and (c) pay a portion of the costs of issuance of the 2015 Bonds. The refunding resulted in a decrease of total debt service payments of \$2,312,114. The refunding of the 1999 Bonds resulted in an economic gain of \$745,800. The bonds are due in annual installments of \$385,000 to \$611,000 through 2030, with total principal and interest remaining of \$8,453,570. The bonds are payable out of net revenues of the Port, which are expected to equal at least 120% of the annual debt service requirement.

**Water Revenue Bonds Series 2007A** – In February 2007, Redwood City Public Financing Authority issued \$15,150,000 of bonds to finance a portion of the City's recycled water project. Principal and interest is payable in 28 annual installments of \$728,072 to \$950,950 from August 2007 through February 2035, with total principal and interest remaining of \$17,069,663. The bonds are payable out of net revenues of the water utility fund which are expected to equal at least 120% of the annual debt service requirement.

**Water Revenue Bonds Series 2013** – In June 2013, Redwood City Public Financing Authority issued \$26,870,000 of bonds to refund the remaining Water Revenue Bonds Series 2005A. The refunding resulted in a decrease of total debt service payments of \$2,386,569 and an economic gain of \$1,231,113. Principal and interest is payable in 21 annual installments of \$1,584,262 to \$2,063,000 from August 2013 through February 2034, with total principal and interest remaining of \$35,032,914. The bonds are payable out of net revenues of the water utility fund which are expected to equal at least 120% of the annual debt service requirement.

**Water Revenue Bonds Series 2015** – In May 2015, Redwood City Public Financing Authority issued \$20,235,000 of bonds to refund the remaining Water Revenue Bonds Series 2006A. The refunding resulted in a decrease of total debt service payments of \$3,243,691 and an economic gain of \$2,117,710. Principal and interest is payable in 20 annual installments of \$1,205,491 to \$1,421,544 from August 2016 through February 2035 with total principal and interest remaining of \$29,991,236. The bonds are payable out of net revenues of the water utility fund which are expected to equal at least 120% of the annual debt service requirement.

**Pledges of Future Revenues** – The pledge of future water utility fund revenues ends upon repayment of the \$82.1 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2034-35. For fiscal year 2015-16, water utility fund operating revenues amounted to \$36,906,034 and operating expenses excluding depreciation and amortizations amounted to \$28,248,490. Net revenues available for debt service amounted to \$8,657,544 which represented a coverage ratio of 2.06 over the \$4,209,627 in debt service.

The pledge of future Port of Redwood City fund revenues ends upon repayment of the \$15.9 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2031-32. Port of Redwood City fund operating revenues amounted to \$6,779,863 and operating expenses excluding depreciation, amortizations, and subvention to the City amounted to \$2,417,147. Net revenues available for debt service amounted to \$4,362,716 which represented a coverage ratio of 3.11 over the \$1,402,323 in debt service.

City of Redwood City  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2016

**NOTE 7 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (CONTINUED)**

**B. Changes in Debt**

	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Business-type Activities:</b>	%					
<b>Revenue Bonds</b>						
Port of Redwood City-2012 Series	4.20-4.20	9,008,399		371,029	8,637,370	386,916
Port of Redwood City-2015 Series	2.00-4.00	6,940,000		365,000	6,575,000	385,000
Water Revenue Bonds Series 2007A	4.00-4.50	12,465,000		405,000	12,060,000	425,000
Water Revenue Refunding Bonds Series 2013	3.00-5.00	25,185,000		880,000	24,305,000	920,000
Water Revenue Refunding Bonds Series 2015	3.00-4.00	20,235,000		710,000	19,525,000	735,000
Unamortized Premium-Water		3,937,605		205,153	3,732,452	
Unamortized Discount-Port		(22,375)		(1,500)	(20,875)	
		<u>77,748,629</u>	<u>-</u>	<u>2,934,682</u>	<u>74,813,947</u>	<u>2,851,916</u>
<b>Accrued Sick Leave and Vacation:</b>		<u>855,176</u>	<u>462,959</u>	<u>432,221</u>	<u>885,914</u>	<u>402,093</u>
<b>Total Business-type Activities Long-Term Debt</b>		<u><u>78,603,805</u></u>	<u><u>462,959</u></u>	<u><u>3,366,903</u></u>	<u><u>75,699,861</u></u>	<u><u>3,254,009</u></u>

**C. Annual Repayment Requirements for Business-type Activities Long Term Debt**

**Business-Type Activities:**

Year End June 30	Revenue Bonds	
	Principal	Interest
	\$	\$
2017	2,851,916	2,930,222
2018	2,953,483	2,824,130
2019	3,040,759	2,728,291
2020	3,163,775	2,609,525
2021	3,292,563	2,485,287
2022-2026	18,594,019	10,298,513
2027-2031	22,250,177	6,000,723
2032-2036	14,955,678	1,445,021
	<u><u>71,102,370</u></u>	<u><u>31,321,712</u></u>

**NOTE 8 – DEBT WITHOUT CITY COMMITMENT**

**A. Successor Agency Private Purpose Trust Fund Debt**

**Tax Increment Bonds:**

**2003 Tax Allocation Bonds** – In October 2003, the former Redevelopment Agency issued \$33,997,448 in bonds to finance various downtown improvements. These bonds consist of current coupon bonds and capital appreciation bonds. The current coupon bonds pay interest-only through January 15, 2010. Principal on the current coupon bonds is paid in annual installments of \$1,225,000 to \$3,045,000 from July 15, 2010 to July 15, 2014. Payments reflecting interest and principal on the capital appreciation bonds are due in annual installments of \$3,505,000 to \$3,510,000 from July 15, 2016 through July 15, 2032. Total principal and interest remaining on the bonds is \$59,595,000. Payments are made from property tax increment generated by the former redevelopment agency fund.

**B. Community Facilities District (Mello-Roos) Bonds**

On October 17, 2000, the Community Facilities District (CFD) issued \$21,000,000 of bonds on behalf of the developer of the Pacific Shores Project to fund various transportation system improvements within the City's right-of-way that were required as a condition of the development.

In July 2012 the CFD issued \$5,555,000 Community Facilities District No. 2000-1 Pacific Shores Special Tax Refunding Bonds, Series 2012 to refund \$8,655,000 of the Series 2000A bonds. The refunding reduced annual debt service payments by approximately 25% or \$52,000, and resulted in an economic gain of \$398,000, which equates to 7.61% of the refunding bonds.

These bonds are solely obligations of the property owners in this district and are not obligations of the City, nor has any political subdivision of the State of California pledged its full faith and credit for the payment of these bonds. The City's only responsibilities with respect to any delinquent assessment installments are solely advancing funds from the reserve fund (established with bond proceeds) to the redemption fund, to the extent that such funds are available, and instituting foreclosure proceedings.

The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2016, the outstanding principal amount was \$1,430,000.

On January 17, 2001, the Shores Transportation Improvement District issued \$5,045,000 of Phase I CFD bonds, and on September 3, 2003 the District issued \$7,505,000 of Phase II CFD bonds. The proceeds of these bonds were used to fund various transportation projects that are required under development agreements with commercial property owners in the Redwood Shores area of the City.

In December 2012 the Shores Transportation District issued \$10,275,000 Redwood Shores Community Facilities District No. 99-1 Special Tax Refunding Bonds, Series 2012B to refund \$3,640,000 of the outstanding Series 2001A Bonds and \$6,675,000 of the outstanding Series 2003A Bonds. The refunding reduced annual debt service payments by approximately 16% or \$140,000, and resulted in an economic gain of \$1.7 million, which equates to 16.62% of the refunding bonds.

These bonds are solely obligations of the property owners in this district and are not obligations of the City, nor has any political subdivision of the State of California pledged its full faith and credit for the

**NOTE 8 – DEBT WITHOUT CITY COMMITMENT (CONTINUED)**

payment of these bonds. The City's only responsibilities with respect to any delinquent assessment installments are solely advancing funds from the reserve fund (established with bond proceeds) to the redemption fund, to the extent that such funds are available, and instituting foreclosure proceedings.

The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2016, the outstanding principal amount was \$8,975,000.

On April 5, 2011, the Community Facilities District (CFD) issued \$5,760,000 of bonds on behalf of the developer of the One Marina Project to fund various transportation system improvements within the City's right-of-way that were required as a condition of the development.

These bonds are solely obligations of the property owners in this district and are not obligations of the City, nor has any political subdivision of the State of California pledged its full faith and credit for the payment of these bonds. The City's only responsibilities with respect to any delinquent assessment installments are solely advancing funds from the reserve fund (established with bond proceeds) to the redemption fund, to the extent that such funds are available, and instituting foreclosure proceedings.

In June 2016, Community Facilities District No. 2010-1 issued \$4,350,000 Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds to refund the outstanding 2011 Bonds.

The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2016, the outstanding principal amount was \$4,350,000.

**NOTE 9 – EMPLOYEE BENEFITS**

**A. Pension Plan**

**General Information about the Pension Plan:**

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

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and/or their 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 (PERL).

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

The plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	<u>Public Safety Tier 1</u>	<u>Public Safety Tier 2</u>	<u>Public Safety Tier 3</u>
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50
Benefit factor for each year of service as a % of annual salary	3%	2.4%-3%	2%-2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	42.457%	42.457%	42.457%

	<u>Miscellaneous Tier 1</u>	<u>Miscellaneous Tier 2</u>	<u>Miscellaneous Tier 3</u>
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Benefit factor for each year of service as a % of annual salary	2%-2.7%	1.092%-2.418%	1%-2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	24.134%	24.134%	24.134%

The City's Tier 2 plans for public safety and miscellaneous cover new employees hired on or after October 13, 2011.

The City's Tier 3 plans for public safety and miscellaneous cover new employees hired on or after January 1, 2013 pursuant to the Public Employees' Pension Reform Act of 2013.

Police and fire safety employees hired before October 13, 2011 (Tier 1) are covered under the "3% at 50" formula. Under this retirement plan, an employee's retirement earnings at age 50 are calculated by multiplying 3% by the employee's years of service. This percentage factor increases with the employee's age upon retirement.

Police and fire safety employees hired on or after October 13, 2011 (Tier 2) are covered under the "3% at 55" formula. Under this retirement plan, an employee's retirement earnings at age 55 are calculated by multiplying 3% by the employee's years of service. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service, with the maximum percentage factor equal to 3%.

Police and fire safety employees hired on or after January 1, 2013 (Tier 3) are covered under the "2.7% at 57" formula. Under this retirement plan, an employee's retirement earnings at age 57 are calculated by multiplying 2.7% by the employee's years of service. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service, with a maximum percentage factor equal to 2.7% at age 57.

Miscellaneous employees hired before October 13, 2011 (Tier 1) are covered under the "2.7% at 55" formula. Under this retirement plan, an employee's retirement earnings, at age 55, are calculated by

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

multiplying 2.7% by the employee's years of service. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service.

Miscellaneous employees hired on or after October 13, 2011 (Tier 2) are covered under the “2% at 60” formula. Under this retirement plan, an employee’s retirement earnings at age 60 are calculated by multiplying 2% by the employee’s years of service. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service.

Miscellaneous employees hired on or after January 1, 2013 (Tier 3) are covered under the “2% at 62” formula. Under this retirement plan, an employee’s retirement earnings at age 62 are calculated by multiplying 2% by the employee’s years of service. An employee with five years of service is eligible to retire at age 52 at a reduced pension amount. The pension amount increases with age and length of service, with a maximum percentage factor equal to 2.5% at age 67.

**Employees Covered** – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	500	307
Inactive employees entitled to but not yet receiving benefits	457	60
Active employees	384	174
Total	1,341	541

**Contributions** – Section 20814(C) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 7.47 percent of annual pay for the Miscellaneous Plan and 7.65 percent of annual pay for the Safety Plan, and employer contribution rate is 21.65 percent of annual payroll for the Miscellaneous Plan and 31.59 percent of annual payroll for the Safety Plan.

**Net Pension Liability:**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuation were determined using the following assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.65%	7.65%
Mortality (1)	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 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.

**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. 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 arrives 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.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

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

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

**Changes in the Net Pension Liability:**

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

*Miscellaneous Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015(1)</b>	\$ 267,985,557	\$ 197,591,985	\$ 70,393,572
<b>Changes in the year:</b>			
Service cost	4,787,766		4,787,766
Interest on the total pension liability	19,792,491		19,792,491
Differences between actual and expected experience	(546,244)		(546,244)
Changes in assumptions	(4,797,291)		(4,797,291)
Changes in benefit terms			-
Plan to Plan Resource Movement		18,362	(18,362)
Contribution - employer		6,882,313	(6,882,313)
Contribution - employee		2,372,657	(2,372,657)
Net investment income		4,413,116	(4,413,116)
Administrative expenses		(223,524)	223,524
Benefit payments , including refunds of employee contributions	(12,621,036)	(12,621,036)	-
<b>Net changes</b>	6,615,686	841,888	5,773,798
<b>Balance at June 30, 2016</b>	\$ 274,601,243	\$ 198,433,873	\$ 76,167,370

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

**Safety Plan:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015 (1)</b>	\$ 309,747,565	\$ 215,992,153	\$ 93,755,412
<b>Changes in the year:</b>			
Service cost	7,620,719		7,620,719
Interest on the total pension liability	22,992,406		22,992,406
Differences between actual and expected experience	210,529		210,529
Changes in assumptions	(5,686,859)		(5,686,859)
Changes in benefit terms			
Contribution - employer		9,993,967	(9,993,967)
Contribution - employee		2,420,787	(2,420,787)
Net investment income		4,953,411	(4,953,411)
Administrative expenses		(245,450)	245,450
Benefit payments , including refunds of employee contributions	(15,054,516)	(15,054,516)	-
<b>Net changes</b>	<b>10,082,279</b>	<b>2,068,199</b>	<b>8,014,080</b>
<b>Balance at June 30, 2016</b>	<b>\$ 319,829,844</b>	<b>\$ 218,060,352</b>	<b>\$ 101,769,492</b>

**Sensitivity of Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 112,512,641	\$ 145,285,502	257,798,143
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 76,167,370	\$ 101,769,492	177,936,862
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 46,099,757	\$ 66,101,346	112,201,103

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

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

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

For the year ended June 30, 2016, the City recognized pension expense of \$4,161,249 for the Miscellaneous Plan and \$9,096,188 for the Safety Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 17,362,779	
Changes of Assumptions		7,210,834
Differences between Expected and Actual Experiences	155,127	343,931
Net differences between projected and actual earnings on plan investments		4,408,288
Total	<u>\$ 17,517,906</u>	<u>\$ 11,963,053</u>

\$17,362,779 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Fiscal Year Ending June 30:	
2017	\$ (6,348,215)
2018	(5,754,489)
2019	(4,080,897)
2020	4,375,675

***B. Post Employment Benefits***

**Redwood City:**

The City administers a single-employer defined benefit post-employment healthcare plan. Permanent employees who retire under the City’s retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums reimbursed by the City up to the Kaiser family premium rate. Medical insurance premiums for spouses and other dependents generally are not paid by the City. In the case of public safety disability retirement, the City provides medical insurance for dependents. Currently there are 375 retirees receiving this benefit.

The City is not required by law or contractual agreement to provide funding for retiree health costs other than the pay-as-you-go amount necessary to provide current benefits to retirees. The City’s retiree health plan is being managed through the California Employer’s Retiree Benefits Trust (CERBT), an irrevocable trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and other post-employment benefits for their covered employees or retirees.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

The CERBT’s administrator, CalPERS, issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811. During FY 2015-16, the City contributed \$5,982,000, or 100%, of the annual OPEB cost to the retiree health plan.

Total current payroll for all covered employees for the fiscal year ended June 30, 2016 was \$57,881,620.

The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual required contribution	\$ 5,920,000
Interest on net OPEB obligation	505,000
Adjustment to annual required contribution	<u>(443,000)</u>
Annual OPEB cost	5,982,000
Contributions made to irrevocable trust	(2,889,260)
Benefit payments made outside of trust	<u>(3,092,740)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of the year	<u>6,962,477</u>
Net OPEB obligation - end of year	<u><u>\$ 6,962,477</u></u>

The General fund, the Capital Outlay fund, and other non-major funds have been used to finance the net OPEB obligation.

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost		OPEB Obligation (Asset)
	Annual OPEB Cost	Contributed	
	\$	%	\$
6/30/2014	4,890,000	100	6,962,477
6/30/2015	5,037,000	100	6,962,477
6/30/2016	5,982,000	100	6,962,477

As of June 30, 2015, the most recent actuarial valuation date, the plan was 25.9% funded. The actuarial accrued liability (AAL) for benefits was \$70,852,000, and the actuarial value of plan assets was \$18,382,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$52,470,000. The covered payroll (annual payroll of active employees covered by the plan) was \$51,466,341 and the ratio of UAAL to the covered payroll was 101.9%.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016 actuarial valuation, the actuarial cost method used is Entry Age Normal (EAN) cost method. Under the EAN cost method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For the retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at June 30, 2016 of 26 years.

GASB 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions included a 7.25% interest rate, annual inflation at 3% per annum, aggregate payroll assumed to increase at 3.25% per annum, and an annual healthcare trend rate of 7.5% - 7.8% for 2016, reduced gradually each year with an ultimate rate of 5% for 2021 and thereafter. The study also used assumptions for the salary merit and longevity increases, and demographic assumptions such as mortality, withdrawal, and disability based on CalPERS 1997- 2011 Experience Study. Retirement assumption was also based on CalPERS 1997-2011 Experience Study. For employees hired before October 24, 2011 it was assumed Miscellaneous Plan 2.7% at 55 years, with expected retirement age of approximately 57.8, and Public Safety 3% at 50 years, with expected retirement age of approximately 54 for Police and 55.4 for Fire.

For employees hired on or after October 24, 2011 it was assumed Miscellaneous Plan 2% at 60 years, with expected retirement age of approximately 61 years, and Public Safety 3% at 55 years, with expected retirement age of approximately 59.9 for Police and 56.2 for Fire.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

**Port of Redwood City:**

The other post-employment benefits (other than pension) offered by the Port are limited to reimbursement of medical premiums only. Eligibility extends to those employees hired before January 1, 2011 who have worked ten or more consecutive years at the Port on a full time basis, and prior to retirement are: (a) enrolled in the Port’s medical plan, (b) age 55 or older, and (c) have not been voluntarily or involuntarily terminated from employment at the Port. Spouses and/or dependents are ineligible.

The reimbursement of medical premiums is limited to the lesser of: (a) the medical insurance premium paid by the eligible retiree, or (b) the Port’s cost to provide medical coverage for an active employee of the same age as the retiree, or (c) the insurance premium for a Medicare supplement plan at the retiree’s earliest Medicare eligibility age, whether or not the retiree enrolls in Medicare.

The accounting rules governing other post-employment benefits (OPEB) do not require mandatory funding of the actuarial accrued liability or annual required contribution. During the fiscal year ended June 30, 2011, the Port adopted a comprehensive funding policy for post-employment benefits other than pension. The policy addresses the selection of a Section 115 Trust, prefunding strategy, valuation frequency, valuation methodology, disbursements, and administrative matters. The Section 115 Trust selected was the CalPERS California Employer’s Retiree Benefit Trust Program (CERBT).

For the fiscal year ended June 30, 2016, the Port’s annual OPEB cost was \$37,624; of this amount \$9,106 was expensed and funded by reimbursements to current retirees and the remaining \$25,518 net OPEB obligation was expensed and recorded as a liability. Combined with the \$202,238 net OPEB obligation as of June 30, 2015, the total net OPEB obligation as of June 30, 2016 was \$230,756.

The annual required contribution was determined as part of the July 1, 2014 actuarial valuation using the Entry Age Actuarial Cost Method and assumptions consistent with the CalPERS OPEB Assumptions Model. The actuarial assumptions included: (a) salary increases of 3.25% per year, (b) a discount rate of 7.61%, (c) 100% of eligible employees assumed to elect coverage upon retirement and to remain covered for life, (d) retirement, withdrawal, and mortality rates based on CalPERS Assumption model for the classification “public agency miscellaneous 2.7% at 55”, and (e) medical premium inflation rates ranging from 9% to 6% over time. The actuarial present value of future benefits was calculated for each individual using the economic assumptions and specific member data, then aggregated. The amortization component of the unfunded actuarial accrued liability was based on a 30 year amortization period.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

The following table shows the components of the Port’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Port’s net OPEB obligation:

**Annual OPEB Cost and Net OPEB Obligation**

Normal Cost	\$ 9,884
Amortization of unfunded actuarial accrued liability	28,569
Annual required contribution	38,453
Interest on beginning net OPEB obligation	10,112
Annual required contribution adjustment	(10,941)
Annual OPEB expense	37,624
Actual current year employer payment	(9,106)
Decrease in OPEB obligation	28,518
Net OPEB obligation at June 30, 2015	202,238
Net OPEB obligation at June 30, 2016	<u>\$ 230,756</u>

**OPEB Unfunded Actuarial Accrued Liabilities**

Actuarial accrued liabilities	\$ 528,089
Actuarial value of plan assets	-
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 528,089</u>
Funded Ratio	0%
Covered Payroll	\$ 645,077
UAAL as a % of Covered Payroll	81.86%

The Port’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan for 2016 and the two preceding fiscal years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost</u> <u>Contributed</u>	<u>OPEB Obligation (Asset)</u>
	\$	%	\$
6/30/2014	32,421	0	172,132
6/30/2015	35,737	15.8	202,238
6/30/2016	38,453	28.5	230,756

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the new employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

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

**B. Cafeteria Benefit Plan**

The City has a cafeteria benefit plan established pursuant to section 125 of the IRS code. Under this plan eligible employees may direct a contribution, made by the City or elect to contribute pre-tax dollars, into any combination of the following three benefit categories:

1. Medical Insurance Premium Account
2. Out of Pocket Medical Spending Account
3. Dependent Care Spending Account

Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account and \$2,550 annually into the Medical Spending Account. This cap applies to both City contributions and employee pre-tax contributions. There are no legal limits on contributions to the Health Premium Account.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the City begins on January 1 and ends December 31.

To obtain reimbursement of expenses incurred within a plan year within the spending accounts (items 2 or 3), employees must submit claims within 90 days of the end of the plan year or separation of service from the City, whichever occurs first. Funds unclaimed after 90 days of the close of the plan year are then remitted to the City.

**C. Deferred Compensation Plans**

City employees may defer a portion of their compensation under four separate, optional City-sponsored deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the plans.

Effective January 1, 1998, the City signed new deferred compensation plan administration agreements with the deferred compensation providers to provide for the administration and management of employees' deferred compensation plan assets. These agreements incorporate changes in the law governing deferred compensation plan assets which now require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

Effective January 28, 2003, the City implemented a retirement enhancement plan (401-A defined contribution plan) for certain executive management employees. In February 2005, a plan amendment was adopted to extend the 401-A plan to all members of the executive management employee classification. Under this plan, the City contributes 2% of the employees' compensation into the 401-A plan.

Effective October 1, 2002 for the Redwood City Management Employees Association, the City contributes an amount equal to 2% of the base monthly salary to a deferred compensation plan offered by the City to members of the Association.

**NOTE 10 – NET POSITION AND FUND BALANCES**

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.

**A. Net Position**

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three captions. These captions apply only to net position, which is determined only 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 developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. At June 30, 2016, restricted net position for the governmental activities was \$60,812,081.

*Unrestricted* describes the portion of net position which is not restricted as to use.

**NOTE 10 – NET POSITION AND FUND BALANCES (CONTINUED)**

**B. Fund Balances**

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2016, fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) 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, for example: inventories, prepaid amounts, and long-term loans receivable.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action, adopting a resolution, of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City adopting another resolution, as a resolution imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council or City Manager, to which the City Council has delegated the authority through a resolution, to assign amounts to be used for specific purposes.

Pursuant to the authority delegated by City Council, the City Manager determines the amount of assigned fund balances, which includes items such as encumbrances, and constrained amounts when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of special revenue, capital projects and debt service funds which have not been restricted or committed.

Unassigned Fund Balance – is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures exceed amounts restricted, committed, or assigned, the negative amount is reflected as negative unassigned fund balance. Within the unassigned fund balance of the general fund, the City Council has established a minimum balance representing a level not less than 15%, nor more than 20% of estimated general fund revenues.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**NOTE 10 – NET POSITION AND FUND BALANCES (CONTINUED)**

**C. Deficit Fund Equity/Net Position**

The Successor Agency private purpose trust fund had negative net position of \$18,467,683 due to long-term debt outstanding for bonds used to finance various downtown improvements.

The self-insurance internal service fund had a negative net position of \$771,166 due to higher liability and worker’s compensation claims than budgeted and actuarial liability adjustments.

The internal services fund had a negative net position of \$11,574,741 due to the net pension liability.

**NOTE 11 – FUNDS WITH EXPENDITURES EXCEEDING APPROPRIATIONS**

Fire and Parks, Recreation and Community Services expenditures exceeded appropriations in the general fund primarily due to unbudgeted program expenditures for which there were sufficient revenues available.

**NOTE 12 – INTERFUND TRANSFERS AND TRANSACTIONS**

**A. Transfers**

The following interfund transfers were made during the year:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-major Governmental Funds	305,993 <sup>(1)</sup>
	Capital Outlay Fund	209,808 <sup>(1)</sup>
	Internal Service Funds	11,470 <sup>(2)</sup>
Capital Outlay Fund	General Fund	8,822,477 <sup>(3)</sup>
Non-major Governmental Funds	General Fund	1,446,143 <sup>(1) (2)</sup>
Water Fund	General Fund	172,760 <sup>(1)</sup>
	Sewer Fund	516,286 <sup>(1)</sup>
Sewer Fund	Non-major Governmental Funds	276,000 <sup>(3)</sup>
Docktown Marina	General Fund	3,004,253 <sup>(1)</sup>
Internal Service Funds	General Fund	4,000,000 <sup>(1)</sup>
Total Interfund Transfers		18,765,190

The reasons for these transfers are set forth below:

<sup>(1)</sup> Allocation of funds to support operations.

<sup>(2)</sup> Reimburse General Fund for interest earned by funds supported by the General Fund.

<sup>(3)</sup> Allocation of funds to construct/purchase general capital assets.

**NOTE 12 – INTERFUND TRANSFERS AND TRANSACTIONS (CONTINUED)**

**B. Short-Term Due to/From other Funds**

At the end of the fiscal year the general fund had net utility users tax receivable in the amount of \$495,263. The policy of the City Council dictates the transfer of utility users tax to the capital outlay fund, and once the revenue is received, the general fund will transfer the cash to the capital outlay fund.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount Due to/From</u>
		\$
Capital Outlay Fund	General Fund	495,263
Non Major Governmental Funds	General Fund	8,607
Internal Service Funds	Water Utility Fund	300,000
		<u>803,870</u>

**C. Long-Term Interfund Loans**

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount of Advance</u>
		\$
Water Utility Fund	Internal Service Funds	<u>1,800,000</u>
Total Long-term Interfund Loans		<u>1,800,000</u>

During FY 2012-13, the equipment services internal service fund advanced \$3,000,000 to the water utility enterprise fund for the implementation of the Automated Meter Infrastructure Project to replace water meters. During FY 2013-14 the water utility enterprise fund repaid \$300,000 to the equipment services internal service fund. During FY 2015-16 the water utility enterprise fund repaid \$300,000 to the equipment services internal service Fund. As of June 30, 2016, \$300,000 of this advance is considered current.

**NOTE 13 – RISK MANAGEMENT AND SELF-INSURANCE FUND**

**A. Workers’ Compensation and Property Insurance**

The City is self-insured for workers’ compensation for the first \$350,000 per occurrence and has a commercial insurance policy that covers the City’s exposure above the retained limits up to the statutory limits required by the State of California. The City paid \$527,346 during FY 2015-16 for the coverage.

The City’s workers’ compensation policy includes coverage for the Port of Redwood City. The Port carries property and liability insurance policies with limits of \$15,000,000 and \$150,000,000, respectively.

**B. General Liability and Automobile**

The City is a member of the Bay Cities Joint Powers Insurance Authority (BCJPIA), which is an insurance pool consisting of 19 San Francisco Bay Area government agencies, which the City uses for general liability and auto liability coverage. In FY 2015-16 the City maintained a \$350,000 self-insured retention with coverage from \$350,000 to \$1,000,000 through the BCJPIA. The purpose of the pool is to provide certain levels of liability coverage, claims administration, and loss control support to member agencies. Annually, each agency pays an actuarially-determined premium based upon a formula which takes into account loss experience, annual payroll, and population. This premium pays for administrative costs and funds liability reserves. The premium paid in FY 2015-16 was \$758,962.

The BCJPIA belongs to the California Affiliated Risk Management Authority (CARMA) which is an excess liability pool comprised of the BCJPIA and four other local government insurance pools. CARMA provides coverage from \$1,000,001 to \$28,000,000. A layer from \$1,000,001 to \$4,000,000 is self-insured by CARMA, the layer from \$4,000,001 to \$28,000,000 is reinsured through agreements with commercial insurers.

The City also carries all risk coverage on buildings and their contents at replacement cost value.

Audited financial statements are available from the Bay Cities Joint Powers Insurance Authority at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. The following is the BCJPIA condensed audited financial results for the year ended June 30, 2016:

Assets	\$ 33,545,914
Reserves for Claims	19,224,927
Liabilities(1)	3,553,419
Net Position Unrestricted	10,767,568
Member Contributions	12,334,380
Other Income	556,289
Claims and Claim Adjustment Expenses (2)	3,806,788
Operating Expenses(3)	6,224,159
Change in Net Position	2,859,722

(1)Excluding claims liabilities

(2)Including change in unpaid claims

(3)Excluding claims and claim adjustment expenses

**NOTE 13 – RISK MANAGEMENT AND SELF-INSURANCE FUND (CONTINUED)**

**C. Self-Insurance Fund**

The City maintains a self-insurance internal service fund for its workers’ compensation and general liability self-insurance programs. This fund accounts for revenues from departmental charges and operating expenses, including settlements within the City’s self-insured retentions. Reserves for incurred but not reported claims are maintained within this fund. These reserves are based on an actuarial analysis performed by Richard E. Sherman & Associates, Inc. in accordance with GASB 10.

Changes in the self-insurance fund’s claims payable liability for fiscal years ended 2014, 2015, and 2016 were:

	Beginning Balance	Current Year Claims/Changes in Estimates	Claim Payments	Ending Balance
	\$	\$	\$	\$
2013-14	13,400,352	7,617,770	(2,563,399)	18,454,723
2014-15	18,454,723	6,671,124	(4,222,289)	20,903,558
2015-16	20,903,558	7,782,145	(5,568,861)	23,116,842

Settlements have not exceeded coverage for each of the past three fiscal years.

**NOTE 14 – DISSOLUTION OF THE REDWOOD CITY REDEVELOPMENT AGENCY**

As part of the FY 2011-12 State Budget package, and in an effort to help solve the State’s budget problems, the California legislature enacted and the Governor signed two companion bills addressing redevelopment, AB X1 26 (Dissolution Act) and AB X1 27 (Voluntary Program Act), which took effect on June 29, 2011.

The Dissolution Act immediately suspended all new redevelopment activities and incurrence of indebtedness, and eliminated redevelopment agencies as of October 1, 2011.

The Voluntary Program Act allows the community that created the redevelopment agency to avoid dissolution by opting to pay a substantial community remittance beginning FY 2011-12 and each year thereafter.

On July 18, 2011, the California Redevelopment Association, the League of California Cities, and others filed a Petition for Writ of Mandate in the Supreme Court of the State of California (California Redevelopment Association, et al. v. Ana Matosantos, et al., Case No. 5194861), challenging the constitutionality of the companion bills, the Dissolution Act, and the Voluntary Program Act, on behalf of cities, counties, and redevelopment agencies, and requesting a stay of their enforcement.

**NOTE 14 – DISSOLUTION OF THE REDWOOD CITY REDEVELOPMENT AGENCY (CONTINUED)**

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and found the Voluntary Program Act to be unconstitutional and extended the date of dissolution to February 1, 2012.

The Dissolution Act provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “Successor Agency” to hold the assets until they are distributed to other units of state and local government. The City Council elected to become Successor Agency on August 22, 2011 with resolution 15141, and reconfirmed this action on January 23, 2012 with resolution 15164.

Under the Dissolution Act, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In FY 2010-11, prior to AB X1 26 becoming law, \$3.3 million of real property assets (vacant land) were transferred from the RDA’s Low and Moderate Income Housing Fund to the City in an attempt to protect these assets from being diverted for the benefit of the State. AB X1 26, however, specifically disallowed such transfers. Accordingly, the assets were transferred to the Low and Moderate Income Housing Asset Fund in FY 2011-12.

Prior to the dissolution of the redevelopment agency, under an agreement with San Mateo County to receive a cumulative \$25 million of the County’s share of tax increment and an agreement with the Legal Aid Society to deposit the first \$11.9 million of the \$25 million into the Low and Moderate Income Housing Fund, the agency had deposited \$10.3 million into the Low and Moderate Income Housing Fund as of June 30, 2011. Pursuant to the agreement with the Legal Aid Society to restrict these funds to housing, after the dissolution of the redevelopment agency these funds were deposited into a new fund, Housing Legal Aid Society Fund, to be used for housing purposes. The State Department of Finance (DOF) has disputed that these funds are restricted for housing, and the City has filed a lawsuit against the State of California on this matter. On October 30, 2013 the Superior Court Judge hearing the lawsuit filed against the State of California Department of Finance concerning the \$10.3 million the City is holding in the Housing Legal Aid Society Fund as part of the dissolution of the former Redevelopment Agency issued a tentative ruling in favor of the State of California. On November 6, 2013 the Judge then issued a “Request for Further Briefing” to be held on November 22, 2013. On January 4, 2014 the Superior Court Judge ruled in favor of the State of California. In April 2014, the City filed an appeal, and as of the date of this report, a ruling on the appeal has not been issued. In December 2015, the City remitted \$10.3 million to the DOF, under protest, in order for the Successor Agency to receive a finding of completion.

**NOTE 14 – DISSOLUTION OF THE REDWOOD CITY REDEVELOPMENT AGENCY (CONTINUED)**

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The City’s former Redevelopment Agency had entered into agreements with certain public entities whose jurisdictions were within the territory of the former Redevelopment Agency under which these entities received a specified share of the property tax increment received by the former Redevelopment Agency. Under Assembly Bill X1 26 the responsibility for making these payments has been shifted to the County of San Mateo.

The following is a summary of the capital assets of the Successor Agency:

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
Capital assets not being depreciated:	\$	\$	\$	\$	\$
Land	3,126,664				3,126,664
Total capital assets not being depreciated	3,126,664				3,126,664
Capital assets being depreciated:					
Improvements other than buildings	13,231,503				13,231,503
Accumulated depreciation	(2,664,719)	(356,054)			(3,020,773)
Traffic Signals	208,691				208,691
Accumulated depreciation	(67,825)	(10,435)			(78,260)
Storm Drains	4,101,302				4,101,302
Accumulated depreciation	(1,179,126)	(102,533)			(1,281,659)
Machinery & Equipment	953,244				953,244
Accumulated depreciation	(411,387)	(48,105)			(459,492)
Net capital assets being depreciated	14,171,683	(517,127)			13,654,556
Total capital assets, net	17,298,347	(517,127)			16,781,220

The following is a summary of the long-term obligations of the Successor Agency.

**Tax Increment Bonds:**

**2003 Tax Allocation Bonds** – In October 2003, the former Redevelopment Agency issued \$33,997,448 in bonds to finance various downtown improvements. These bonds consist of current coupon bonds and capital appreciation bonds. The current coupon bonds pay interest-only through January 15, 2010. Principal on the current coupon bonds is paid in annual installments of \$1,225,000 to \$3,045,000 from July 15, 2010 to July 15, 2014. Payments reflecting interest and principal on the capital appreciation bonds are due in annual installments of \$3,505,000 to \$3,510,000 from July 15, 2016 through July 15, 2032. Total principal and interest remaining on the bonds is \$63,029,814. Payments are made from property tax increment generated by the former redevelopment agency fund.

**NOTE 14 – DISSOLUTION OF THE REDWOOD CITY REDEVELOPMENT AGENCY (CONTINUED)**

**Change in Debt:**

	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Within One Year
	%	\$	\$	\$	\$	\$
<b>Tax Increment Bonds</b>						
2003 Tax Allocation Bonds	3.50-5.80	23,087,448		3,142,669	19,944,779	1,889,861
Accreted interest payable		17,653,035	1,853,990		19,507,025	
Unamortized Premium		553,888		30,771	523,117	
Total Bonds		<u>41,294,371</u>	<u>1,853,990</u>	<u>3,173,440</u>	<u>39,974,921</u>	<u>1,889,861</u>

**Annual Repayment Requirements for Long-Term Debt:**

Year End 30-Jun	Tax Increment Bonds	
	Principle	Interest
	\$	\$
2017	1,889,861	1,615,139
2018	1,773,916	1,731,084
2019	1,663,894	1,841,106
2020	1,557,657	1,947,343
2021	1,450,684	2,054,316
2022-2026	5,897,816	11,632,183
2027-2031	4,312,132	13,212,869
2032-2036	1,398,819	5,616,181
	<u>19,944,779</u>	<u>39,650,221</u>

**Amounts due to the City of Redwood City**

During FY 2004-05, the capital outlay fund advanced \$3,000,000 to the redevelopment agency fund to finance various downtown improvements. During FY 2008-09 the Redevelopment Agency repaid \$115,622 of the advance, during FY 2009-10 the Redevelopment Agency repaid \$238,439, and during FY 2010-11 the Redevelopment Agency repaid \$248,364. During 2011-12 the Redevelopment Agency was dissolved and the advance payable was transferred to the successor agency private purpose trust fund. Prior to the dissolution the Redevelopment Agency repaid \$128,032.

During FY 2009-10, the low and moderate income housing fund advanced \$2,812,838 to the redevelopment agency fund to partially finance the amount taken away from the Redevelopment Agency by the State of California. During FY 2010-11 the Redevelopment Agency repaid \$562,568 to the low and moderate income housing fund. During FY 2011-12 the Redevelopment Agency was dissolved and the advance receivable was transferred to the low and moderate income housing asset fund, and the advance payable was transferred to the successor agency private purpose trust fund. During FY 2011-12 the Successor Agency repaid \$562,567 to the low and moderate income housing asset fund.

**NOTE 15 – LITIGATION AND CONTINGENT LIABILITIES**

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount.

The City is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management and legal counsel, that the resolution of these matters will not have a material adverse effect on the City's financial statements. In the opinion of the City Attorney, the City has adequate legal defenses and/or reserves to cover such liability if it does arise.

The City has received various state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**NOTE 16 – CONSTRUCTION, OTHER SIGNIFICANT COMMITMENTS AND ENCUMBRANCES**

As of June 30, 2016, the City has the following significant commitments:

- \$40,577 – Construction services related to the meter system upgrade project
- \$1,894,500 – Construction services related to the Bair Island storm water pump station project
- \$563,960 – Construction services related to the recycled water project
- \$2,708,000 – Construction services related to sewer improvement projects

Purchase orders are issued throughout the fiscal year to encumber the budgets in the governmental funds. Following are the outstanding encumbrances as of June 30, 2016:

Major Funds:	\$
General Fund	981,142
Capital Outlay Fund	<u>1,755,832</u>
Total Major Funds	2,736,974
Non-Major Funds	<u>4,923,024</u>
Total Encumbrances	<u><u>7,659,998</u></u>

**NOTE 17 – SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

The City is a member of the South Bayside Waste Management Authority (SBWMA), a joint powers authority established to purchase the solid waste transfer station located in San Carlos, California from Browning-Ferris Industries. Currently there are 12 public entities that are members of this organization. Each of these members also, by individual and separate legislative action, has entered into a franchise agreement with Recology for solid waste collection within their respective jurisdictions.

The SBWMA issued \$20 million in bonds in 1999 to provide funds for the purchase of the transfer station. The debt issued by the SBWMA is not an obligation of any of the member entities. During FY 2009-10, SBWMA issued \$58.5 million in bonds to finance improvements at the solid waste transfer station, and the remaining balance of the 1999 bonds were retired.

The SBWMA also serves as a regional forum for member entities to collectively pursue other solid waste management matters such as rate setting, solid waste reduction, and meeting recycling goals as required by state law.

Audited financial statements are available from the SBWMA, c/o the City of San Carlos, 600 Elm Street, San Carlos, CA 94070. The following is SBWMA's condensed unaudited financial results for the year- ended June 30, 2016.

	\$
Total assets	76,424,301
Total liabilities	<u>57,590,817</u>
Total net position	<u><u>18,833,484</u></u>

**NOTE 18 – RELATED PARTY TRANSACTIONS**

In June 2000, the City's former Redevelopment Agency authorized a First Time Homebuyer Program targeted to City employees and school teachers from the Redwood City Elementary School District. Under the program, the Agency offered first time homebuyers financial assistance in the purchase of a home within the City of Redwood City. These loans bear no interest and are secured by third deeds of trust on the property. No payments are due until five years after the date of purchase. This loan program is extended to City employees who meet the criteria of the program. As of June 30, 2016, one employee had a loan due to the City in the amount of \$34,664.

**NOTE 19 – SUBSEQUENT EVENT**

On October 24, 2016, the City Council authorized the selection of a financing team to refund the outstanding Public Financing Authority Water Revenue Bonds, Series 2007A. The refinancing is expected to occur in February 2017.

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, special revenue, and debt service funds. Capital projects funds' budgets are adopted on a project length basis and are not presented here. As the Housing Legal Aid Society Fund was created after the February 1, 2012 dissolution of the former Redevelopment Agency and is currently under litigation, there is no adopted budget for this fund.

The City Manager submits a recommended operating budget in May each year to the City Council for the fiscal year commencing the following July 1, showing proposed expenditures by programs and the means of financing them.

The City Council conducts budget study sessions, which are open for public comment, before adopting the budget. Once the budget is adopted, expenditures may not legally exceed appropriations at program level except when the excess is attributable to a particular activity for which the City has been reimbursed. This is especially apparent in the Community Development Program where developers reimburse the City through sub-division fees and environmental impact report fees.

At the request of the department head through the City Manager, the City Council may, by resolution, transfer appropriations between sub-programs and funds. Any increase or decrease to the total appropriations provided for in the budget must also be carried through by resolution passed by the City Council. The City Manager may authorize the transfer of funds between object categories within a sub-program of a department. The adoption and administration of the Port of Redwood City budget, unless property tax revenues are requested, is exclusively under the control of the Board of Port Commissioners.

Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year. Individual amendments were not material in relation to the original appropriations.

All unexpended appropriations lapse at the end of the fiscal year. Appropriations for capital projects or appropriations that are encumbered are re-appropriated and carried over in the following year's budget.

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative) \$
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
	\$	\$	\$	
Fund balance, July 1	28,605,356	28,605,356	28,605,356	
Resources (inflows):				
Property taxes/special assessments	43,718,163	43,718,163	47,851,873	4,133,710
Sales and other taxes	43,452,092	43,982,092	44,186,332	204,240
Licenses and permits	1,908,835	2,398,000	2,272,333	(125,667)
Fines, forfeitures and penalties	526,000	636,000	767,857	131,857
Use of money and property	471,000	248,500	569,715	321,215
Intergovernmental	3,517,540	5,416,470	5,475,525	59,055
Charges for current services	14,709,680	15,792,237	16,280,079	487,842
Contributions	392,500	225,000	431,924	206,924
Other	763,920	583,362	599,378	16,016
Amounts available for appropriation	<u>109,459,730</u>	<u>112,999,824</u>	<u>118,435,016</u>	<u>5,435,192</u>
Charges to appropriations (outflows):				
Current Operations:				
City Council:				
City Council	328,875	329,375	325,363	4,012
Human Services Assistance	34,800	34,800	34,800	
Total City Council	<u>363,675</u>	<u>364,175</u>	<u>360,163</u>	<u>4,012</u>
City Manager:				
Management/Policy execution/ Organizational Efficiencies	1,283,516	1,185,516	794,730	390,786
Communications/Community Engagement	587,365	792,867	666,979	125,888
Economic development	424,924	429,284	276,018	153,266
Total City Manager	<u>2,295,805</u>	<u>2,407,667</u>	<u>1,737,727</u>	<u>669,940</u>
City Attorney	<u>1,570,274</u>	<u>2,251,311</u>	<u>2,025,581</u>	<u>225,730</u>
City Clerk:				
City Clerk	698,669	702,777	663,535	39,242
Elections	145,578	176,978	112,291	64,687
Council support	16,585	16,585	37,552	(20,967)
Total City Clerk	<u>860,832</u>	<u>896,340</u>	<u>813,378</u>	<u>82,962</u>

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative) \$
	Original	Final		
	\$	\$		
Community development:				
Planning	1,230,177	1,502,637	1,434,604	68,033
Strategic planning	101,344	465,772	205,272	260,500
Building regulation	1,648,217	2,545,994	2,577,558	(31,564)
Administration	262,414	299,692	882,614	(582,922)
General engineering	303,732	303,732	312,029	(8,297)
Subdivision engineering	512,358	512,358	434,695	77,663
Code enforcement	865,627	852,627	776,281	76,346
Redevelopment	1,693,963	1,863,963	1,707,046	156,917
Total Community Development	6,617,832	8,346,775	8,330,099	16,676
Finance:				
Financial services	1,464,552	1,589,299	1,574,113	15,186
Administrative support services	1,219,356	1,232,660	1,162,123	70,537
Public Financing Authority lease payments	744,679	746,915	742,680	4,235
Total Finance	3,428,587	3,568,874	3,478,916	89,958
Fire:				
Administration	954,397	978,659	879,058	99,601
Operations	16,558,931	17,990,023	18,700,970	(710,947)
San Carlos Fire	6,909,241	6,909,241	6,930,943	(21,702)
Prevention	926,255	971,615	924,221	47,394
Training	244,807	287,140	265,336	21,804
Emergency medical services	27,079	27,079	23,682	3,397
Emergency operations	126,107	141,107	138,798	2,309
Total Fire	25,746,817	27,304,864	27,863,008	(558,144)
Human Resources	1,407,490	1,407,490	1,369,595	37,895
Library:				
Administrative services unit	1,436,409	1,436,409	1,378,705	57,704
Downtown library	3,806,792	3,851,634	3,733,115	118,519
Literacy services unit	1,021,342	1,231,435	1,167,280	64,155
Neighborhood libraries and outreach	1,718,447	1,723,947	1,772,587	(48,640)
Total Library	7,982,990	8,243,425	8,051,687	191,738

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
<b>Parks, Recreation and Community Services:</b>				
Human Services	1,332,243	1,478,078	1,489,387	(11,309)
Administration	889,289	924,924	1,001,669	(76,745)
Civic Cultural Commission	58,896	58,896	55,037	3,859
Landscape maintenance	4,600,938	4,600,938	4,696,468	(95,530)
Youth and teen services	2,739,991	2,772,645	2,772,570	75
Sports and aquatics	2,294,540	2,605,391	2,381,027	224,364
Special interest programming/marketing	1,488,668	1,636,623	1,661,164	(24,541)
Community services	1,347,771	1,347,771	1,516,770	(168,999)
<b>Total Parks, Recreation and Community Services</b>	<b>14,752,336</b>	<b>15,425,266</b>	<b>15,574,092</b>	<b>(148,826)</b>
<b>Police:</b>				
Administration	6,775,230	6,775,230	6,703,220	72,010
Records	1,120,288	1,120,288	948,245	172,043
Training	559,452	625,852	621,378	4,474
Property/Evidence	314,332	314,332	302,997	11,335
Police Activities League	127,441	127,441	94,871	32,570
Patrol services	22,354,580	23,456,080	22,336,976	1,119,104
Criminal investigation	4,927,222	5,128,222	5,627,967	(499,745)
<b>Total Police</b>	<b>36,178,545</b>	<b>37,547,445</b>	<b>36,635,654</b>	<b>911,791</b>
<b>Public Works:</b>				
Street system maintenance	287,630	303,752	273,250	30,502
Street cleaning	251,353	251,353	245,121	6,232
Sidewalk maintenance/Replacement	17,497	17,497	17,497	
Street tree maintenance	826,236	905,762	986,866	(81,104)
Downtown/Entry feature maintenance	31,889	31,889	8,213	23,676
Storm water collection/Disposal	25,326	25,326		25,326
<b>Total Public Works</b>	<b>1,439,931</b>	<b>1,535,579</b>	<b>1,530,947</b>	<b>4,632</b>
Reimbursement from Other Funds	(6,086,910)	(6,086,910)	(6,086,908)	(2)
<b>Total charges to appropriations</b>	<b>96,558,204</b>	<b>103,212,301</b>	<b>101,683,939</b>	<b>1,528,362</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	520,993	520,993	527,271	6,278
Transfers (out)	(11,136,223)	(17,711,223)	(17,445,633)	265,590
<b>Total Other Financing Sources (Uses)</b>	<b>(10,615,230)</b>	<b>(17,190,230)</b>	<b>(16,918,362)</b>	<b>271,868</b>
<b>Fund balance, June 30</b>	<b>30,891,652</b>	<b>21,202,649</b>	<b>28,438,071</b>	<b>7,235,422</b>

## REQUIRED SUPPLEMENTARY INFORMATION

### 2. DEFINED BENEFIT PENSION PLANS

#### A. Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period

##### Miscellaneous Plan

Measurement Period <sup>(1)</sup>	2014-15	2013-14
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 4,787,766	\$ 4,962,237
Interest	19,792,491	18,925,939
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(546,244)	-
Changes of Assumptions	(4,797,291)	-
Benefit Payments, Including Refunds of Employee Contributions	(12,621,036)	(11,534,695)
<b>Net Change in Total Pension Liability</b>	<b>6,615,686</b>	<b>12,353,481</b>
<b>Total Pension Liability - Beginning</b>	<b>267,985,557</b>	<b>255,632,076</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 274,601,243</b>	<b>\$ 267,985,557</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - Employer	\$ 6,882,313	\$ 6,449,302
Contributions - Employee	2,372,657	2,592,457
Net Investment Income <sup>(2)</sup>	4,413,116	29,955,563
Benefit Payments, Including Refunds of Employee Contributions	(12,621,036)	(11,534,695)
Other Changes in Fiduciary Net Position	(205,162)	-
<b>Net Change in Fiduciary Net Position</b>	<b>841,888</b>	<b>27,462,627</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>197,591,985</b>	<b>170,129,358</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 198,433,873</b>	<b>\$ 197,591,985</b>
<b>Plan Net Position Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 76,167,370</b>	<b>\$ 70,393,572</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>72.26%</b>	<b>73.73%</b>
<b>Covered Payroll</b>	<b>\$ 28,944,841</b>	<b>\$ 28,592,551</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>263.15%</b>	<b>246.20%</b>

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Net of administrative expenses.

## 2. DEFINED BENEFIT PENSION PLANS, Continued

### A. Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period, Continued

#### Safety Plan

Measurement Period <sup>(1)</sup>	2014-15	2013-14
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 7,620,719	\$ 6,630,333
Interest	22,992,406	21,880,004
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	210,529	-
Changes of Assumptions	(5,686,859)	-
Benefit Payments, Including Refunds of Employee Contributions	(15,054,516)	(14,361,985)
<b>Net Change in Total Pension Liability</b>	<b>10,082,279</b>	<b>14,148,352</b>
<b>Total Pension Liability - Beginning</b>	<b>309,747,565</b>	<b>295,599,213</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 319,829,844</b>	<b>\$ 309,747,565</b>
 <b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - Employer	\$ 9,993,967	\$ 7,791,669
Contributions - Employee	2,420,787	2,230,065
Net Investment Income <sup>(2)</sup>	4,953,411	32,968,535
Benefit Payments, Including Refunds of Employee Contributions	(15,054,516)	(14,361,985)
Other Changes in Fiduciary Net Position	(245,450)	-
<b>Net Change in Fiduciary Net Position</b>	<b>2,068,199</b>	<b>28,628,284</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>215,992,153</b>	<b>187,363,869</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 218,060,352</b>	<b>\$ 215,992,153</b>
 <b>Plan Net Position Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 101,769,492</b>	<b>\$ 93,755,412</b>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>68.18%</b>	<b>69.73%</b>
 <b>Covered Payroll</b>	<b>\$ 25,330,626</b>	<b>\$ 21,679,799</b>
 <b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>401.76%</b>	<b>432.46%</b>

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Net of administrative expenses.

#### Notes to Schedules

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

**Changes of Assumptions:** The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

**2. DEFINED BENEFIT PENSION PLANS, Continued**

**B. Schedule of Plan Contributions**

Miscellaneous Plan

	<u>Fiscal Year 2015-16</u> <sup>(1)</sup>	<u>Fiscal Year 2014-15</u>
Actuarially determined contribution	\$ 6,923,087	\$ 6,799,358
Contribution in relation to the actuarially determined contributions	<u>(6,923,087)</u>	<u>(6,799,358)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 31,958,739	\$ 28,944,841
Contributions as a percentage of covered payroll	21.66%	23.49%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable

Safety Plan

	<u>Fiscal Year 2015-16</u> <sup>(1)</sup>	<u>Fiscal Year 2014-15</u>
Actuarially determined contribution	\$ 10,439,692	\$ 9,667,759
Contribution in relation to the actuarially determined contributions	<u>(10,439,692)</u>	<u>(9,667,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 26,527,754	\$ 25,330,626
Contributions as a percentage of covered payroll	39.35%	38.17%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable

**2. DEFINED BENEFIT PENSION PLANS, Continued**

**B. Schedule of Plan Contributions, Continued**

Notes to Schedules

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

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

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

City of Redwood City

A schedule of funding progress for the past three actuarial valuations is presented below.

Actuarial Valuation Date *	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
2011	\$ 4,429,000	\$ 53,083,000	\$ 48,654,000	0.0%	\$ 44,961,408	108.2%
2013	\$ 11,001,000	\$ 56,177,000	\$ 45,176,000	19.6%	\$ 48,399,901	93.3%
2015	\$ 18,382,000	\$ 70,852,000	\$ 52,470,000	25.9%	\$ 51,466,341	102.0%

\* Based on the most recent actuarial valuation available

\*\* Annual payroll of active employees covered by the plan

### 3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

#### Port of Redwood City

A schedule of funding progress for the past three actuarial valuations is presented below.

Actuarial Valuation Date *	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
2013	\$ -	\$ 362,074	\$ 362,074	0.0%	\$ 629,034	57.6%
2014	\$ -	\$ 349,824	\$ 349,824	0.0%	\$ 636,746	54.9%
2015	\$ -	\$ 373,632	\$ 373,632	0.0%	\$ 655,667	57.0%

\* Based on the most recent actuarial valuation available

\*\* Annual payroll of active employees covered by the plan



*City of Redwood City  
Comprehensive Annual Financial Report  
June 30, 2016*

## **GENERAL FUND**

The general fund accounts for resources traditionally associated with governments that are not required to be accounted for in another fund. Library operations, whose expenditures must be approved by the Library Board, are accounted for as part of this fund along with the general governmental expenditures not accounted for in other funds.

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>	\$	\$
Cash and investments available for operations	35,852,795	31,189,850
Receivables (net of allowance for uncollectibles):		
Taxes and assessments - current	9,141,396	7,441,153
Accounts	1,643,694	1,579,638
Loans	1,205,478	1,371,874
Accrued interest	279,016	172,969
Due from other governmental agencies	3,122,201	2,936,496
Inventory of supplies at cost		421
Prepaid expenditures	86,385	15,597
 Total Assets	 51,330,965	 44,707,998
<b>LIABILITIES</b>		
Accounts payable	3,984,399	2,655,418
Accrued payroll	4,352,304	3,867,082
Deposits payable	7,720,787	6,068,254
Due to other funds	503,870	832,625
Unearned revenue	6,301,397	2,591,166
Accrued sick leave and vacation - current	30,137	88,097
 Total Liabilities	 22,892,894	 16,102,642
<b>FUND BALANCE</b>		
Nonspendable:		
Loans	1,205,478	1,371,874
Inventory		421
Prepaid items	86,385	15,597
Restricted for:		
Other purposes	96,338	1,230
Committed to:		
General plan	837,563	700,783
Assigned to:		
Other purposes	978,967	283,563
Unassigned:		
City Council directed minimum balance	22,644,769	21,152,117
Residual balance	2,588,571	5,079,771
 Total Fund Balance	 28,438,071	 28,605,356
 Total Liabilities and Fund Balance	 51,330,965	 44,707,998

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>						
Property taxes	43,718,163	47,851,873	4,133,710	41,038,566	44,546,153	3,507,587
Sales and other taxes	43,982,092	44,186,332	204,240	40,280,284	43,307,531	3,027,247
Licenses and permits	2,398,000	2,272,333	(125,667)	1,826,000	1,467,378	(358,622)
Fines, forfeitures and penalties	636,000	767,857	131,857	525,000	582,464	57,464
Uses of money and property	248,500	488,369	239,869	468,500	560,947	92,447
Net increases (decreases) in fair value of investments		81,346	81,346		24,976	24,976
Intergovernmental	5,416,470	5,475,525	59,055	3,749,559	4,754,628	1,005,069
Charges for current services	15,792,237	16,280,079	487,842	15,081,181	15,834,725	753,544
Other	808,362	1,031,302	222,940	1,111,898	1,142,883	30,985
<b>Total revenues</b>	<b>112,999,824</b>	<b>118,435,016</b>	<b>5,435,192</b>	<b>104,080,988</b>	<b>112,221,685</b>	<b>8,140,697</b>
<b>EXPENDITURES</b>						
Community development	8,346,775	8,330,099	16,676	7,380,598	7,335,123	45,475
Human services	1,512,878	1,524,187	(11,309)	1,425,687	1,400,276	25,411
Public safety	64,852,309	64,498,662	353,647	60,323,447	61,477,995	(1,154,548)
Transportation	321,249	290,747	30,502	301,523	297,684	3,839
Environmental support and protection	276,679	245,121	31,558	179,309	151,830	27,479
Leisure, cultural, and information services	23,128,264	23,131,471	(3,207)	21,267,180	21,667,885	(400,705)
Policy development and implementation	4,774,147	3,663,652	1,110,495	4,474,267	3,524,919	949,348
<b>Total expenditures</b>	<b>103,212,301</b>	<b>101,683,939</b>	<b>1,528,362</b>	<b>95,352,011</b>	<b>95,855,712</b>	<b>(503,701)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,787,523</b>	<b>16,751,077</b>	<b>6,963,554</b>	<b>8,728,977</b>	<b>16,365,973</b>	<b>7,636,996</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	520,993	527,271	6,278	397,500	516,371	118,871
Transfers (out)	(17,711,223)	(17,445,633)	265,590	(12,744,784)	(12,125,830)	618,954
<b>Total Other Financing Sources (Uses)</b>	<b>(17,190,230)</b>	<b>(16,918,362)</b>	<b>271,868</b>	<b>(12,347,284)</b>	<b>(11,609,459)</b>	<b>737,825</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(7,402,707)</b>	<b>(167,285)</b>	<b>7,235,422</b>	<b>(3,618,307)</b>	<b>4,756,514</b>	<b>8,374,821</b>
Fund balance at beginning of fiscal year		28,605,356			23,848,842	
Fund balance at end of fiscal year		28,438,071			28,605,356	

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
SCHEDULE OF REVENUES COMPARED WITH BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016		Variance with Final Budget Positive (Negative)	2015 Actual
	Budget	Actual		
<b>Property Taxes:</b>	\$	\$	\$	\$
Property taxes - secured and unsecured	43,718,163	47,851,873	4,133,710	44,546,153
Total Property Taxes	<u>43,718,163</u>	<u>47,851,873</u>	<u>4,133,710</u>	<u>44,546,153</u>
<b>Sales and Other Taxes:</b>				
Sales tax	23,005,207	22,778,475	(226,732)	22,372,756
Franchises	1,749,600	1,893,634	144,034	1,799,129
Transient occupancy tax	6,750,731	6,451,477	(299,254)	6,032,354
Property transfer tax	875,000	946,259	71,259	1,404,772
Business license tax	2,240,500	2,483,708	243,208	2,362,517
Utility users tax	9,361,054	9,632,779	271,725	9,336,003
Total Sales and Other Taxes	<u>43,982,092</u>	<u>44,186,332</u>	<u>204,240</u>	<u>43,307,531</u>
<b>Licenses and Permits:</b>				
Building permits	2,380,000	2,268,773	(111,227)	1,454,137
Fire and other permits	18,000	3,560	(14,440)	13,241
Total Licenses and Permits	<u>2,398,000</u>	<u>2,272,333</u>	<u>(125,667)</u>	<u>1,467,378</u>
<b>Fines, Forfeitures and Penalties:</b>				
Parking fines	636,000	767,857	131,857	582,464
Total Fines, Forfeitures and Penalties	<u>636,000</u>	<u>767,857</u>	<u>131,857</u>	<u>582,464</u>
<b>Uses of Money and Property:</b>				
Rent and concessions	190,500	228,567	38,067	464,140
Interest income	58,000	259,802	201,802	96,807
Total Uses of Money and Property	<u>248,500</u>	<u>488,369</u>	<u>239,869</u>	<u>560,947</u>
<b>Net Increase (Decrease) in Fair Value of Investments</b>		<u>81,346</u>	<u>81,346</u>	<u>24,976</u>
<b>Intergovernmental:</b>				
Motor vehicle in lieu tax		33,020	33,020	33,099
Public safety sales tax	755,550	734,945	(20,605)	728,185
Police training allowance	10,000	26,841	16,841	52,834
Homeowners' property tax relief	175,000	178,179	3,179	176,438
State mandated programs grant		150,928	150,928	987,850
Grants - County, State, and Federal	4,083,420	3,944,820	(138,600)	2,370,235
Abandoned vehicle fees				2,670
Port contribution	392,500	406,792	14,292	403,317
Total Intergovernmental	<u>5,416,470</u>	<u>5,475,525</u>	<u>59,055</u>	<u>4,754,628</u>
<b>Charges for Current Services:</b>				
Fire services	7,070,871	6,834,649	(236,222)	6,658,594
Police services	155,000	313,208	158,208	162,012
Plan checking	1,625,000	1,430,244	(194,756)	1,384,832
Garbage collections - net	2,476,645	2,409,618	(67,027)	2,353,062
Engineering services				3,684
Planning services	316,000	591,745	275,745	623,447
Library fees		11,319	11,319	127,691
Recreation programs	2,826,346	3,141,864	315,518	2,564,497
Other current service charges	1,322,375	1,547,432	225,057	1,956,906
Total Charges for Current Services	<u>15,792,237</u>	<u>16,280,079</u>	<u>487,842</u>	<u>15,834,725</u>
<b>Other:</b>				
Contributions	225,000	431,924	206,924	448,226
Miscellaneous	583,362	599,378	16,016	694,657
Total Other	<u>808,362</u>	<u>1,031,302</u>	<u>222,940</u>	<u>1,142,883</u>
<b>Total Revenue</b>	<u><u>112,999,824</u></u>	<u><u>118,435,016</u></u>	<u><u>5,435,192</u></u>	<u><u>112,221,685</u></u>

CITY OF REDWOOD CITY, CALIFORNIA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016		Variance with Final Budget Positive (Negative)	2015 Actual
	Budget	Actual		
<b>Community Development:</b>	\$	\$	\$	\$
Community planning	1,502,637	1,434,604	68,033	1,378,466
Strategic planning	465,772	205,272	260,500	
Building regulation	2,545,994	2,577,558	(31,564)	2,589,658
Administration	299,692	882,614	(582,922)	292,871
General engineering	303,732	312,029	(8,297)	809,062
Subdivision engineering	512,358	434,695	77,663	
Code enforcement	852,627	776,281	76,346	507,146
Redevelopment	1,863,963	1,707,046	156,917	1,757,920
<b>Total Community Development</b>	<b>8,346,775</b>	<b>8,330,099</b>	<b>16,676</b>	<b>7,335,123</b>
<b>Human Services:</b>				
Human services assistance program	34,800	34,800		34,800
Social services center	1,478,078	1,489,387	(11,309)	1,365,476
<b>Total Human Services</b>	<b>1,512,878</b>	<b>1,524,187</b>	<b>(11,309)</b>	<b>1,400,276</b>
<b>Public Safety:</b>				
Law enforcement	37,547,445	36,635,654	911,791	34,660,964
Fire safety	27,304,864	27,863,008	(558,144)	26,817,031
<b>Total Public Safety</b>	<b>64,852,309</b>	<b>64,498,662</b>	<b>353,647</b>	<b>61,477,995</b>
<b>Transportation:</b>				
Street system/sidewalk maintenance, repair	321,249	290,747	30,502	297,684
<b>Total Transportation</b>	<b>321,249</b>	<b>290,747</b>	<b>30,502</b>	<b>297,684</b>
<b>Environmental Support and Protection:</b>				
Street cleaning/storm water collection, disposal	276,679	245,121	31,558	151,830
<b>Total Environmental Support and Protection</b>	<b>276,679</b>	<b>245,121</b>	<b>31,558</b>	<b>151,830</b>
<b>Leisure, Cultural, and Information Services:</b>				
Parks and recreation	14,884,839	15,079,784	(194,945)	14,004,113
Information services	8,243,425	8,051,687	191,738	7,663,772
<b>Total Leisure, Cultural, and Information Services</b>	<b>23,128,264</b>	<b>23,131,471</b>	<b>(3,207)</b>	<b>21,667,885</b>
<b>Policy Development and Implementation:</b>				
Legislative/policy determination	329,375	325,363	4,012	327,795
Management/policy execution	2,407,667	1,737,727	669,940	2,309,399
Legislative services/records management	896,340	813,378	82,962	727,232
Financial services	1,589,299	1,574,113	15,186	1,390,827
Legal services	2,251,311	2,025,581	225,730	1,545,662
Human Resources	1,407,490	1,369,595	37,895	1,283,762
Other administrative support services	1,979,575	1,904,803	74,772	1,855,321
Less reimbursements from other funds	(6,086,910)	(6,086,908)	(2)	(5,915,079)
<b>Total Policy Development and Implementation</b>	<b>4,774,147</b>	<b>3,663,652</b>	<b>1,110,495</b>	<b>3,524,919</b>
<b>Total Expenditures</b>	<b>103,212,301</b>	<b>101,683,939</b>	<b>1,528,362</b>	<b>95,855,712</b>

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenue derived from specific taxes or other dedicated revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

**Special Gas Tax Street Improvement Fund** – This fund accounts for revenue received from the State of California derived from gasoline taxes. These funds may only be used for street purposes as specified in the State of California Streets and Highway Code.

**Transportation Grants Fund** – This fund accounts for grants and developer contributions received for specific transportation projects.

**Grants Fund** – This fund accounts for grants received for specific purposes. These include funds received under the Housing and Community Development Act.

**Traffic Safety Fund** – This fund accounts for revenues received from traffic fines and used for traffic safety programs.

**Transportation Fund** – This fund accounts for the City’s share of special sales tax for transportation. Expenditures from this fund may only be incurred on transportation-related programs.

**Seaport Landscape Maintenance Fund** – This fund accounts for funds to be provided by property owners in the Seaport Boulevard area for maintenance of landscaping on Seaport Boulevard.

**Seaport Centre Maintenance Fund** – This fund accounts for funds provided by property owners in the Seaport Centre area for the maintenance and repair of drains and sewer lines connecting the Centre facilities to the public facilities.

**Redwood Shores Maintenance Fund** – This fund accounts for funds collected from property owners in the Redwood Shores area for the maintenance of various public areas.

**Redwood Shores Landscape Maintenance Fund** – This fund accounts for funds collected from property owners for landscape maintenance of certain areas in Redwood Shores.

**Supplemental Law Enforcement Services Fund** – This fund accounts for funds from the State of California “Citizens Option for Public Safety” program.

**Traffic Mitigation Fees Fund** – This fund accounts for developer contributions received for general transportation projects.

**Low and Moderate Income Housing Asset Fund** – This fund accounts for the restricted and obligated balances (other than the Legal Aid Society balance) of the former redevelopment agency low and moderate income housing fund that were transferred to the City after the dissolution of the redevelopment agency on February 1, 2012.

**Planning Cost Recovery Fund** – This fund accounts for fees charged for reimbursement of the expenditures associated with processing planning applications related to major projects.

**Community Benefits Fund** – This fund accounts for funds committed by the City to enhance community programs.

## **SPECIAL REVENUE FUNDS (CONTINUED)**

**Housing Legal Aid Society Fund** – This fund accounts for revenues previously deposited in the former redevelopment agency low and moderate income housing fund pursuant to an agreement with the Legal Aid Society to set aside general tax increment revenue for housing purposes. After the February 1, 2012 dissolution of the redevelopment agency, this fund was created to account for this accumulated balance.

## **DEBT SERVICE FUNDS**

Debt service funds are used to account for the payment of interest and principal on general debt of the City and related entities.

**Public Financing Authority 2013 Refunding Lease Fund** – This fund accounts for a lease entered into to refund the 2003 Public Financing Authority bonds. This lease is secured by lease payment from the City.

## **CAPITAL PROJECTS FUNDS**

Capital project funds are established to account for resources used for the acquisition and construction of capital facilities by the City except for those financed by the proprietary funds or special revenue funds. Funding for these projects is provided by the general fund and by special assessment districts. Currently the City has the following funds:

**Facilities Fee Construction Fund** – This fund derives its revenue from fees collected from the developers in the Redwood Shores area. Funds are used for improvements to roads, drainage, water, traffic lights, canals, etc. in the area.

**Parks Impact and In Lieu Fee Fund** – This fund accounts for parks impact fees and Quimby Act in lieu fees charged to developers on new development projects, to enable the City to expand and improve its system of parks, parkland, and recreational facilities to provide services to future development.

**Shores Transportation Improvement District Fund** – This fund accounts for community facility district bonds that were issued and developer contributions that were received by the City to fund various transportation projects in the Redwood Shores area.

**One Marina Community Facilities District Fund** – This fund accounts for certain public infrastructure improvements within the One Marina district that are financed by community facilities district bonds, and developer contributions.

CITY OF REDWOOD CITY, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2016

SPECIAL REVENUE FUNDS

	Special Gas Tax Street Improvement Fund \$	Transportation Grants Fund \$	Grants Fund \$	Traffic Safety Fund \$	Transportation Fund \$	Seaport Landscape Maintenance Fund \$
<b>ASSETS</b>						
Cash and investments available for operations	4,288,929	5,414,285	2,316,665	70,939	1,009,772	555,081
Cash and investments, restricted			104,587			
Receivables (net of allowance for uncollectibles)						
Taxes and assessments - current	135,978	303,757			118,804	
Accounts			21,526	4,774		
Loans			2,973,544			
Accrued interest			176,494			
Due from other governmental agencies		1,197,662	322,518	27,946		
Due from other funds						
Advances to RDA successor agency						
Prepaid items					1,500	
Investment in land held for redevelopment			2,410,000			
<b>Total Assets</b>	<b>4,424,907</b>	<b>6,915,704</b>	<b>8,325,334</b>	<b>103,659</b>	<b>1,130,076</b>	<b>555,081</b>
<b>LIABILITIES</b>						
Accounts payable	121,590	394,616	237,514	48,253	110,642	342
Deposits payable						
Due to other funds						
Unearned revenue						
Accrued sick leave and vacation				27,760		
<b>Total Liabilities</b>	<b>121,590</b>	<b>394,616</b>	<b>237,514</b>	<b>76,013</b>	<b>110,642</b>	<b>342</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - interest			176,494			
<b>Total Deferred Inflows of Resources</b>			<b>176,494</b>			
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid items					1,500	
Restricted for:						
Community development			5,879,400			
Public safety				27,646		
Transportation	20,213	4,833,697			521,221	
Environmental support and protection						553,715
Leisure, cultural and information services			255,061			
Capital projects		1,687,391	863,335		496,713	1,024
Other purposes						
Committed to:						
Capital projects	2,573,833					
Community benefits						
Human services financial assistance			913,530			
Housing purposes						
Assigned to:						
Capital projects	1,709,271					
<b>Total Fund Balances</b>	<b>4,303,317</b>	<b>6,521,088</b>	<b>7,911,326</b>	<b>27,646</b>	<b>1,019,434</b>	<b>554,739</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>4,424,907</b>	<b>6,915,704</b>	<b>8,325,334</b>	<b>103,659</b>	<b>1,130,076</b>	<b>555,081</b>

SPECIAL REVENUE FUNDS

Seaport Centre Maintenance Fund	Redwood Shores Maintenance Fund	Redwood Shores Landscape Mtc. Fund	Supplemental Law Enforcement Services Fund	Traffic Mitigation Fees Fund
\$	\$	\$	\$	\$
1,783,596	1,302,038	33,391	104,937	6,100,321 4,346,737
				5,182
<u>1,783,596</u>	<u>1,302,038</u>	<u>33,391</u>	<u>104,937</u>	<u>10,452,240</u>
	36,978	1,766	2,031	106,891 11,088
			34,521	
	<u>36,978</u>	<u>1,766</u>	<u>36,552</u>	<u>117,979</u>
			68,385	4,052,433
1,316,461	510,049	31,625		
467,135	755,011			6,281,828
<u>1,783,596</u>	<u>1,265,060</u>	<u>31,625</u>	<u>68,385</u>	<u>10,334,261</u>
<u>1,783,596</u>	<u>1,302,038</u>	<u>33,391</u>	<u>104,937</u>	<u>10,452,240</u>

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2016

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS
	Low & Moderate Income Housing Asset Fund \$	Planning Cost Recovery Fund \$	Community Benefits Fund \$	Housing Legal Aid Society \$	Public Financing Authority 2013 Refunding Lease Fund \$
<b>ASSETS</b>					
Cash and investments available for operations	2,542,654	55,312	955,756	151,394	
Cash and investments, restricted					
Receivables (net of allowance for uncollectibles)					
Taxes and assessments - current					
Accounts	3,707				
Loans	4,036,235				
Accrued interest	859,468				
Due from other governmental agencies					
Due from other funds	8,607				
Advances to RDA successor agency	1,687,703				
Prepaid items					
Investment in land held for redevelopment	3,331,208				
	<u>12,469,582</u>	<u>55,312</u>	<u>955,756</u>	<u>151,394</u>	
Total Assets					
<b>LIABILITIES</b>					
Accounts payable	500,634	55,312			
Deposits payable					
Due to other funds					
Unearned revenue				32,303	
Accrued sick leave and vacation					
	<u>500,634</u>	<u>55,312</u>		<u>32,303</u>	
Total Liabilities					
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - interest	859,468				
	<u>859,468</u>				
Total Deferred Inflows of Resources					
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items				-	
Restricted for:					
Community development	9,410,983			119,091	
Public safety					
Transportation					
Environmental support and protection					
Leisure, cultural and information services					
Capital projects					
Other purposes					
Committed to:					
Capital projects					
Community benefits			955,756		
Human services financial assistance					
Housing purposes	1,698,497				
Assigned to:					
Capital projects					
	<u>11,109,480</u>		<u>955,756</u>	<u>119,091</u>	
Total Fund Balances					
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>12,469,582</u>	<u>55,312</u>	<u>955,756</u>	<u>151,394</u>	

CAPITAL PROJECTS FUNDS

Facilities Fee Construction Fund \$	Parks Impact and In Lieu Fee Fund \$	Shores Transportation Improvement District Fund \$	One Marina Community Facilities District Fund \$	Total Nonmajor Governmental Funds \$
385,865	19,505,797 148,742	603,948	1,224,784	48,405,464 4,600,066
				558,539 30,007 7,009,779 1,041,144 1,548,126 8,607 1,687,703 1,500 5,741,208
<u>385,865</u>	<u>19,654,539</u>	<u>603,948</u>	<u>1,224,784</u>	<u>70,632,143</u>
	343,267			1,959,836 11,088 66,824 27,760
	<u>343,267</u>			<u>2,065,508</u>
				1,035,962
				<u>1,035,962</u>
				1,500 15,409,474 96,031 9,533,184 2,411,850 17,856,259 14,058,832 312,656
73,209 312,656	17,601,198 1,710,074	105,620 498,328	1,224,784	2,573,833 955,756 913,530 1,698,497 1,709,271
<u>385,865</u>	<u>19,311,272</u>	<u>603,948</u>	<u>1,224,784</u>	<u>67,530,673</u>
<u>385,865</u>	<u>19,654,539</u>	<u>603,948</u>	<u>1,224,784</u>	<u>70,632,143</u>

CITY OF REDWOOD CITY, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SPECIAL REVENUE FUNDS

	Special Gas Tax Street Improvement Fund \$	Transportation Grants Fund \$	Grants Fund \$	Traffic Safety Fund \$	Transportation Fund \$
<b>REVENUES</b>					
Property taxes/special assessments					
Licenses and permits					
Fines, forfeitures and penalties				215,592	
Use of money and property	(3,298)	48,091	76,879	(5,893)	10,231
Intergovernmental	1,745,953	2,352,518	846,601		1,714,942
Contributions		1,198,742			15,579
Charges for current services	20,316			51,315	
Other			882	9,452	
<b>Total Revenues</b>	<b>1,762,971</b>	<b>3,599,351</b>	<b>924,362</b>	<b>270,466</b>	<b>1,740,752</b>
<b>EXPENDITURES</b>					
Current Operations:					
Community development			964,771		111,229
Human services			100,000		
Public safety					
Transportation	1,859,553	1,081,698		1,624,762	281,553
Environmental support and protection	477,746	303,757	12,290		
Leisure, cultural and information services					
Policy development and implementation					255,559
Capital outlay	1,724,500	952,377	24,870		761,325
Debt service:					
Principal retirement					
Interest and fiscal charges					
<b>Total Expenditures</b>	<b>4,061,799</b>	<b>2,337,832</b>	<b>1,101,931</b>	<b>1,624,762</b>	<b>1,409,666</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,298,828)</b>	<b>1,261,519</b>	<b>(177,569)</b>	<b>(1,354,296)</b>	<b>331,086</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in				1,346,444	
Transfers (out)	(276,000)				
<b>Total Other Financing Sources (Uses)</b>	<b>(276,000)</b>			<b>1,346,444</b>	
<b>Net change in fund balances</b>	<b>(2,574,828)</b>	<b>1,261,519</b>	<b>(177,569)</b>	<b>(7,852)</b>	<b>331,086</b>
Fund balances - beginning	6,878,145	5,259,569	8,088,895	35,498	688,348
Fund balances - ending	<u>4,303,317</u>	<u>6,521,088</u>	<u>7,911,326</u>	<u>27,646</u>	<u>1,019,434</u>

SPECIAL REVENUE FUNDS

Seaport Landscape Maintenance Fund	Seaport Centre Maintenance Fund	Redwood Shores Maintenance Fund	Redwood Shores Landscape Maintenance Fund	Supplemental Law Enforcement Services Fund	Traffic Mitigation Fees Fund
\$	\$	\$	\$	\$	\$
212,438	186,948	827,159	234,252		
5,637	18,645	14,146 3,779	72	826 124,378	81,201 915,155
<u>218,075</u>	<u>205,593</u>	<u>845,084</u>	<u>234,324</u>	<u>125,204</u>	<u>996,356</u>
2,213	7,373			104,073	
210,974	76,265	445,215	293,604		438,058
	171,855				374,253
<u>213,187</u>	<u>255,493</u>	<u>445,215</u>	<u>293,604</u>	<u>104,073</u>	<u>812,311</u>
4,888	(49,900)	399,869	(59,280)	21,131	184,045
			32,078		
		(305,993)			
		(305,993)	32,078		
4,888	(49,900)	93,876	(27,202)	21,131	184,045
<u>549,851</u>	<u>1,833,496</u>	<u>1,171,184</u>	<u>58,827</u>	<u>47,254</u>	<u>10,150,216</u>
<u>554,739</u>	<u>1,783,596</u>	<u>1,265,060</u>	<u>31,625</u>	<u>68,385</u>	<u>10,334,261</u>

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS
	Low & Moderate Income Housing Asset Fund \$	Planning Cost Recovery Fund \$	Community Benefits Fund \$	Housing Legal Aid Society \$	Public Financing Authority 2013 Refunding Lease Fund \$
<b>REVENUES</b>					
Property taxes/special assessments					
Licenses and permits					
Fines, forfeitures and penalties					
Use of money and property	85,138		10,181	52,191	700,053
Intergovernmental Contributions					
Charges for current services		515,133			
Other	630				
<b>Total Revenues</b>	<b>85,768</b>	<b>515,133</b>	<b>10,181</b>	<b>52,191</b>	<b>700,053</b>
<b>EXPENDITURES</b>					
Current Operations:					
Community development	114,520	515,133		218	
Human services					
Public safety					
Transportation					
Environmental support and protection					
Leisure, cultural and information services					
Policy development and implementation					
Capital outlay					
Debt service:					
Principal retirement					666,814
Interest and fiscal charges					33,239
<b>Total Expenditures</b>	<b>114,520</b>	<b>515,133</b>		<b>218</b>	<b>700,053</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(28,752)</b>		<b>10,181</b>	<b>51,973</b>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	67,621				
Transfers (out)					
<b>Total Other Financing Sources (Uses)</b>	<b>67,621</b>				
<b>Net change in fund balances</b>	<b>38,869</b>		<b>10,181</b>	<b>51,973</b>	
<b>Fund balances - beginning</b>	<b>11,070,611</b>		<b>945,575</b>	<b>67,118</b>	
<b>Fund balances - ending</b>	<b>11,109,480</b>		<b>955,756</b>	<b>119,091</b>	

CAPITAL PROJECTS FUNDS

Facilities Fee Construction Fund \$	Parks Impact and In Lieu Fee Fund \$	Shores Transportation Improvement District Fund \$	One Marina Community Facilities District Fund \$	Total Nonmajor Governmental Funds \$
				1,460,797
	4,871,246			4,871,246
				215,592
4,490	209,118	6,297	10,258	1,324,263
				7,703,326
			213,825	1,428,146
				586,764
				10,964
4,490	5,080,364	6,297	224,083	17,601,098
				1,715,457
				100,000
				104,073
				5,285,624
822				1,527,069
	7,867			301,471
	3,252,694			255,559
				7,261,874
				666,814
				33,239
822	3,260,561			17,251,180
3,668	1,819,803	6,297	224,083	349,918
				1,446,143
				(581,993)
				864,150
3,668	1,819,803	6,297	224,083	1,214,068
382,197	17,491,469	597,651	1,000,701	66,316,605
385,865	19,311,272	603,948	1,224,784	67,530,673

CITY OF REDWOOD CITY, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SPECIAL GAS TAX			TRANSPORTATION GRANTS FUND		
	STREET IMPROVEMENT FUND		Variance with Final Budget Positive (Negative)	TRANSPORTATION GRANTS FUND		Variance with Final Budget Positive (Negative)
	Budget	Actual		Budget	Actual	
	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>						
Property taxes/special assessments						
Fines, forfeitures and penalties						
Use of money and property		(3,298)	(3,298)	51,000	48,091	(2,909)
Intergovernmental	1,708,376	1,745,953	37,577	7,255,781	2,352,518	(4,903,263)
Contributions				1,198,742	1,198,742	
Charges for current services		20,316	20,316			
Other						
<b>Total Revenues</b>	<b>1,708,376</b>	<b>1,762,971</b>	<b>54,595</b>	<b>8,505,523</b>	<b>3,599,351</b>	<b>(4,906,172)</b>
<b>EXPENDITURES</b>						
Current operations:						
Community development						
Human services						
Public safety						
Transportation	1,943,244	1,859,553	83,691	1,616,016	1,081,698	534,318
Environmental support and protection	575,140	477,746	97,394	272,199	303,757	(31,558)
Leisure, cultural and information services						
Policy development and implementation						
Debt service:						
Principal retirement						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>2,518,384</b>	<b>2,337,299</b>	<b>181,085</b>	<b>1,888,215</b>	<b>1,385,455</b>	<b>502,760</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(810,008)</b>	<b>(574,328)</b>	<b>235,680</b>	<b>6,617,308</b>	<b>2,213,896</b>	<b>(4,403,412)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	497,978		(497,978)			
Transfers (out)	(276,000)	(276,000)				
<b>Total Other Financing Sources (Uses)</b>	<b>221,978</b>	<b>(276,000)</b>	<b>(497,978)</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(588,030)</b>	<b>(850,328)</b>	<b>(262,298)</b>	<b>6,617,308</b>	<b>2,213,896</b>	<b>(4,403,412)</b>
Adjustments to budgetary basis:						
Capital outlay		(1,724,500)			(952,377)	
Funds not budgeted:						
Facilities Fee Construction Fund						
Parks Impact and In Lieu Fee Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
<b>Fund balances - beginning</b>		<b>6,878,145</b>			<b>5,259,569</b>	
<b>Fund balances - ending</b>		<b>4,303,317</b>			<b>6,521,088</b>	

There were no material changes between the original and final budgeted amounts.

GRANTS FUND			TRAFFIC SAFETY FUND			TRANSPORTATION FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
			270,000	215,592	(54,408)			
10,000	76,879	66,879		(5,893)	(5,893)	10,000	10,231	231
1,204,790	846,601	(358,189)				1,811,250	1,714,942	(96,308)
							15,579	15,579
	882	882	7,000	51,315	44,315			
				9,452	9,452			
<u>1,214,790</u>	<u>924,362</u>	<u>(290,428)</u>	<u>277,000</u>	<u>270,466</u>	<u>(6,534)</u>	<u>1,821,250</u>	<u>1,740,752</u>	<u>(80,498)</u>
3,086,071	964,771	2,121,300				168,307	111,229	57,078
100,000	100,000							
	12,290	(12,290)	1,647,424	1,624,762	22,662	43,691	281,553	(237,862)
						249,670	255,559	(5,889)
<u>3,186,071</u>	<u>1,077,061</u>	<u>2,109,010</u>	<u>1,647,424</u>	<u>1,624,762</u>	<u>22,662</u>	<u>461,668</u>	<u>648,341</u>	<u>(186,673)</u>
<u>(1,971,281)</u>	<u>(152,699)</u>	<u>1,818,582</u>	<u>(1,370,424)</u>	<u>(1,354,296)</u>	<u>16,128</u>	<u>1,359,582</u>	<u>1,092,411</u>	<u>(267,171)</u>
			1,346,444	1,346,444				
			1,346,444	1,346,444				
<u>(1,971,281)</u>	<u>(152,699)</u>	<u>1,818,582</u>	<u>(23,980)</u>	<u>(7,852)</u>	<u>16,128</u>	<u>1,359,582</u>	<u>1,092,411</u>	<u>(267,171)</u>
	(24,870)						(761,325)	
	8,088,895			35,498			688,348	
	<u>7,911,326</u>			<u>27,646</u>			<u>1,019,434</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SEAPORT LANDSCAPE MAINTENANCE FUND			SEAPORT CENTRE MAINTENANCE FUND		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>						
Property taxes/special assessments	212,500	212,438	(62)	187,000	186,948	(52)
Fines, forfeitures and penalties						
Use of money and property	4,000	5,637	1,637	15,000	18,645	3,645
Intergovernmental						
Contributions						
Charges for current services						
Other						
<b>Total Revenues</b>	<b>216,500</b>	<b>218,075</b>	<b>1,575</b>	<b>202,000</b>	<b>205,593</b>	<b>3,593</b>
<b>Current operations:</b>						
Community development	4,166	2,213	1,953	4,166	7,373	(3,207)
Human services						
Public safety						
Transportation						
Environmental support and protection	217,664	210,974	6,690	584,844	76,265	508,579
Leisure, cultural and information services						
Policy development and implementation						
<b>Debt service:</b>						
Principal retirement						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>221,830</b>	<b>213,187</b>	<b>8,643</b>	<b>589,010</b>	<b>83,638</b>	<b>505,372</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,330)</b>	<b>4,888</b>	<b>10,218</b>	<b>(387,010)</b>	<b>121,955</b>	<b>508,965</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(5,330)</b>	<b>4,888</b>	<b>10,218</b>	<b>(387,010)</b>	<b>121,955</b>	<b>508,965</b>
<b>Adjustments to budgetary basis:</b>						
Capital outlay					(171,855)	
<b>Funds not budgeted:</b>						
Facilities Fee Construction Fund						
Parks Impact and In Lieu Fee Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
<b>Fund balances - beginning</b>		<b>549,851</b>			<b>1,833,496</b>	
<b>Fund balances - ending</b>		<b>554,739</b>			<b>1,783,596</b>	

There were no material changes between the original and final budgeted amounts.

REDWOOD SHORES MAINTENANCE FUND			REDWOOD SHORES LANDSCAPE MAINTENANCE FUND			SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
777,120	827,159	50,039	235,242	234,252	(990)			
10,000	14,146	4,146		72	72		826	826
4,000	3,779	(221)				125,000	124,378	(622)
<u>791,120</u>	<u>845,084</u>	<u>53,964</u>	<u>235,242</u>	<u>234,324</u>	<u>(918)</u>	<u>125,000</u>	<u>125,204</u>	<u>204</u>
						167,807	104,073	63,734
518,848	445,215	73,633	267,320	293,604	(26,284)			
<u>518,848</u>	<u>445,215</u>	<u>73,633</u>	<u>267,320</u>	<u>293,604</u>	<u>(26,284)</u>	<u>167,807</u>	<u>104,073</u>	<u>63,734</u>
272,272	399,869	127,597	(32,078)	(59,280)	(27,202)	(42,807)	21,131	63,938
(305,993)	(305,993)		32,078	32,078				
(305,993)	(305,993)		32,078	32,078				
<u>(33,721)</u>	<u>93,876</u>	<u>127,597</u>		<u>(27,202)</u>	<u>(27,202)</u>	<u>(42,807)</u>	<u>21,131</u>	<u>63,938</u>
	<u>1,171,184</u>			<u>58,827</u>			<u>47,254</u>	
	<u>1,265,060</u>			<u>31,625</u>			<u>68,385</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	TRAFFIC MITIGATION FEES FUND			LOW AND MODERATE INCOME HOUSING ASSET FUND		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>						
Property taxes/special assessments						
Fines, forfeitures and penalties						
Use of money and property	39,000	81,201	42,201		85,138	85,138
Intergovernmental	700,000	915,155	215,155			
Contributions						
Charges for current services						
Other					630	630
<b>Total Revenues</b>	<b>739,000</b>	<b>996,356</b>	<b>257,356</b>		<b>85,768</b>	<b>85,768</b>
Current operations:						
Community development				94,882	114,520	(19,638)
Human services						
Public safety						
Transportation	996,954	438,058	558,896			
Environmental support and protection						
Leisure, cultural and information services						
Policy development and implementation						
Debt service:						
Principal retirement						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>996,954</b>	<b>438,058</b>	<b>558,896</b>	<b>94,882</b>	<b>114,520</b>	<b>(19,638)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(257,954)</b>	<b>558,298</b>	<b>816,252</b>	<b>(94,882)</b>	<b>(28,752)</b>	<b>66,130</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				1,688,486	67,621	(1,620,865)
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>				<b>1,688,486</b>	<b>67,621</b>	<b>(1,620,865)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(257,954)</b>	<b>558,298</b>	<b>816,252</b>	<b>1,593,604</b>	<b>38,869</b>	<b>(1,554,735)</b>
Adjustments to budgetary basis:						
Capital outlay		(374,253)				
Funds not budgeted:						
Facilities Fee Construction Fund						
Parks Impact and In Lieu Fee Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
Fund balances - beginning		10,150,216			11,070,611	
Fund balances - ending		10,334,261			11,109,480	

There were no material changes between the original and final budgeted amounts.

PLANNING COST RECOVERY FUND			COMMUNITY BENEFITS FUND			HOUSING LEGAL AID SOCIETY		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
				10,181	10,181		52,191	52,191
1,312,089	515,133	(796,956)						
<u>1,312,089</u>	<u>515,133</u>	<u>(796,956)</u>		<u>10,181</u>	<u>10,181</u>		<u>52,191</u>	<u>52,191</u>
1,312,089	515,133	796,956				80,000	218	79,782
<u>1,312,089</u>	<u>515,133</u>	<u>796,956</u>				<u>80,000</u>	<u>218</u>	<u>79,782</u>
				10,181	10,181	(80,000)	51,973	131,973
			-	-	-	-	-	
				10,181	10,181	(80,000)	51,973	131,973
				<u>10,181</u>	<u>10,181</u>	<u>(80,000)</u>	<u>51,973</u>	<u>131,973</u>
				945,575			67,118	
				<u>955,756</u>			<u>119,091</u>	

CITY OF REDWOOD CITY, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	PUBLIC FINANCING AUTHORITY 2013 REFUNDING LEASE FUND			TOTALS		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>						
Property taxes/special assessments				1,411,862	1,460,797	48,935
Fines, forfeitures and penalties				270,000	215,592	(54,408)
Use of money and property	700,220	700,053	(167)	839,220	1,094,100	254,880
Intergovernmental				12,809,197	7,703,326	(5,105,871)
Contributions				1,198,742	1,214,321	15,579
Charges for current services				1,319,089	586,764	(732,325)
Other					10,964	10,964
<b>Total Revenues</b>	<b>700,220</b>	<b>700,053</b>	<b>(167)</b>	<b>17,848,110</b>	<b>12,285,864</b>	<b>(5,562,246)</b>
<b>Current operations:</b>						
Community development				4,749,681	1,715,457	3,034,224
Human services				100,000	100,000	
Public safety				167,807	104,073	63,734
Transportation				6,247,329	5,285,624	961,705
Environmental support and protection				2,168,695	1,526,247	642,448
Leisure, cultural and information services				267,320	293,604	(26,284)
Policy development and implementation				249,670	255,559	(5,889)
<b>Debt service:</b>						
Principal retirement	666,814	666,814		666,814	666,814	
Interest and fiscal charges	33,406	33,239	167	33,406	33,239	167
<b>Total Expenditures</b>	<b>700,220</b>	<b>700,053</b>	<b>167</b>	<b>14,650,722</b>	<b>9,980,617</b>	<b>4,670,105</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				<b>3,197,388</b>	<b>2,305,247</b>	<b>(892,141)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				3,564,986	1,446,143	(2,118,843)
Transfers (out)				(581,993)	(581,993)	
<b>Total Other Financing Sources (Uses)</b>				<b>2,982,993</b>	<b>864,150</b>	<b>(2,118,843)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				<b>6,180,381</b>	<b>3,169,397</b>	<b>(3,010,984)</b>
<b>Adjustments to budgetary basis:</b>						
Capital outlay					(4,009,180)	
<b>Funds not budgeted:</b>						
Facilities Fee Construction Fund					385,865	
Parks Impact and In Lieu Fee Fund					19,311,272	
Shores Transportation Improvement District					603,948	
One Marina Community Facilities District					1,224,784	
<b>Fund balances - beginning</b>					<b>46,844,587</b>	
<b>Fund balances - ending</b>					<b>67,530,673</b>	

(Continued)

There were no material changes between the original and final budgeted amounts.



*City of Redwood City  
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## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one City department to others on a cost reimbursement basis.

**Equipment Services Fund** – This fund accounts for the costs of operation, maintenance, and replacement of automotive equipment used by other departments. Such costs are billed to the consuming departments at a rate that includes operation, maintenance, and an amount necessary to provide replacement of the equipment at a future date. Additional equipment is budgeted by the consuming department and is then transferred to the equipment services fund after purchase.

**Self-Insurance Fund** – This fund accounts for the City's total insurance program which includes, but is not limited to, workers' compensation, comprehensive automobile and general liability, marinas, and property and crime insurance. Included are administrative costs and costs associated with self-insurance and the purchase of excess insurance to adequately protect the City. User departments are charged for workers' compensation insurance at rates based on loss experience and on departmental budget size.

**Internal Services Fund** – This fund accounts for the costs of operation of the City's telephone/communications service, maintenance and repair of buildings, custodial services, and information technology services. The costs are billed to the user departments based on actual use by the departments.

**Employee Benefits Fund** – This fund is used to account for providing City workers with self-insured dental and vision benefits, unemployment insurance, and health insurance to retired City employees.

CITY OF REDWOOD CITY, CALIFORNIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
<b>ASSETS</b>	\$	\$	\$	\$	\$
Current assets:					
Cash and investments available for operations:	12,039,220	22,657,313	860,855	797,191	36,354,579
Receivables (net of allowance for uncollectibles)					
Accounts	1,620	223,426			225,046
Accrued interest	5,759				5,759
Due from other governmental agencies	19,897		189,905		209,802
Due from other funds	300,000				300,000
Inventory of supplies at cost	124,323				124,323
Deposits		530,000			530,000
Prepaid items and other assets	1,983		47,982		49,965
Total current assets	<u>12,492,802</u>	<u>23,410,739</u>	<u>1,098,742</u>	<u>797,191</u>	<u>37,799,474</u>
Noncurrent assets:					
Advances to other funds	1,800,000				1,800,000
Capital assets:					
Construction in progress	434,894				434,894
Equipment, net	7,836,138		698,298		8,534,436
Net capital assets	<u>8,271,032</u>		<u>698,298</u>		<u>8,969,330</u>
Total noncurrent assets	<u>10,071,032</u>		<u>698,298</u>		<u>10,769,330</u>
Total assets	<u>22,563,834</u>	<u>23,410,739</u>	<u>1,797,040</u>	<u>797,191</u>	<u>48,568,804</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred pension contributions	<u>274,310</u>	<u>124,418</u>	<u>2,393,903</u>		<u>2,792,631</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	120,472	388,144	100,082		608,698
Insurance claims payable - current portion		4,277,299			4,277,299
Accrued sick leave and vacation - current portion	38,518		341,185		379,703
Unearned revenue					
Total current liabilities	<u>158,990</u>	<u>4,665,443</u>	<u>441,267</u>		<u>5,265,700</u>
Noncurrent liabilities:					
Insurance claims payable		18,839,543			18,839,543
Accrued sick leave and vacation	71,490		504,965		576,455
Net OPEB obligation	74,492	25,994	390,836		491,322
Net pension liability	1,477,789	655,297	12,237,024		14,370,110
Total noncurrent liabilities	<u>1,623,771</u>	<u>19,520,834</u>	<u>13,132,825</u>		<u>34,277,430</u>
Total liabilities	<u>1,782,761</u>	<u>24,186,277</u>	<u>13,574,092</u>		<u>39,543,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pension actuarial	<u>271,877</u>	<u>120,046</u>	<u>2,191,592</u>		<u>2,583,515</u>
<b>NET POSITION</b>					
Invested in capital assets	8,271,032		698,298		8,969,330
Unrestricted	<u>12,512,474</u>	<u>(771,166)</u>	<u>(12,273,039)</u>	<u>797,191</u>	<u>265,460</u>
Total net position	<u>20,783,506</u>	<u>(771,166)</u>	<u>(11,574,741)</u>	<u>797,191</u>	<u>9,234,790</u>

CITY OF REDWOOD CITY, CALIFORNIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total Fund
	\$	\$	\$	\$	\$
<b>OPERATING REVENUES</b>					
Charges for services	4,573,389	6,380,373	9,591,740	6,518,527	27,064,029
<b>OPERATING EXPENSES</b>					
Employee services	918,842	433,859	8,038,126	2,889,292	12,280,119
Maintenance	25,343	3,845	745,039		774,227
Utilities	23,881	3,650	13,302		40,833
Contractual services	4,400	1,026,790	(437,865)	3,107,716	3,701,041
Supplies and services	1,193,886	355,643	1,085,019		2,634,548
Depreciation	1,110,998		139,776		1,250,774
Insurance and claims	20,601	8,397,996	139,117	841,452	9,399,166
Total operating expenses	3,297,951	10,221,783	9,722,514	6,838,460	30,080,708
Operating Income (Loss)	1,275,438	(3,841,410)	(130,774)	(319,933)	(3,016,679)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) on disposal of capital assets	18,837		(73,379)		(54,542)
Investment earnings	157,863	206,152	14,536	23,276	401,827
Insurance recovery	7,479				7,479
Net Nonoperating Revenues (Expenses)	184,179	206,152	(58,843)	23,276	354,764
Net Income (Loss) Before Capital Contributions and Transfers	1,459,617	(3,635,258)	(189,617)	(296,657)	(2,661,915)
Capital contributions			60,970		60,970
Transfers in		4,000,000			4,000,000
Transfers (out)			(11,470)		(11,470)
Total Capital Contributions and Transfers		4,000,000	49,500		4,049,500
Change in net position	1,459,617	364,742	(140,117)	(296,657)	1,387,585
Net position - beginning	19,323,889	(1,135,908)	(11,434,624)	1,093,848	7,847,205
Net position - ending	20,783,506	(771,166)	(11,574,741)	797,191	9,234,790

CITY OF REDWOOD CITY, CALIFORNIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
	\$	\$	\$	\$	\$
Cash flows from operating activities:					
Cash received from interfund services provided	4,619,823	6,662,947	9,568,417	6,518,527	27,369,714
Cash payments to suppliers for goods and services	(1,333,369)	(7,587,136)	(1,759,306)	(3,949,168)	(14,628,979)
Cash payments to employees for services	(956,963)	(457,334)	(8,526,280)	(2,889,292)	(12,829,869)
Net cash provided by (used in) operating activities	<u>2,329,491</u>	<u>(1,381,523)</u>	<u>(717,169)</u>	<u>(319,933)</u>	<u>(89,134)</u>
Cash flows from noncapital financing activities					
Insurance recovery	7,479				7,479
Transfers in		4,000,000			4,000,000
Transfers out			(11,470)		(11,470)
Advances to other funds	300,000				300,000
Contributions					
Net cash provided by (used in) non-capital financing activities	<u>307,479</u>	<u>4,000,000</u>	<u>(11,470)</u>		<u>4,296,009</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,078,651)		12,407		(1,066,244)
Contributions			60,970		60,970
Proceeds from sale of capital assets	18,837		(73,379)		(54,542)
Net cash used in capital and related financing activities	<u>(1,059,814)</u>		<u>(2)</u>		<u>(1,059,816)</u>
Cash flows from investing activities:					
Interest on investments	155,436	206,152	14,536	23,276	399,400
Net cash provided by investing activities	<u>155,436</u>	<u>206,152</u>	<u>14,536</u>	<u>23,276</u>	<u>399,400</u>
Net increase (decrease) in cash and cash equivalents	1,732,592	2,824,629	(714,105)	(296,657)	3,546,459
Cash and cash equivalents at beginning of year	<u>10,306,628</u>	<u>19,832,684</u>	<u>1,574,960</u>	<u>1,093,848</u>	<u>32,808,120</u>
Cash and cash equivalents at end of year	<u>12,039,220</u>	<u>22,657,313</u>	<u>860,855</u>	<u>797,191</u>	<u>36,354,579</u>
<b>Reconciliation of Net Cash Flow from Operating Activities</b>					
Operating income (loss)	<u>1,275,438</u>	<u>(3,841,410)</u>	<u>(130,774)</u>	<u>(319,933)</u>	<u>(3,016,679)</u>
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	1,110,998		139,776		1,250,774
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(1,620)	282,574			280,954
Decrease (increase) in due from other governmental agencies	48,054		(23,323)		24,731
Decrease (increase) in inventory/prepaid expense/deposits	(6,259)	145,000	(39,238)		99,503
Increase (decrease) in vacation & sick leave payable	13,116		(43,337)		(30,221)
Increase (decrease) in accounts payable	(58,999)	(157,496)	(175,456)		(391,951)
Increase (decrease) in unearned revenue					
Increase (decrease) in net OPEB obligation					
Increase (decrease) in deferred employer contributions	(140,287)	(65,449)	(1,287,750)		(1,493,486)
Increase (decrease) in deferred inflows - pension	(1,986)	(899)	(17,356)		(20,241)
Increase (decrease) in net pension liability	91,036	42,873	860,289		994,198
Increase (decrease) in insurance claims payable		2,213,284			2,213,284
Total adjustments	<u>1,054,053</u>	<u>2,459,887</u>	<u>(586,395)</u>		<u>2,927,545</u>
Net cash provided by (used in) operating activities	<u>2,329,491</u>	<u>(1,381,523)</u>	<u>(717,169)</u>	<u>(319,933)</u>	<u>(89,134)</u>
Noncash investing, capital and financing activities:					
Gain (loss) on disposal of equipment	18,837		(73,379)		(54,542)

## AGENCY FUNDS

Agency funds are used to account for assets held by government in a trustee capacity or as an agent for an individual.

**Employee Benefit Plans Fund** – This fund is used to account for contributions to certain employee benefit categories established by the City under Section 125 of the Internal Revenue Code for the employees and their dependents.

**Pacific Shores Community Facilities District Fund** – This fund accounts for the Mello-Roos Pacific Shores Project special tax bonds that were issued to fund various transportation system improvements within the City's right-of-way in the Pacific Shores district.

**Shores Transportation Improvement District Fund** – This fund accounts for the Mello-Roos Shores Transportation Improvement special tax bonds that were issued to fund various transportation projects in the Redwood Shores area.

**One Marina Community Facilities District Fund** – This fund accounts for the Mello-Roos One Marina Project special tax bonds that were issued to fund certain public infrastructure improvements projects within the One Marina district.

**Community Benefit Improvement District Fund** – This fund accounts for the assessments collected on behalf of the Downtown Redwood City Community Benefit Improvement District which was established to enhance and support the City's Downtown business district.

CITY OF REDWOOD CITY, CALIFORNIA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015 \$	Additions \$	Withdrawals \$	Balance June 30, 2016 \$
<b>EMPLOYEE BENEFIT PLANS</b>				
<b>ASSETS</b>				
Cash and Investments, restricted				
Cafeteria Benefits Plan	42,990	32,753	(33,204)	42,539
Deposits	29,505			29,505
Total Assets	<u>72,495</u>	<u>32,753</u>	<u>(33,204)</u>	<u>72,044</u>
<b>LIABILITIES</b>				
Cafeteria Benefits Plan Payable	72,495	32,752	(33,203)	72,044
Total Liabilities	<u>72,495</u>	<u>32,752</u>	<u>(33,203)</u>	<u>72,044</u>
<b>PACIFIC SHORES COMMUNITY FACILITIES DISTRICT</b>				
<b>ASSETS</b>				
Cash and Investments, restricted	2,042,056	1,589	(580,645)	1,463,000
Total Assets	<u>2,042,056</u>	<u>1,589</u>	<u>(580,645)</u>	<u>1,463,000</u>
<b>LIABILITIES</b>				
Due to Bondholders	2,042,056	1,589	(580,645)	1,463,000
Total Liabilities	<u>2,042,056</u>	<u>1,589</u>	<u>(580,645)</u>	<u>1,463,000</u>
<b>SHORES TRANSPORTATION IMPROVEMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and Investments, restricted	1,337,816	39,410	(27,430)	1,349,796
Total Assets	<u>1,337,816</u>	<u>39,410</u>	<u>(27,430)</u>	<u>1,349,796</u>
<b>LIABILITIES</b>				
Due to Bondholders	1,337,816	39,410	(27,430)	1,349,796
Total Liabilities	<u>1,337,816</u>	<u>39,410</u>	<u>(27,430)</u>	<u>1,349,796</u>
<b>ONE MARINA COMMUNITY FACILITIES DISTRICT</b>				
<b>ASSETS</b>				
Cash and Investments, restricted	839,897	1,435,003	(1,971,952)	302,948
Total Assets	<u>839,897</u>	<u>1,435,003</u>	<u>(1,971,952)</u>	<u>302,948</u>
<b>LIABILITIES</b>				
Accounts payable				
Due to Bondholders	839,897	1,435,003	(1,971,952)	302,948
Total Liabilities	<u>839,897</u>	<u>1,435,003</u>	<u>(1,971,952)</u>	<u>302,948</u>
<b>COMMUNITY BENEFIT IMPROVEMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and Investments, restricted	214,880	13,201	(140,030)	88,051
Total Assets	<u>214,880</u>	<u>13,201</u>	<u>(140,030)</u>	<u>88,051</u>
<b>LIABILITIES</b>				
Accounts payable	44,399		(44,399)	
Due to Community Benefit Improvement District	170,481	13,201	(95,631)	88,051
Total Liabilities	<u>214,880</u>	<u>13,201</u>	<u>(140,030)</u>	<u>88,051</u>
<b>TOTAL FOR ALL FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments, restricted	4,477,639	1,521,956	(2,753,261)	3,246,334
Deposits	29,505			29,505
Total Assets	<u>4,507,144</u>	<u>1,521,956</u>	<u>(2,753,261)</u>	<u>3,275,839</u>
<b>LIABILITIES</b>				
Accounts payable	44,399		(44,399)	
Due to Bondholders	4,219,769	1,476,002	(2,580,027)	3,115,744
Employee Benefit Plans Payable	72,495	32,753	(33,204)	72,044
Due to Community Benefit Improvement District	170,481	13,201	(95,631)	88,051
Total Liabilities	<u>4,507,144</u>	<u>1,521,956</u>	<u>(2,753,261)</u>	<u>3,275,839</u>



*City of Redwood City  
Comprehensive Annual Financial Report  
June 30, 2016*

## Statistical Section

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This part of the City of Redwood 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.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	126-133
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	134-137
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	138-142
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	143-145
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	146-148

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Schedule 1**  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Years				
	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Governmental activities					
Net investment in capital assets	156,907,578	156,560,228	161,627,155	169,093,206	169,197,701
Restricted	54,756,987	50,323,338	52,368,702	54,628,813	48,959,550
Unrestricted	62,441,526	63,104,332	49,292,416	37,166,449	42,990,998
Total governmental activities net position	<u>274,106,091</u>	<u>269,987,898</u>	<u>263,288,273</u>	<u>260,888,468</u>	<u>261,148,249</u>
Business-type activities					
Net investment in capital assets	70,506,885	78,785,990	81,617,178	90,877,809	101,835,656
Restricted	6,139,177	5,785,576	5,548,281	5,660,219	5,838,632
Unrestricted	49,663,838	66,030,719	55,230,314	64,022,824	65,532,636
Total business-type activities net position	<u>126,309,900</u>	<u>150,602,285</u>	<u>142,395,773</u>	<u>160,560,852</u>	<u>173,206,924</u>
Primary government					
Net investment in capital assets	227,414,463	235,346,218	243,244,333	259,971,015	271,033,357
Restricted	60,896,164	56,108,914	57,916,983	60,289,032	54,798,182
Unrestricted	112,105,364	129,135,051	104,522,730	101,189,273	108,523,634
Total primary government net position	<u>400,415,991</u>	<u>420,590,183</u>	<u>405,684,046</u>	<u>421,449,320</u>	<u>434,355,173</u>

Schedule 1 (Continued)  
 CITY OF REDWOOD CITY, CALIFORNIA  
 NET POSITION BY COMPONENT  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Fiscal Years				
2012	2013	2014	2015	2016
\$	\$	\$	\$	\$
185,512,524	190,190,522	184,624,589	184,443,023	191,852,192
39,238,667	43,957,061	49,268,810	57,862,400	60,812,081
48,138,559	48,015,241	60,038,520	(92,052,768)	(92,972,897)
<u>272,889,750</u>	<u>282,162,824</u>	<u>293,931,919</u>	<u>150,252,655</u>	<u>159,691,376</u>
107,036,885	110,901,151	117,927,502	125,259,418	132,569,634
5,868,399	6,637,669	6,553,008	5,741,555	5,662,466
69,695,347	76,506,675	92,340,047	84,191,383	98,141,410
<u>182,600,631</u>	<u>194,045,495</u>	<u>216,820,557</u>	<u>215,192,356</u>	<u>236,373,510</u>
292,549,409	301,091,673	302,552,091	309,702,441	324,421,826
45,107,066	50,594,730	55,821,818	63,603,955	66,474,547
117,833,906	124,521,916	152,378,567	(7,861,385)	5,086,791
<u>455,490,381</u>	<u>476,208,319</u>	<u>510,752,476</u>	<u>365,445,011</u>	<u>396,064,886</u>

**Schedule 2**  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year				
	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
<b>Expenses</b>					
Governmental Activities:					
Community development	13,744,289	16,263,530	15,808,848	18,412,550	17,702,202
Human services	1,351,113	1,518,333	1,623,102	1,554,411	1,582,251
Public safety	42,600,983	45,450,681	48,500,457	46,093,823	46,022,760
Transportation	13,302,505	10,620,489	13,930,238	13,535,438	11,650,032
Environmental support and protection	2,930,603	2,010,545	2,890,119	4,124,316	2,919,735
Leisure, cultural and information services	19,520,000	20,994,657	23,947,621	22,168,928	21,547,087
Policy development and implementation	2,653,677	2,792,115	4,766,661	4,726,541	5,528,602
Interest on long term debt	3,450,169	3,251,324	2,986,613	2,762,933	2,551,146
<b>Total governmental activities expenses</b>	<b>99,553,339</b>	<b>102,901,674</b>	<b>114,453,659</b>	<b>113,378,940</b>	<b>109,503,815</b>
Business-type activities					
Water utility fund	19,341,678	22,594,685	21,595,698	20,702,048	21,889,834
Sewer utility fund	16,299,485	15,828,257	16,125,292	17,776,510	19,900,464
Parking fund	1,794,044	2,195,805	2,561,896	2,476,991	2,420,716
Port of Redwood City	4,053,686	3,937,037	3,896,043	4,038,336	4,251,855
Docktown Marina					
<b>Total business-type activities expenses</b>	<b>41,488,893</b>	<b>44,555,784</b>	<b>44,178,929</b>	<b>44,993,885</b>	<b>48,462,869</b>
<b>Total primary government expenses</b>	<b>141,042,232</b>	<b>147,457,458</b>	<b>158,632,588</b>	<b>158,372,825</b>	<b>157,966,684</b>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Community Development	3,981,057	3,777,584	2,760,718	3,996,401	6,503,254
Public Safety	1,741,393	1,861,194	1,807,675	1,995,853	2,345,175
Transportation	250,265	522,453	298,955	304,275	256,929
Environmental support and protection	1,296,745	1,380,110	1,371,562	1,351,354	1,328,009
Leisure, cultural, and information services	3,169,556	2,515,117	2,508,597	2,430,818	2,632,930
Policy development and implementation	609,683	1,604,897	1,534,944	1,626,141	1,656,917
Operating grants and contributions	6,364,633	5,302,686	6,741,821	7,380,584	6,159,842
Capital grants and contributions	10,223,691	12,778,701	6,987,681	7,978,474	6,243,279
<b>Total governmental activities program revenues</b>	<b>27,637,023</b>	<b>29,742,742</b>	<b>24,011,953</b>	<b>27,063,900</b>	<b>27,126,335</b>
Business-type activities:					
Water utility fund	20,879,685	23,318,628	25,578,282	23,255,926	26,038,320
Sewer utility fund	14,104,270	16,818,581	20,259,668	22,241,030	24,156,749
Parking fund	862,328	1,098,340	840,414	1,005,328	1,100,304
Port of Redwood City	5,676,604	5,689,697	6,702,772	6,073,755	7,674,030
Docktown Marina					
<b>Total business-type activities program revenues</b>	<b>41,522,887</b>	<b>46,925,246</b>	<b>53,381,136</b>	<b>52,576,039</b>	<b>58,969,403</b>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(71,916,316)	(73,158,932)	(90,441,706)	(86,315,040)	(82,377,480)
Business-type activities	33,994	2,369,462	9,202,207	7,582,154	10,506,534
<b>Total primary government net expense</b>	<b>(71,882,322)</b>	<b>(70,789,470)</b>	<b>(81,239,499)</b>	<b>(78,732,886)</b>	<b>(71,870,946)</b>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes:					
Property taxes	39,899,711	43,329,876	47,082,041	48,052,021	46,614,369
Sales taxes	19,208,709	18,136,670	15,552,681	15,023,882	15,671,238
Other taxes	17,165,197	18,636,208	18,325,098	18,034,397	18,440,213
Investment Earnings	4,844,480	5,371,665	2,036,661	1,629,298	1,042,032
Other	1,710,333	1,630,933	1,813,256	2,093,288	1,598,452
Gain (loss) on retirement of capital assets					
Transfers	(343,138)	(18,064,613)	(1,067,656)	(917,651)	(729,043)
<b>Total governmental activities</b>	<b>82,485,292</b>	<b>69,040,739</b>	<b>83,742,081</b>	<b>83,915,235</b>	<b>82,637,261</b>
Business-type activities:					
Property taxes	60,688	27,358	28,390	25,904	28,080
Investment Earnings	2,509,321	3,117,508	1,264,220	435,559	327,435
Other	230,215	713,444	27,537	2,885	17,324
Extraordinary item - pollution remediation			(19,796,522)		
Gain (loss) on retirement of capital assets					
Transfers	343,138	18,064,613	1,067,656	917,651	729,043
<b>Total business-type activities</b>	<b>3,143,362</b>	<b>21,922,923</b>	<b>(17,408,719)</b>	<b>1,381,999</b>	<b>1,101,882</b>
<b>Total primary government</b>	<b>85,628,654</b>	<b>90,963,662</b>	<b>66,333,362</b>	<b>85,297,234</b>	<b>83,739,143</b>
<b>Change in Net Position</b>					
Governmental activities	10,568,976	(4,118,193)	(6,699,625)	(2,399,805)	259,781
Business-type activities	3,177,356	24,292,385	(8,206,512)	8,964,153	11,608,416
<b>Total primary government</b>	<b>13,746,332</b>	<b>20,174,192</b>	<b>(14,906,137)</b>	<b>6,564,348</b>	<b>11,868,197</b>

Schedule 2 (Continued)  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

		Fiscal Year				
2012	2013	2014	2015	2016		
\$	\$	\$	\$	\$		
22,954,181	9,090,251	8,150,880	9,592,085	10,471,987		
1,495,964	1,562,157	1,462,300	1,485,779	1,673,308		
50,621,439	51,355,424	59,435,400	62,453,649	65,192,296		
11,352,844	11,332,401	11,572,619	12,944,719	13,001,063		
2,327,751	1,996,098	2,746,600	2,722,610	3,524,036		
21,681,720	21,548,736	22,823,528	23,747,419	25,392,603		
4,773,768	6,030,657	5,982,346	7,043,417	6,122,280		
1,616,333	314,022	48,341	38,762	23,269		
<u>116,824,000</u>	<u>103,229,746</u>	<u>112,222,014</u>	<u>120,028,440</u>	<u>125,400,842</u>		
28,680,794	31,123,859	30,591,894	30,937,175	33,505,028		
20,017,426	19,287,430	19,989,758	22,081,105	34,345,565		
2,420,029	2,430,359	2,471,222	2,916,242	3,005,729		
4,739,397	5,628,403	5,091,265	5,231,644	5,179,284		
	243,335	705,388	763,211	826,201		
<u>55,857,646</u>	<u>58,713,386</u>	<u>58,849,527</u>	<u>61,929,377</u>	<u>76,861,807</u>		
<u>172,681,646</u>	<u>161,943,132</u>	<u>171,071,541</u>	<u>181,957,817</u>	<u>202,262,649</u>		
4,852,265	4,651,706	8,553,508	5,171,299	6,340,242		
3,199,818	3,131,805	6,922,702	7,744,775	7,905,079		
404,042	546,820	374,859	282,324			
1,330,208	1,335,544	1,417,353	1,456,889	1,460,797		
2,843,954	2,827,087	3,074,537	3,553,925	3,090,945		
1,817,823	1,780,367	1,871,774	1,736,648	1,775,752		
6,193,090	6,716,207	7,072,772	7,721,851	7,755,830		
8,503,363	12,658,933	9,505,357	17,492,948	12,592,165		
<u>29,144,563</u>	<u>33,648,469</u>	<u>38,792,862</u>	<u>45,160,659</u>	<u>40,920,810</u>		
28,465,337	33,202,194	36,271,106	37,082,113	38,227,757		
26,898,440	28,100,341	25,692,258	29,837,033	45,533,365		
1,267,531	1,366,984	1,503,519	2,019,961	2,401,924		
7,638,585	6,262,660	6,824,474	6,721,955	6,862,662		
	493,262	665,819	681,115	663,658		
<u>64,269,893</u>	<u>69,425,441</u>	<u>70,957,176</u>	<u>76,342,177</u>	<u>93,689,366</u>		
(87,679,437)	(69,581,277)	(73,429,152)	(74,867,781)	(84,480,032)		
8,412,247	10,712,055	12,107,649	14,412,800	16,827,559		
<u>(79,267,190)</u>	<u>(58,869,222)</u>	<u>(61,321,503)</u>	<u>(60,454,981)</u>	<u>(67,652,473)</u>		
42,432,818	38,379,963	41,708,668	44,546,153	48,033,490		
16,998,443	19,240,290	20,781,613	22,372,756	23,513,420		
19,595,982	20,335,928	21,612,376	23,364,156	24,200,427		
579,394	301,171	992,221	1,055,417	1,424,919		
1,260,652	1,069,894	1,205,727	1,277,511	199,510		
		(3,359,063)	1,315,418			
<u>(607,867)</u>	<u>(472,895)</u>	<u>2,314,350</u>	<u>(22,230)</u>	<u>(3,453,013)</u>		
<u>99,420,938</u>	<u>78,854,351</u>	<u>85,255,892</u>	<u>93,909,181</u>	<u>93,918,753</u>		
77,425	104,081	104,814	123,954	157,417		
281,583	151,041	499,586	586,705	742,410		
14,585	4,792	4,132	2,536	755		
		13,700,440				
607,867	472,895	(2,314,350)	22,230	3,453,013		
<u>981,460</u>	<u>732,809</u>	<u>11,994,622</u>	<u>735,425</u>	<u>4,353,595</u>		
<u>100,402,398</u>	<u>79,587,160</u>	<u>97,250,514</u>	<u>94,644,606</u>	<u>98,272,348</u>		
11,741,501	9,273,074	11,826,740	19,041,400	9,438,721		
9,393,707	11,444,864	24,102,271	15,148,225	21,181,154		
<u>21,135,208</u>	<u>20,717,938</u>	<u>35,929,011</u>	<u>34,189,625</u>	<u>30,619,875</u>		

Schedule 3  
 CITY OF REDWOOD CITY, CALIFORNIA  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Years			
	2007	2008	2009	2010
	\$	\$	\$	\$
<b>General Fund</b>				
Reserved	4,177,832	5,554,149	4,630,992	3,732,535
Unreserved	40,827,073	40,900,734	34,464,505	20,991,436
Total general fund	<u>45,004,905</u>	<u>46,454,883</u>	<u>39,095,497</u>	<u>24,723,971</u>
<b>All Other Governmental Funds</b>				
Reserved	40,323,695	25,925,282	25,660,144	26,067,203
Unreserved, reported in:				
Special revenue funds	19,220,633	24,369,952	28,419,218	32,706,733
Debt service funds	(41,058)	46,511	78,418	40,589
Capital projects funds	18,892,346	26,565,268	21,189,395	18,520,889
Total all other governmental funds	<u>78,395,616</u>	<u>76,907,013</u>	<u>75,347,175</u>	<u>77,335,414</u>
Total governmental funds	<u><u>123,400,521</u></u>	<u><u>123,361,896</u></u>	<u><u>114,442,672</u></u>	<u><u>102,059,385</u></u>

Notes:

The City began to classify fund balances into specifically defined classifications when it implemented GASB Statement No. 54 in FY 2010/11.

Schedule 3 (Continued)  
CITY OF REDWOOD CITY, CALIFORNIA  
FUND BALANCES - GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Years					
	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$
<b>General Fund</b>						
Nonspendable	5,522,056	1,902,685	1,785,184	1,608,733	1,387,892	1,291,863
Restricted					1,230	96,338
Committed	864,057	551,640	370,927	536,108	700,783	837,563
Assigned	775,772	151,178	148,534	223,061	283,563	978,967
Unassigned	17,687,858	17,219,050	19,449,097	21,480,940	26,231,888	25,233,340
Total general fund	<u>24,849,743</u>	<u>19,824,553</u>	<u>21,753,742</u>	<u>23,848,842</u>	<u>28,605,356</u>	<u>28,438,071</u>
<b>All Other Governmental Funds</b>						
Nonspendable	16,740,323					105,702
Restricted	39,829,153	39,468,697	43,969,746	49,268,810	55,913,000	59,678,286
Committed	22,014,259	24,806,534	22,494,438	29,788,888	34,613,371	22,446,882
Assigned	3,064,843	7,424,963	7,817,738	8,128,032	8,060,682	14,270,412
Unassigned	(3,181,518)					
Total all other governmental funds	<u>78,467,060</u>	<u>71,700,194</u>	<u>74,281,922</u>	<u>87,185,730</u>	<u>98,587,053</u>	<u>96,501,282</u>
<b>Total Governmental Funds</b>	<u>103,316,803</u>	<u>91,524,747</u>	<u>96,035,664</u>	<u>111,034,572</u>	<u>127,192,409</u>	<u>124,939,353</u>

Schedule 4  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	Fiscal Years				
	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
<b>REVENUES</b>					
Property taxes/special assessments	42,495,915	44,573,382	48,371,857	49,351,469	47,906,240
Sales and other taxes	34,234,028	34,567,051	31,674,430	30,964,483	31,575,135
Licenses and permits	1,519,504	1,557,547	902,723	875,019	1,097,906
Fines, forfeitures and penalties	972,557	977,774	921,566	1,216,604	1,404,168
Use of money and property	8,447,097	8,445,701	4,995,104	4,264,447	3,813,336
Intergovernmental	11,068,009	13,523,007	10,397,158	13,711,717	9,126,252
Contributions	736,549	1,190,376	540,186	829,561	1,850,469
Charges for current services	7,431,181	7,843,245	7,326,776	8,395,583	11,227,564
Other	1,281,626	1,166,364	2,173,942	1,608,439	1,028,902
<b>Total Revenues</b>	<b>108,186,466</b>	<b>113,844,447</b>	<b>107,303,742</b>	<b>111,217,322</b>	<b>109,029,972</b>
<b>EXPENDITURES</b>					
Current Operations:					
Community development	13,752,526	15,866,328	15,305,951	18,155,500	17,440,348
Human services	1,287,907	1,433,258	1,511,733	1,465,105	1,504,568
Public safety	40,929,708	44,390,736	46,713,987	45,500,450	45,470,647
Transportation	7,216,139	6,158,706	8,866,814	8,552,901	6,729,077
Environmental support and protection	2,954,547	1,958,690	2,863,738	4,152,609	2,916,577
Leisure, cultural and information services	17,804,190	19,236,180	21,873,848	20,479,455	19,876,261
Policy development and implementation	2,338,164	918,430	2,785,266	3,299,086	3,979,560
Capital outlay	15,600,102	17,326,293	9,894,551	5,025,308	4,902,938
Debt service:					
Principal retirement	4,822,321	4,067,321	3,747,321	14,657,321	3,182,321
Interest and fiscal charges	2,213,040	1,945,514	1,608,310	1,378,637	1,007,650
Bond issuance costs					
<b>Total Expenditures</b>	<b>108,918,644</b>	<b>113,301,456</b>	<b>115,171,519</b>	<b>122,666,372</b>	<b>107,009,947</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(732,178)</b>	<b>542,991</b>	<b>(7,867,777)</b>	<b>(11,449,050)</b>	<b>2,020,025</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	14,819,568	13,557,675	14,275,221	28,655,915	13,288,203
Transfers (out)	(16,236,359)	(14,139,291)	(15,326,668)	(29,590,152)	(14,050,840)
Sale of property					30
Bond proceeds/Refunding Lease					
Sale of capital assets					
<b>Total Other Financing Sources (Uses)</b>	<b>(1,416,791)</b>	<b>(581,616)</b>	<b>(1,051,447)</b>	<b>(934,237)</b>	<b>(762,607)</b>
Extraordinary gain (loss)					
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,148,969)</b>	<b>(38,625)</b>	<b>(8,919,224)</b>	<b>(12,383,287)</b>	<b>1,257,418</b>
Debt service as a percentage of non-capital expenditures	7.54%	6.26%	5.09%	13.63%	4.10%

Schedule 4 (Continued)  
 CITY OF REDWOOD CITY, CALIFORNIA  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years

Fiscal Years				
2012	2013	2014	2015	2016
\$	\$	\$	\$	\$
43,732,410	39,709,199	43,092,377	45,973,909	49,312,670
34,231,492	37,072,870	39,970,312	43,307,531	44,186,332
1,266,183	1,897,584	2,561,642	1,467,814	7,151,286
1,313,826	1,198,611	887,309	878,334	983,449
2,302,262	2,476,647	1,771,829	1,918,899	2,164,743
10,223,281	10,505,927	10,835,761	12,416,110	13,265,046
3,971,547	7,743,498	8,301,860	11,363,481	2,296,073
10,830,462	10,411,028	15,345,006	16,420,416	16,900,849
750,414	557,739	623,242	708,967	621,247
<u>108,621,877</u>	<u>111,573,103</u>	<u>123,389,338</u>	<u>134,455,461</u>	<u>136,881,695</u>
22,125,748	8,595,743	7,864,788	9,479,762	10,320,807
1,389,422	1,462,092	1,347,136	1,400,276	1,624,187
49,175,285	49,368,709	56,115,246	61,713,585	65,020,500
6,472,378	6,452,755	6,714,370	8,685,224	9,099,717
2,260,457	1,959,881	2,601,280	2,525,916	2,360,169
19,585,039	19,778,480	20,789,647	22,013,436	23,537,162
2,617,522	5,470,098	3,598,453	5,202,537	4,259,132
7,665,302	10,502,338	5,310,292	6,162,302	14,730,024
3,275,000	5,880,000	324,742	656,858	666,814
930,487	326,059	31,755	43,348	74,696
	67,252			
<u>115,496,640</u>	<u>109,863,407</u>	<u>104,697,709</u>	<u>117,883,244</u>	<u>131,693,208</u>
<u>(6,874,763)</u>	<u>1,709,696</u>	<u>18,691,629</u>	<u>16,572,217</u>	<u>5,188,487</u>
18,062,351	13,223,617	13,632,786	12,241,110	10,795,891
(18,655,801)	(13,782,396)	(17,325,507)	(14,448,618)	(18,237,434)
	3,360,000			
			1,793,128	
<u>(593,450)</u>	<u>2,801,221</u>	<u>(3,692,721)</u>	<u>(414,380)</u>	<u>(7,441,543)</u>
<u>(4,323,843)</u>				
<u>(11,792,056)</u>	<u>4,510,917</u>	<u>14,998,908</u>	<u>16,157,837</u>	<u>(2,253,056)</u>
3.90%	6.25%	0.36%	0.63%	0.63%

Schedule 5

CITY OF REDWOOD CITY, CALIFORNIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable	% Increase/	Effective
	State Assessed	Locally Assessed	Locally Assessed	Tax Exempt Property	Assessed Value	(Decrease) Over Prior Year	Direct Tax Rate*
	\$	\$	\$	\$	\$	%	%
2007	4,342,506	12,521,555,794	579,933,721	441,803,730	12,664,028,291	7.84	0.2420
2008	5,003,014	13,671,991,606	586,031,204	541,024,340	13,722,001,484	8.35	0.2439
2009	5,003,014	14,734,164,661	676,178,812	642,703,087	14,772,643,400	7.66	0.2350
2010	5,003,014	14,885,525,123	757,610,502	664,018,869	14,984,119,770	1.43	0.2397
2011	5,003,014	14,673,871,469	770,364,641	704,940,601	14,744,298,523	(1.60)	0.2373
2012	1,466,946	14,712,120,582	674,899,038	646,459,575	14,742,026,991	(0.02)	0.2030
2013	1,466,946	15,154,966,352	763,901,657	766,118,316	15,154,216,639	2.80	0.2101
2014	1,466,946	16,187,528,735	785,538,767	726,787,642	16,247,746,806	7.22	0.1921
2015	1,466,946	17,089,497,213	816,665,290	791,008,571	17,116,620,878	5.35	0.1920
2016	1,591,555	18,644,533,868	801,908,976	731,483,833	18,716,550,566	9.35	0.1944

Note: In 1978 the voters of the State of California passed Proposition 13 which limited basic property tax to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is the purchase price. The estimated market value of taxable property is not available.

The amount shown above includes assessed value data for both the City and the Successor Agency to the former Redevelopment Agency.

\* The direct tax rate calculation does not include the property tax amount that is shifted from local agencies by the State of California to the Educational Revenue Augmentation Fund used to support K-14 education.

Source: San Mateo County Assessor's records

**Schedule 6**

**CITY OF REDWOOD CITY, CALIFORNIA**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**Last Ten Fiscal Years**

*(rate per \$100 of assessed values)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Direct Rates</b>										
City	0.2420	0.2439	0.2350	0.2397	0.2373	0.2030	0.2101	0.1921	0.1920	0.1944
County and All Others*	0.7580	0.7561	0.7650	0.7603	0.7627	0.7970	0.7899	0.8079	0.8080	0.8056
Total Direct Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<b>Overlapping Rates</b>										
MidPeninsula Open Space**										0.0008
Elementary School	0.0265	0.0250	0.0229	0.0238	0.0249	0.0255	0.0256	0.0240	0.0230	0.0158
High School	0.0208	0.0205	0.0282	0.0277	0.0311	0.0358	0.0356	0.0313	0.0433	0.0434
Community College	0.0184	0.0171	0.0165	0.0182	0.0193	0.0199	0.0194	0.0194	0.0190	0.0250
Total Overlapping Rate	0.0657	0.0626	0.0676	0.0697	0.0753	0.0812	0.0806	0.0747	0.0853	0.0850
Total Direct and Overlapping Rate	1.0657	1.0626	1.0676	1.0697	1.0753	1.0812	1.0806	1.0747	1.0853	1.0850

Source: San Mateo County Assessor's records (tax rate area 9-001)

\* Elementary School, High School, Community College, MidPeninsula Open Space District, Bay Area Air Pollution, County Harbor District, Mosquito Abatement District, Sequoia Hospital District, and County Education tax.

\*\* MidPeninsula Regional Open Space issued general obligation bonds through voter approved Measure AA in 2015-16.

Schedule 7  
 CITY OF REDWOOD CITY, CALIFORNIA  
 PRINCIPAL PROPERTY TAX PAYERS  
 Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	\$			\$		
Oracle Corporation	590,936,483	1	3.16%	773,465,641	2	6.11%
Google Inc	585,000,000	2	3.13%			
Hudson Shorebreeze LLC	342,264,739	3	1.83%			
Westport Office Park LLC	272,566,675	4	1.46%	418,115,951	3	3.30%
DWF IV Seaport Blvd	259,000,000	5	1.38%			
Slough Redwood City LLC	247,938,318	6	1.32%	184,392,336	7	1.46%
Electronic Arts Inc	210,426,829	7	1.12%			
Informatica Corp.	160,725,808	8	0.86%			
Irvine Co. LLC	137,502,776	9	0.73%	151,058,902	8	1.19%
BRE Properties Inc	129,494,380	10	0.69%			
Pacific Shores Investors LLC				870,060,000	1	6.87%
Selco Service Corporation				346,890,215	4	2.74%
SPK Redwood Shores				254,490,884	5	2.01%
Metropolitan Life Insurance Co.				196,731,311	6	1.55%
Stanford University				130,229,338	9	1.03%
Security Capital Pacific Trust				122,967,143	10	0.97%
	<u>2,935,856,008</u>		<u>15.69%</u>	<u>3,448,401,721</u>		<u>27.23%</u>

Source: San Mateo County Assessor via MuniServices, LLC. and the City's previous audited financials.

Schedule 8  
 CITY OF REDWOOD CITY, CALIFORNIA  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections	
		Amount <sup>1</sup>	Percentage of Levy	Delinquent Tax Collections <sup>2</sup>	Amount	Percentage of Levy
					\$	%
2007	21,825,495	21,688,365	99.37	NA	21,688,365	99.37
2008	23,599,098	23,230,333	98.44	NA	23,230,333	98.44
2009	25,185,881	24,732,667	98.20	NA	24,732,667	98.20
2010	25,402,023	25,081,429	98.74	NA	25,081,429	98.74
2011	25,027,079	24,734,718	98.83	NA	24,734,718	98.83
2012	25,004,405	24,713,562	98.84	NA	24,713,562	98.84
2013	25,724,570	25,478,547	99.04	NA	25,478,547	99.04
2014	27,363,041	27,345,209	99.93	NA	27,345,209	99.93
2015	28,944,353	28,862,898	99.72	NA	28,862,898	99.72
2016	31,236,465	31,170,596	99.79	NA	31,170,596	99.79

Source: Audited City financial records - general fund

<sup>1</sup> Amount collected is less than levy as refunds are deducted from the current year tax apportionment and tax roll adjustments are initiated by the County of San Mateo after the levy has been established.

<sup>2</sup> San Mateo County assesses properties and bills, collects, and distributes property taxes to all taxing entities including the City. Under State law, known as the Teeter Plan, the County remits the entire amount levied for secured property taxes and handles all delinquencies, retaining interest and penalties.

Schedule 9

CITY OF REDWOOD CITY, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

	<u>Governmental Activities</u>					<u>Business-Type Activities</u>				
	Revenue Bonds	Refunding Lease	GID Bonds	Tax Increment Bonds*	Loans*	Revenue Bonds	Loans	Total Primary Govt	Per Capita	Debt/ Personal Income
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2007	24,679		800	45,878	254	84,403	1,928	157,942	2,059	5.35
2008	22,493		170	45,998	212	81,981	1,903	152,757	1,977	4.95
2009	20,228			46,133	169	80,141	1,876	148,547	1,909	4.79
2010	9,807			43,423	127	78,236	1,848	133,441	1,698	4.37
2011	7,892			43,767	85	76,266	1,819	129,829	1,671	4.20
2012	5,882					84,217	1,789	91,888	1,174	2.94
2013		3,360				81,346	1,758	86,464	1,093	2.70
2014		3,035				80,393	424	83,852	1,038	2.51
2015		2,378				77,749		80,127	979	2.35
2016		1,712				74,814		76,526	890	1.72

\*Tax Increment Bonds and Loans were transferred from Governmental Funds to a Private Purpose Trust Fund in 2012.

Schedule 10  
 CITY OF REDWOOD CITY, CALIFORNIA  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 As of June 30, 2016

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
	%	\$
<b>City Overlapping Debt</b>		
Debt Repaid with Property Taxes		
San Mateo Community College District	10.583	67,905,189
Sequoia Union High School District	25.113	105,303,832
Belmont-Redwood Shores School District	42.803	29,185,751
Belmont-Redwood Shores School District School Facilities Improvement Distr.	93.230	20,589,846
Redwood City School District	62.037	19,708,042
San Carlos School District	1.321	1,592,605
Midpeninsula Regional Park District	8.335	3,750,750
Redwood City Community Facilities District 2000-1	100.000	1,430,000
Redwood City Redwood Shores Community Facilities District No. 99-1	100.000	8,975,000
Redwood City Community Facilities District 2010-1	100.000	4,350,000
TOTAL DEBT REPAYED WITH PROPERTY TAXES		<u>262,791,015</u>
<b>Other Debt</b>		
San Mateo County General Fund Obligations	10.538	45,562,077
San Mateo County Board of Education Certificates of Participation	10.538	1,042,208
Midpeninsula Regional Park District General Fund Obligations	8.335	10,223,785
Menlo Park Fire Protection District Certificates of Participation	0.022	2,423
TOTAL OTHER DEBT		<u>56,830,493</u>
<b>Total City Overlapping Debt</b>		<u>319,621,508</u>
<b>City Direct Debt</b>		
City of Redwood City General Fund Obligations	100.000	1,711,586
<b>Total City Direct Debt</b>		<u>1,711,586</u>
<b>Total Overlapping and Direct Debt</b>		<u><u>321,333,094</u></u>

Source: California Municipal Statistics and City's Audited Financials

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Redwood City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Schedule 11  
 CITY OF REDWOOD CITY, CALIFORNIA  
 LEGAL DEBT MARGIN INFORMATION  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Total Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as % of Debt Limit</u>
	\$	\$	\$	%
2006-07	491,468,701		491,468,701	
2007-08	534,863,468		534,863,468	
2008-09	578,075,493		578,075,493	
2009-10	586,805,199		586,805,199	
2010-11	579,346,467		579,346,467	
2011-12	577,068,246		577,068,246	
2012-13	597,012,561		597,012,561	
2013-14	636,545,042		636,545,042	
2014-15	671,536,104		671,536,104	
2015-16	729,301,290		729,301,290	

**Legal Debt Margin Calculation for FY 2015-16**

Assessed value	18,716,550,566
Add back: exempt real property	731,483,833
Total assessed value	<u>19,448,034,399</u>
Debt limit (3.75% of total assessed value)	729,301,290
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	<u>729,301,290</u>
Legal debt margin	<u><u>729,301,290</u></u>

**Note:** Under state finance law, the city's outstanding general obligation debt should not exceed 15% of total assessed property value. However, the city has established a more conservative internal limit of not more than 3.75%. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Schedule 12  
 CITY OF REDWOOD CITY, CALIFORNIA  
 PLEDGED-REVENUE COVERAGE  
 Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					Coverage Ratio
	Gross	Less:	Net	Debt Service		
	Revenue	Operating	Available	Principal	Interest	
	\$	\$	\$	\$	\$	
2007	20,879,682	16,216,165	4,663,517	1,325,000	2,207,065	1.32
2008	22,582,850	17,465,038	5,117,812	1,560,000	2,690,956	1.20
2009	23,403,532	17,304,434	6,099,098	1,620,000	2,754,920	1.39
2010	23,063,981	17,421,429	5,642,552	1,675,000	2,938,691	1.22
2011	26,004,880	18,597,779	7,407,101	1,730,000	2,930,765	1.59
2012	28,110,646	22,103,449	6,007,197	1,795,000	2,868,003	1.29
2013	33,167,501	23,321,874	9,845,627	1,865,000	2,802,852	2.11
2014	35,655,559	23,173,261	12,482,298	1,845,000	2,269,566	3.03
2015	35,323,680	25,430,020	9,893,660	1,905,000	2,943,480	2.04
2016	35,508,299	28,248,490	7,259,809	1,995,000	2,214,629	1.72

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, amortization expenses, or noncapitalized project costs.

\*For transparency and consistency, schedule 12 has been restated to reflect gross operating revenues and investment earnings per the Proprietary Funds Statements of Revenues, Expenses and Changes in Fund Net Position for all years listed above.

Schedule 12 (Continued)  
 CITY OF REDWOOD CITY, CALIFORNIA  
 PLEDGED-REVENUE COVERAGE  
 Last Ten Fiscal Years

<b>Port Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross</b>	<b>Less:</b>	<b>Net</b>	<b>Debt Service</b>		<b>Coverage</b>
	<b>Revenues</b>	<b>Operating Expenses<sup>1</sup></b>	<b>Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Ratio<sup>2</sup></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
2007	6,443,530	2,505,950	3,937,580	239,292	535,231	5.08
2008	6,188,729	2,529,213	3,659,516	250,385	524,033	4.73
2009	5,967,743	2,516,939	3,450,804	266,528	512,090	4.43
2010	5,729,278	2,648,046	3,081,232	277,721	499,137	3.97
2011	5,820,715	2,561,439	3,259,276	288,969	485,389	4.21
2012	6,159,871	2,746,082	3,413,789	305,273	471,085	4.40
2013	6,262,660	2,703,564	3,559,096	644,144	875,483	2.34
2014	6,824,474	2,786,181	4,038,293	646,186	819,930	2.75
2015	6,721,955	3,033,231	3,688,724	710,341	807,953	2.43
2016	6,779,863	2,417,147	4,362,716	772,130	630,193	3.11

<b>Tax Increment Bonds</b>				
	<b>Property Tax Increment</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
	<b>\$</b>	<b>Principal</b>	<b>Interest</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
2007	7,346,699	1,160,000	1,043,515	3.33
2008	8,416,294	1,210,000	988,415	3.83
2009	7,921,159	1,270,000	929,730	3.60
2010 <sup>3</sup>	7,953,318	4,195,000	886,687	1.57
2011	7,552,777	1,225,000	632,713	4.07
2012 <sup>4</sup>		1,265,000	585,975	
2013 <sup>4</sup>		2,480,000	511,075	
2014 <sup>4</sup>		2,895,000	385,481	
2015 <sup>4</sup>		3,045,000	229,556	
2016 <sup>4</sup>		3,142,669	292,144	

<sup>1</sup> Port operating expenses above exclude \$406,792 subvention to the City and depreciation.

<sup>2</sup> Debt service coverage is calculated using maximum annual debt service as required for the annual disclosure report.

<sup>3</sup> In FY 2009-10, the 1997 Tax Increment Bonds were paid off resulting in additional principal payment of \$2,865,000.

<sup>4</sup> As a result of the California Supreme Court upholding AB X1 26, Redevelopment Agencies were eliminated as of January 31, 2012. Consequently, all former tax increment revenue is retained by the County of San Mateo Controller's Office and deposited into the "Redevelopment Property Tax Trust Fund" (RPTTF) and is disbursed according to the provisions of AB X1 26 and AB 1484, the clean-up legislation that became law effective June 27, 2012. Under these laws the Successor Agencies to the Redevelopment Agencies now receive funding from the RPTTF to pay these types of debt obligations as the Redevelopment Agency is no longer in existence to receive tax increment revenue.

Schedule 13  
 CITY OF REDWOOD CITY, CALIFORNIA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 Last Ten Calendar Years

Calendar Year	Population	Personal Income (\$000)	Per Capita Personal Income	Unemployment Rate	Number of Water System Customers
		\$	\$	%	
2007	76,695	2,951,530	38,484	3.90	23,650
2008	77,269	3,087,824	39,962	5.00	23,710
2009	77,819	3,098,753	39,820	8.90	23,718
2010	78,568	3,052,053	38,846	9.10	23,784
2011	77,712	3,091,772	39,785	8.70	23,972
2012	78,244	3,125,218	39,942	7.10	24,119
2013	79,074	3,204,632	40,527	5.40	24,296
2014	80,768	3,342,018	41,378	4.20	24,347
2015	81,838	3,408,940	41,655	3.00	24,472
2016	85,992	4,459,975	51,865	3.00	24,485

**Sources:**

Population is provided by the State of California Department of Finance. Population numbers in this schedule reflect the Department of Finance's annual adjustments.

Personal income and per capita personal income is provided by United States Census Data via MuniServices, LLC and is adjusted for inflation.

The unemployment rate for the City of Redwood City is provided by the State of California Employee Development Department and is not seasonally adjusted.

The number of water system customers is provided by the City's utility billing system.

**Schedule 14**  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**PRINCIPAL EMPLOYERS**  
**Current and Nine Years Ago**

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees*</b>	<b>Rank</b>	<b>% of Total City Employment</b>	<b>Employees**</b>	<b>Rank</b>	<b>% of Total City Employment</b>
Oracle Corporation	6,781	1	14.37%	8,000	1	20.73%
County of San Mateo	2,745	2	5.82%	2,200	2	5.70%
Electronic Arts	2,367	3	5.01%	1,826	3	4.73%
Sequoia Hospital	936	4	1.98%	1,154	5	2.99%
Box Inc.	855	5	1.81%	1,800	4	4.66%
Redwood City School District	797	6	1.69%	1,050	6	2.72%
Kaiser Foundation Hospitals	773	7	1.64%			
Stanford Hospital & Clinics	750	8	1.59%			
Silver Spring Networks	605	9	1.28%			
Equinix	532	10	1.13%			
Informatica				1,000	7	2.59%
OpenWave Systems				900	8	2.33%
Broad Vision				759	9	1.97%
Sequoia Union High School District				700	10	1.81%

Source: \*As of 2015, data from City of Redwood City Business License Database; non-profit organizations' data was via published annual reports or direct inquiry to the organization.

\*\*2007 Data from Redwood City Chamber of Commerce.

**Schedule 15**  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Community Development	71.00	71.63	73.48	72.68	71.53	69.33	62.63	64.76	56.98	64.31
Human Services	7.20	7.20	7.92	7.92	7.82	7.82	7.82	7.82	7.82	7.82
Public Safety*	202.00	203.42	204.32	194.57	178.50	180.34	181.84	207.00	210.00	213.00
Transportation	20.90	22.90	23.10	18.85	17.15	16.05	16.05	16.09	16.09	16.29
Environmental Support/Protection	8.25	8.25	8.25	7.95	5.95	5.85	3.15	3.55	3.71	4.71
Leisure/Cultural/Information Services	131.24	135.16	156.96	142.08	128.65	127.94	124.74	103.80	104.59	106.23
Policy Development/Implementation	62.95	63.57	65.54	63.94	59.52	60.42	59.57	80.90	83.69	87.05
Water	35.90	35.90	35.35	35.45	32.45	30.85	35.05	30.97	34.37	34.77
Sewer	15.20	15.20	16.20	16.20	16.20	15.70	18.40	17.88	18.62	18.92
Parking	5.20	5.47	5.55	5.45	5.35	5.65	5.65	5.65	5.65	5.65
Docktown Marina**									0.13	0.13
Port	9.00	11.00	10.00	10.00	10.00	10.00	10.00	9.00	9.00	8.00
<b>Total</b>	<b>568.84</b>	<b>579.70</b>	<b>606.67</b>	<b>575.09</b>	<b>533.12</b>	<b>529.95</b>	<b>524.90</b>	<b>547.42</b>	<b>550.65</b>	<b>566.88</b>

\* Redwood City began providing fire services to the residents of San Carlos in FY 13-14 as a result of a shared services agreement between the two cities.

\*\*The City took over the management of Doctown Marina in FY 2012-13, and began supporting operations with FTE in

Source: Redwood City Adopted Budget

**Schedule 16**  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Community Development:										
Building permits *	2,366	2,143	2,038	2,003	2,191	1,972	2,320	2,549	2,650	3,493
Building inspections conducted	15,422	14,283	13,122	10,732	13,502	13,391	11,844	16,669	17,547	20,383
Public Safety:										
Police:										
Moving citations (per 1,000 population)	217	217	170	131	114	112	94	97	120	103
Fire:										
Emergency responses - all calls**	6,688	7,073	6,671	6,683	6,733	7,111	7,656	9,096	10,078	10,245
Leisure/Cultural/Information Services:										
Number of items in collection	335,590	336,339	329,296	324,672	295,444	326,251	332,776	299,673	292,781	277,520
Water:										
Average daily consumption (thousands of gallons)	10,879	10,465	9,962	9,193	9,337	9,446	9,402	9,910	10,401	7,507

\*The number of permits issued in 2015 was inadvertently overstated by 252 in the 2015 financial report; the amount has been corrected in this year's report.

\*\* Redwood City began providing fire services to the residents of San Carlos in FY 13-14 as a result of a shared services agreement between the two cities.

Sources: Various City departments

**Schedule 17**  
**CITY OF REDWOOD CITY, CALIFORNIA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety:										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations*	5	5	5	5	5	5	5	7	7	7
Transportation										
Miles of streets	155	155	155	155	155	155	155	155	155	155
Number of street lights**	8,500	8,500	8,500	8,500	8,500	4,512	4,512	5,035	5,055	5,076
Leisure/Cultural/Information Services										
Number of parks	30	37	23	23	24	24	24	24	25	25
Number of libraries	4	4	4	4	4	4	4	4	4	4
Number of recreation center facilities	8	5	5	5	5	5	5	5	5	5
Water										
Miles of water mains	264	264	264	264	264	264	264	262	262	262
Miles of recycled water system lines***	3	13	15	15	15	15	15	17	17	18
Sewer										
Miles of sanitary sewers	185	185	193	193	193	193	193	196	198	198
Miles of storm sewers	103	103	129	129	129	129	129	130	133	133

Sources: Various city departments

Notes:

\* In FY 2013-14 Redwood City entered into a shared services agreement with the City of San Carlos. Redwood City provides fire services to the residents of San Carlos out of the two fire stations located in San Carlos.

\*\*In 2012 the Public Works Services division employed a consultant to create a physical inventory of street lights. Criteria was updated and applied for a more accurate count of the number of street lights in the City's right-of-way. Inventories were refined and lights were added through the LED conversion process in 2014.

\*\*\*The recycled water system lines were built starting in FY 2006-07.

Schedule 18  
 CITY OF REDWOOD CITY, CALIFORNIA  
 CONSTRUCTION VALUES  
 Last Ten Fiscal Years

Fiscal Year	Residential Construction		All Other Construction		Residences/Additions and Alterations		Other Buildings Additions/Alterations		Total Property Values
	Number of Units	Property Value	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	
		\$		\$		\$		\$	\$
2007	21	6,466,202	14	20,756,000	1,196	32,351,149	320	113,440,767	173,014,118
2008	33	10,698,818	14	38,772,000	1,002	24,882,578	291	79,925,295	154,278,691
2009	36	17,739,134	2	590,000	1,028	20,000,165	972	36,405,222	74,734,521
2010	39	15,495,398	5	6,048,354	1,098	21,065,615	861	26,436,017	69,045,384
2011	47	25,629,952	5	1,078,000	1,088	25,554,042	1,051	35,938,801	88,200,795
2012	200	40,914,805	22	402,509	912	21,119,778	1,011	64,738,238	127,175,330
2013	605	126,141,306	3	19,333,650	1,226	28,200,872	1,041	56,330,964	230,006,792
2014	426	82,816,188	5	94,930,847	1,270	30,617,300	1,213	73,184,001	281,548,336
2015	86	194,571,550	8	36,583,115	1,485	37,474,855	1,071	119,773,839	388,403,359
2016	120	133,448,208	14	44,186,444	1,762	51,966,358	1,597	116,225,763	345,826,773

Source: Redwood City's Community Development Department

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**EXHIBIT B**

**DISTRIBUTION OF LAND USE CLASSES UNDER THE RATE AND METHOD**

**DISTRIBUTION OF VALUE-TO- LIEN BURDEN RATIOS**

**SPECIAL TAX LEVIES, COLLECTION AND DELINQUENCIES**

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**City of Redwood City**  
**Community Facilities District No. 2010-1 (One Marina)**  
**Distribution of Land Use Classes Under the Rate and Method**

<i>Rate and Method Land Use Category</i>			<i>Number of Units / Acreage</i>	<i>Fiscal Year 2016-2017 Maximum Special Tax Rate <sup>[1]</sup></i>	<i>Fiscal Year 2016-2017 Actual Special Tax Rate <sup>[2]</sup></i>	<i>Fiscal Year 2016-2017 Actual Special Tax Levy</i>	<i>Percent of Total</i>
<b>Developed Property <sup>[3]</sup></b>							
<i>Description</i>	<i>Residential Floor Area</i>	<i>Location</i>					
Residential Property	Less than 1,375	Non-Marina View	35	\$1,700.28	\$642.50	\$22,487.50	8.25%
Residential Property	1,375 to less than 1,525 & Less than 1,375	Non-Marina View & Marina View	78	\$2,550.43	\$963.76	\$75,173.28	27.59%
Residential Property	1,375 to less than 1,525 & 1,525 or Greater	Marina View NA	136	\$3,400.57	\$1,285.00	\$174,760.00	64.15%
Below Market Rate Unit	NA	NA	0	\$1,700.28	\$0.00	\$0.00	0.00%
Non-Residential Property	NA	NA	0.00	\$95,856.30	\$0.00	\$0.00	0.00%
<b>Undeveloped Property <sup>[3]</sup></b>							
	NA	NA	0.00	\$113,830.73	\$0.00	\$0.00	0.00%
<b>TOTAL</b>			<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>\$272,420.78</b>	<b>100.00%</b>

Source: David Taussig & Associates, Inc.

[1] Based on the Maximum Special Tax pursuant to the Rate and Method. Maximum Special Taxes have increased annually by 2% through fiscal year 2015-2016 and will remain level hereafter.

[2] Based on the levy to fund administrative expenses and the debt service on the Bonds.

[3] Based on the development status pursuant to the Rate and Method for fiscal year 2016-2017.

**City of Redwood City**  
**Community Facilities District No. 2010-1 (One Marina)**  
**Distribution of Value-to-Lien Burden Ratios (Taxable Property)**

<i>Value-to-Lien Burden Category</i>	<i>Number of Units</i>	<i>Fiscal Year 2016-2017 Special Tax <sup>[1]</sup></i>	<i>Percent of Fiscal Year 2016-2017 Special Tax</i>	<i>Fiscal Year 2016-2017 Assessed Valuation <sup>[2]</sup></i>	<i>Percent of Total Valuation</i>	<i>Pro Rata Share of Bonds <sup>[3]</sup></i>	<i>Percent of Total Burden</i>	<i>Value-to-Lien Burden Ratio <sup>[4]</sup></i>
55.00:1 and above	40	\$35,980	13.21%	\$35,511,853	18.25%	\$574,528	13.21%	61.81
45.00:1 to 54.99:1	70	\$75,494	27.71%	\$59,229,758	30.43%	\$1,205,483	27.71%	49.13
35.00:1 to 44.99:1	117	\$133,319	48.94%	\$85,848,104	44.11%	\$2,128,835	48.94%	40.33
25.00:1 to 34.99:1	21	\$26,343	9.67%	\$13,936,995	7.16%	\$420,635	9.67%	33.13
15.00:1 to 24.99:1	0	\$0	0.00%	\$0	0.00%	\$0	0.00%	NA
Less than 15.00:1 <sup>[5]</sup>	1	\$1,285	0.47%	\$97,513	0.05%	\$20,519	0.47%	4.75
<b>TOTAL</b>	<b>249</b>	<b>\$272,421</b>	<b>100.00%</b>	<b>\$194,624,223</b>	<b>100.00%</b>	<b>\$4,350,000</b>	<b>100.00%</b>	<b>44.74</b>

Source: David Taussig & Associates, Inc.

[1] Based on the levy to fund administrative expenses and the debt service on the Bonds.

[2] Based on the San Mateo County Assessor Roll for fiscal year 2016-2017.

[3] There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District. The Bonds have been allocated based on Percent of Fiscal Year 2016-2017 Special Tax.

[4] Calculated by dividing the Fiscal Year 2016-2017 Assessed Valuation column by the Pro Rata Share of Bonds column.

[5] Represents one parcel with a Proposition 60 assessed valuation reduction where a homeowner age 55+ can transfer a Proposition 13 base value from a former residence to a replacement residence.

**City of Redwood City  
Community Facilities District No. 2010-1 (One Marina)  
Special Tax Levies, Collections and Delinquencies**

<i>Fiscal Year</i>	<i>Annual Special Tax Levied</i>	<i>Number of Parcels Subject to Levy</i>	<i>As of Fiscal Year End <sup>[1]</sup></i>				<i>As of March 1, 2017</i>		
			<i>Amount Collected</i>	<i>Amount Delinquent <sup>[2]</sup></i>	<i>Number of Parcels Delinquent</i>	<i>Percent Delinquent</i>	<i>Amount Delinquent <sup>[2]</sup></i>	<i>Number of Parcels Delinquent</i>	<i>Percent Delinquent</i>
2011-2012	\$32,987	1	\$32,987	\$0	0	0.00%	\$0	0	0.00%
2012-2013	\$376,911	2	\$376,911	\$0	0	0.00%	\$0	0	0.00%
2013-2014	\$453,486	61	\$453,486	\$0	0	0.00%	\$0	0	0.00%
2014-2015	\$534,015	176	\$534,015	\$0	0	0.00%	\$0	0	0.00%
2015-2016	\$535,558	207	\$535,558	\$0	0	0.00%	\$0	0	0.00%
2016-2017	\$272,421	249	NA	NA	NA	NA	NA	NA	NA

Source: San Mateo County Tax Collector, as compiled by David Taussig & Associates, Inc.

[1] Amount Collected and Amount Delinquent for fiscal year end 2016-2017 will first be reported June 30, 2017.

[2] Amount Delinquent does not include penalties, interest or fees. The District is a participant in the County's Teeter Plan and as such receives from the County 100% of the proceeds of the Special Taxes levied but none of the penalties or interest in the case of delinquencies.