

Agenda Item: ID18-0076 (3-D)

Date: 1/25/18

# FRESNO CITY COUNCIL



## Supplemental Information Packet

Agenda Related Item(s) – ID18-0076 (3-D)

**Contents of Supplement: CAFR and the CADR**

### Agenda Item Title

Submission and Acceptance of the City of Fresno Comprehensive Annual Financial Report (CAFR) and the Comprehensive Annual Debt Report (CADR) for Fiscal Year 2017.

#### **Supplemental Information:**

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

#### **Americans with Disabilities Act (ADA):**

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CAFR Comprehensive  
Annual  
Financial  
Report

FISCAL YEAR 2017



Fresno, California







PHOTO COURTESY OF FRESNO/CLOVIS CONVENTION AND VISITORS BUREAU

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Fresno, California

*Prepared by the Finance Department*

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Karen Jenks, Internal Auditor

Corrina Barbarite, Treasury Officer

CAFR, Single Audit, and Capital Asset Leads in all City Departments

Documents can be made accessible in alternative ADA compliant formats upon request.

To request documents in alternative ADA Compliant formats contact

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CITY OF FRESNO



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# INTRODUCTORY SECTION

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# CONTROLLER'S TRANSMITTAL LETTER



Lee Brand  
Mayor



Wilma Quan-Schechter  
City Manager

2600 Fresno Street, Suite 2156 - Fresno, California 93721-3622

January 19, 2018

The Honorable Mayor Lee Brand  
The Honorable Members of the City Council  
Distinguished Citizens of the City of Fresno

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California (City) for the fiscal year ended June 30, 2017 (Fiscal Year 2016-2017), with the Independent Auditor's Report, submitted in compliance with City Charter Section 804(c) and Section 1216. The CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the presented data is accurate in all material respects; that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

## **FINANCIAL REPORTING AND FORMATS**

The City has prepared its CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The City recognizes that even sound internal controls have inherent limitations. We believe that the City's internal controls adequately safeguard assets, that the reported data is accurate in all material respects, and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. We are confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

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

## Key Financial Report Sections

The City's CAFR is divided into the following major sections:

**The Introductory Section** includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

**The Financial Section** is prepared in accordance with GASB Statement No. 34 requirements, which include, the MD&A, the Basic Financial Statements (including Notes), and the Required Supplementary Information. The Basic Financial Statements include the Government-Wide Financial Statements that report on all City financial operations, and also include Fund Financial Statements that present information for all City funds. Also included in this section is the Independent Auditor's Report on the Basic Financial Statements and schedules.

The financial statements of several enterprise activities and all component units of the City (the Fresno Joint Powers Financing Authority, the City of Fresno Fire and Police Retirement System, the City of Fresno Employees Retirement System, the City of Fresno Employees Healthcare Plan, the Fresno Revitalization Corporation and FRC Canyon Crest, LLC) are included in this CAFR. Information pertaining to component units is reported either because said units have substantially the same governing boards as the City, or because they provide services exclusively (or almost exclusively) for the benefit of the City.

A fiduciary component unit; the Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency) is also presented. The Successor Agency was created to serve as custodian of assets and to wind down the affairs of the former Redevelopment Agency. The Board of the Successor Agency consists of the Fresno City Council Members. The Successor Agency is a separate legal entity and is reported as a private purpose trust in the City's financial statements.

The City of Fresno Cultural Arts Properties Corporation (Corporation); a discretely presented component unit, is a legally separate entity for which the City is financially accountable through the appointment of the Corporation's board and the ability to approve the corporation's budget. However, it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

**The Statistical Section** includes up to ten years of historical financial data, debt statistics, and miscellaneous social and economic data of the City that is of interest to potential bond investors and other readers. Its presentation conforms to GASB Statement No. 44.

## FRESNO'S GOVERNMENT, ECONOMY, AND OUTLOOK

Fresno is the county seat of Fresno County and the economic and cultural hub of the fertile Central San Joaquin Valley; a metropolitan region with more than 520,000 residents in the City proper and just under 1 million in Fresno County. Fresno is the fifth largest city in California, the largest inland city in the state, and the 34th largest in the nation. Located in the center of the wide San Joaquin Valley, Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. The

## City of Fresno, California

Controller's Transmittal Letter

For the Fiscal Year Ended June 30, 2017

City is part of the Fresno-Clovis metropolitan area, which is the second largest metropolitan area in the Central Valley after Sacramento.

Distinguished as the number one agriculture-producing county in the United States, Fresno County's economic base is predominantly agricultural. Grapes, cotton, cattle and calves, milk, tomatoes, plums, turkeys, oranges, peaches and nectarines, and alfalfa hay are among the largest income-producers and helped produce a gross farm income of about \$6.2 billion in 2016. Industries related to agriculture, wholesale distribution, recreation, and tourism are the other components of the Fresno economy. Agriculture-related industries include processing of fresh fruit, nuts and citrus, manufacturing of farm machinery products, implements, and irrigation pumps, as well as production of wine, fertilizers, insecticides, and bottle glass.

The City of Fresno consists of a land area of 114.7 square miles. The population of the City has grown by approximately 8.2% in the past ten years. More than 90 different nationalities that speak over 75 different languages call Fresno home. Over half of all county residents live in the City of Fresno, making it the largest city in the County. Fresno and its closest neighboring city, Clovis, account for 64% of the County population. The 2010 Federal census data demonstrated that racial and ethnic diversity continues to be robust in the City, with nearly a majority of the City's population represented by all minority groups combined.

Fresno's position as the hub for education, healthcare, government and professional services makes it unique among the economy of Fresno County. Food processing has led the manufacturing sector with such notable companies as Conagra Foods, Lyons- Magnus, Del Monte, Wawona Foods, E & J Gallo Winery, Kraft Foods, Foster Farms, Harris Ranch and others. Distribution is playing a growing role in the City's economy, as evidenced by the 80 acre Gap Pacific Distribution Center, and the soon-to-be completed Ulta Beauty and Amazon Fulfillment Centers. Companies specializing in machinery manufacturing, medical devices and water technology are also present. Public sector and healthcare employment are also major contributors to the City's economy.

### Fiscal Year 2017 Economic Conditions & Financial Impact

Fresno generally showed strong improvement in its economy during fiscal year 2017, as is shown in the table below:

<b>Economic Indicator</b>	<b>2016</b>	<b>2017</b>	<b>Change</b>
Assessed Value	\$31,526,422,623	\$32,941,135,740	4.5 %
Taxable Sales	\$11,275,904,000	\$13,250,486,000	17.5 %
Unemployment Rate	9.4%	8.8%	(6.38)%
Building Permits	9,954	13,175	32.4 %

The general trend of improvement seen in the local economy had a similar effect on the City of Fresno's finances. This effect was evident in several City-wide financial measures:



## City of Fresno, California

Controller's Transmittal Letter

For the Fiscal Year Ended June 30, 2017

- Total Assets increased \$58.7 million (1.7%) from the fiscal year 2016 year-end Total Assets balance of \$3,535.4 million.
- Revenues increased \$51.4 million (6.8%) from Revenues for fiscal year 2016, which totaled \$752.8 million.
- Total Net Position grew \$164.0 million (7.7%) from fiscal year 2016's total of \$2,129.3 million. Most importantly, Unrestricted Net Position climbed \$96.4 million (33.8%) to \$381.7 million.

The City's overall improved financial position was especially notable in the General Fund. The General Fund's improvement was leveraged by actions that the City's policy makers and management took from fiscal year 2009 through fiscal year 2013 to alleviate budget shortfalls brought on by the Great Recession. Key metrics reflecting that improvement include:

- Total Assets increased \$7.3 million (7.2%) over the fiscal year 2016 Total Assets year-end balance of \$101.8 million.
- Total Liabilities decreased \$6.8 million (39.8%) from the fiscal year 2016 year-end Total Liabilities of \$17.0 million.
- Revenues increased \$35.4 million (12.5%) over revenues for fiscal year 2016 of \$282.1 million. Strong growth was seen in Sales Tax and Room Tax.
- Expenditures increased \$19.9 million (7.8%) from fiscal year 2016's \$254.5 million expenditure level. Increases in Public Protection expenditures due to the addition of new positions drove the overall increase in General Fund expenditures.

Despite recent improvement in its financial position, Fresno still lags behind the other large cities in California when it comes to assets available for use to support the City's population. As the following table shows, the difference between our population figure and our assets per capita figure is one of the biggest among the 25 largest California cities by population. It is important to note that Fresno's assets are increased because of the Net Pension Asset which no other city in the survey possesses. The lack of assets puts Fresno at a disadvantage when it comes to providing services to its citizens, because there is an inadequate asset base to efficiently address the needs. Thus, it is imperative that fiscal prudence is maintained and the plan to build all assets, especially cash and capital assets, is continued. These metrics and others are discussed in greater detail in the Management's Discussion & Analysis.

## Total Government-Wide Assets per Person / Peer Cities Comparison

City	Total Assets		Population California Department of Finance As of January 1, 2017	Assets per Person	Population Ranking	Per Capita Asset Rank	Net Pension Asset/(Liability)
Los Angeles	\$60,590,534,000	2016 CAFR	4,041,707	\$14,991	1	3	(\$8,172,446,000)
San Diego	\$14,536,551,000	2017 CAFR	1,406,318	\$10,337	2	9	(\$2,156,830,000)
San Jose	\$10,193,690,000	2017 CAFR	1,046,079	\$9,745	3	10	(\$3,010,977,000)
San Francisco	\$30,024,954,000	2016 CAFR	874,228	\$34,345	4	1	(\$2,332,218,000)
<b>Fresno</b>	<b>\$3,594,018,425</b>	<b>2017 CAFR</b>	<b>525,832</b>	<b>\$6,835</b>	<b>5</b>	<b>15</b>	<b>\$147,653,278**</b>
Sacramento	\$4,428,406,000	2016 CAFR	493,025	\$8,982	6	11	(\$623,637,000)
Long Beach	\$9,640,893,000	2016 CAFR	480,173	\$20,078	7	2	(\$1,104,002,000)
Oakland	\$2,879,054,000	2016 CAFR	426,074	\$6,757	8	16	(\$1,238,165,000)
Bakersfield	\$2,635,711,836	2017 CAFR	383,512	\$6,873	9	14	(\$391,476,697)
Anaheim	\$4,913,192,000	2017 CAFR	358,546	\$13,703	10	4	(\$667,813,000)
Santa Ana	\$1,546,657,677	2017 CAFR	341,341	\$4,531	11	24	(\$494,503,846)
Riverside	\$4,167,531,000	2017 CAFR	326,792	\$12,753	12	5	(\$550,852,000)
Stockton	\$2,119,869,269	2016 CAFR	320,554	\$6,613	13	17	(\$389,690,514)
Chula Vista	\$1,760,520,247	2017 CAFR	267,917	\$6,571	14	18	(\$295,366,230)
Irvine*	\$2,802,848,000	2017 CAFR	267,086	\$10,494	15	8	(\$140,730,000)
Fremont*	\$1,278,993,567	2017 CAFR	231,664	\$5,521	16	23	(\$345,117,903)
San Bernardino	\$934,972,699	2016 CAFR	216,972	\$4,309	17	25	(\$307,807,675)
Santa Clarita	\$1,214,824,704	2016 CAFR	216,350	\$5,615	18	22	(\$30,856,064)
Modesto	\$1,760,700,690	2016 CAFR	215,080	\$8,186	19	12	(\$224,143,954)
Fontana	\$1,300,708,624	2017 CAFR	212,786	\$6,113	20	19	(\$126,747,339)
Oxnard	\$2,338,938,877	2016 CAFR	207,772	\$11,257	21	7	(\$236,776,712)
Moreno Valley	\$1,228,257,369	2017 CAFR	206,750	\$5,941	22	20	(\$63,925,907)
Glendale	\$2,510,468,000	2017 CAFR	201,748	\$12,444	23	6	(\$515,719,000)
Huntington Beach	\$1,119,790,000	2016 CAFR	197,574	\$5,668	24	21	(\$401,235,000)
Rancho Cucamonga	\$1,358,018,076	2017 CAFR	177,324	\$7,658	25	13	(\$73,260,016)

\* These cities have governmental activities only.

\*\* This figure represents the Prefunded Pension Asset/ overfunding applicable to future years. For other cities, this figure represents the underfunding of pension liabilities. Only figures for Primary Governments were used. In cases where Component Units were reflected in separate Columns, Component Unit numbers were excluded.

City of Fresno as compared to Peer Cities as of June 30, 2017 CAFRs (2016 when 2017 not available)

# City of Fresno, California

Controller's Transmittal

For the Fiscal Year Ended June 30, 2017

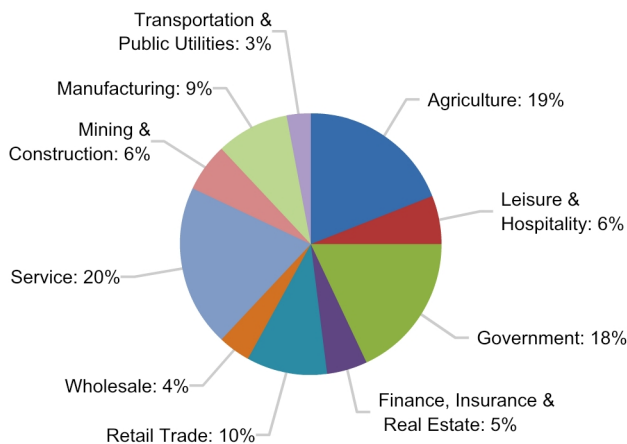
## Regional Perspective

The City of Fresno serves as the economic and cultural center for the San Joaquin Valley

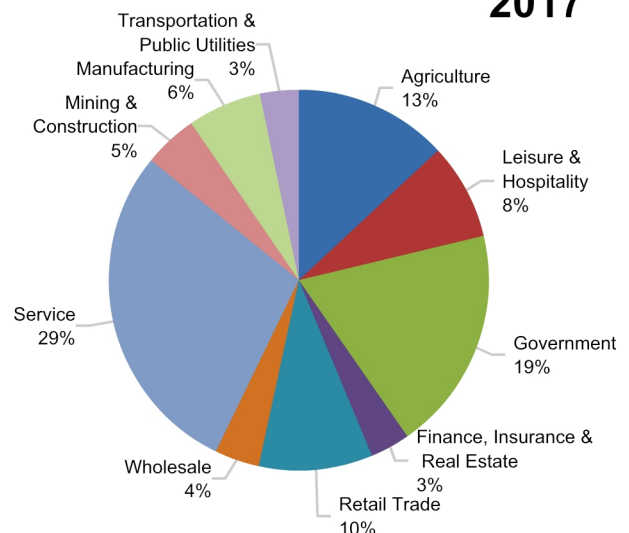
- The City of Fresno is strategically located in the center of California with over half a million residents (525,832) as of January 1, 2017.
- While agriculture remains the primary industry (13.14% of jobs), Fresno’s economy continues to diversify, reflecting its advantageous location and attractive cost of living.
- City has land area of 114.7 square miles.
- Fresno is the 5th largest city in California by population and 34th largest in the nation.
- Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capital, Sacramento, and is the second largest metropolitan area in the Central Valley after Sacramento.
- Approximately 60 miles south of Yosemite National Park, Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles).



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2017



Source: CA Employment Development Department

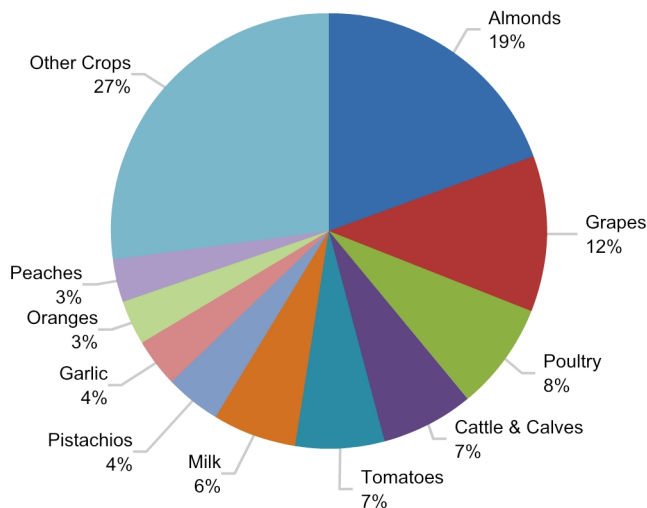
# Economic Overview

The City of Fresno is poised for steady, manageable, long-term growth

**Population in Thousands**



Fresno Unified School District	Education	10,552
County of Fresno	Government	6,530
Community Regional Medical Center	Medical Care	5,863
Internal Revenue Service	Government	4,040
City of Fresno	Government	3,575
Saint Agnes Medical Center	Medical Care	2,812
California State University, Fresno	Education	2,542
Kaiser Permanente Medical Center	Medical Care	2,200
State Center Community College District	Education	1,702
Central Unified School District	Education	1,302



- Agriculture remains one of the backbones of the Fresno area and continues to be robust. Fresno County's agricultural strength rests with its diversity with more than 400 commercial crops providing gross production of just over \$6.18 billion in 2016, a decrease of 7.23% from 2015. Almonds again surpassed the billion dollar mark to beat out grapes for the number one spot on Fresno County's Top Ten ranking. California produces most of the grapes grown in the United States with 99% of raisins coming from Fresno County. Many specialty crops are almost solely produced in California; almonds, kiwi fruit, nectarines, olives, and pistachios. Growers continue to expand into more lucrative products. In 2016, Fresno County exported 154 agriculture commodities to 93 countries around the world.
- Fresno has established itself as an ideal location for manufacturing and distribution due to strategic location, low business costs and affordable housing.
- Government services and trade industries, as well as, leisure and hospitality are also important economic sectors in the Fresno area.

Source: CA Employment Development Department

## **City of Fresno, California**

Controller's Transmittal

For the Fiscal Year Ended June 30, 2017

### **Subsequent Events**

The City continued to earn positive ratings actions on its bonds from the rating agencies. The latest ratings action was an upgrade of the Airports' bond rating by Fitch in October 2017. Fitch raised the rating on the Airports' bonds from BBB to BBB+. The upgrade signifies the bond market's continued notice of the improvement in the City's finances.

The City plans to pay off at least \$116 million of the Series 2008 Sewer Bonds when they become callable in September 2018. Once that transaction is completed, the City will have reduced its outstanding principal and interest by about 25% within a two year period.

The General Fund's Emergency Reserve has also grown significantly since ending fiscal year 2017 with a balance of \$20.5 million. Shortly after the end of fiscal year 2017, the City received about \$3.2 million from the State as repayment for loans that were made to the City's former Redevelopment Agency. On June 23, 2016, the City Council approved a resolution requiring all future loan repayments received from the State to be deposited in the Emergency Reserve. As a result of this resolution, the Emergency Reserve is projected to have a cash balance of \$30.4 million in fiscal year 2020.

The City continued construction on several major capital projects, including a new surface water treatment plant and a Bus Rapid Transit system. The reconstruction of Fulton Street through downtown Fresno was completed in October 2017. These three projects, along with others, are expected to grow the City's asset base, thereby continuing the improvement of the City's finances.

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2016. This was the 24th consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGMENTS**

The 2017 CAFR reflects the improvement that Fresno has made to its finances. But, numbers cannot portray the level of commitment that has been, and continues to be, displayed by City employees in order to bring the finances to the point that is displayed in this report. Simply put, the organization would not display the progress shown in this CAFR without the creativity and perseverance of its staff.

**City of Fresno, California**

Controller's Transmittal

For the Fiscal Year Ended June 30, 2017

The citizens of Fresno should be proud to have such dedicated public servants protecting their homes, maintaining their streets, delivering clean water to their residences, and providing many other services that make life manageable.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the core Finance CAFR team and their families, for their months of concerted group effort. Their professionalism and dedication shone throughout the preparation of this report.

We would be remiss if we did not also thank the CAFR contacts in each department throughout the City for working with the Finance Department. Their invaluable contributions made the preparation of this report possible. We wish to also extend our sincere thanks to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit.

In addition, we would like to acknowledge the role of Brown Armstrong for their professional support in the preparation of the CAFR. Finally, we want to thank the Mayor, the City Council members, and the members of the City Manager's Office for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

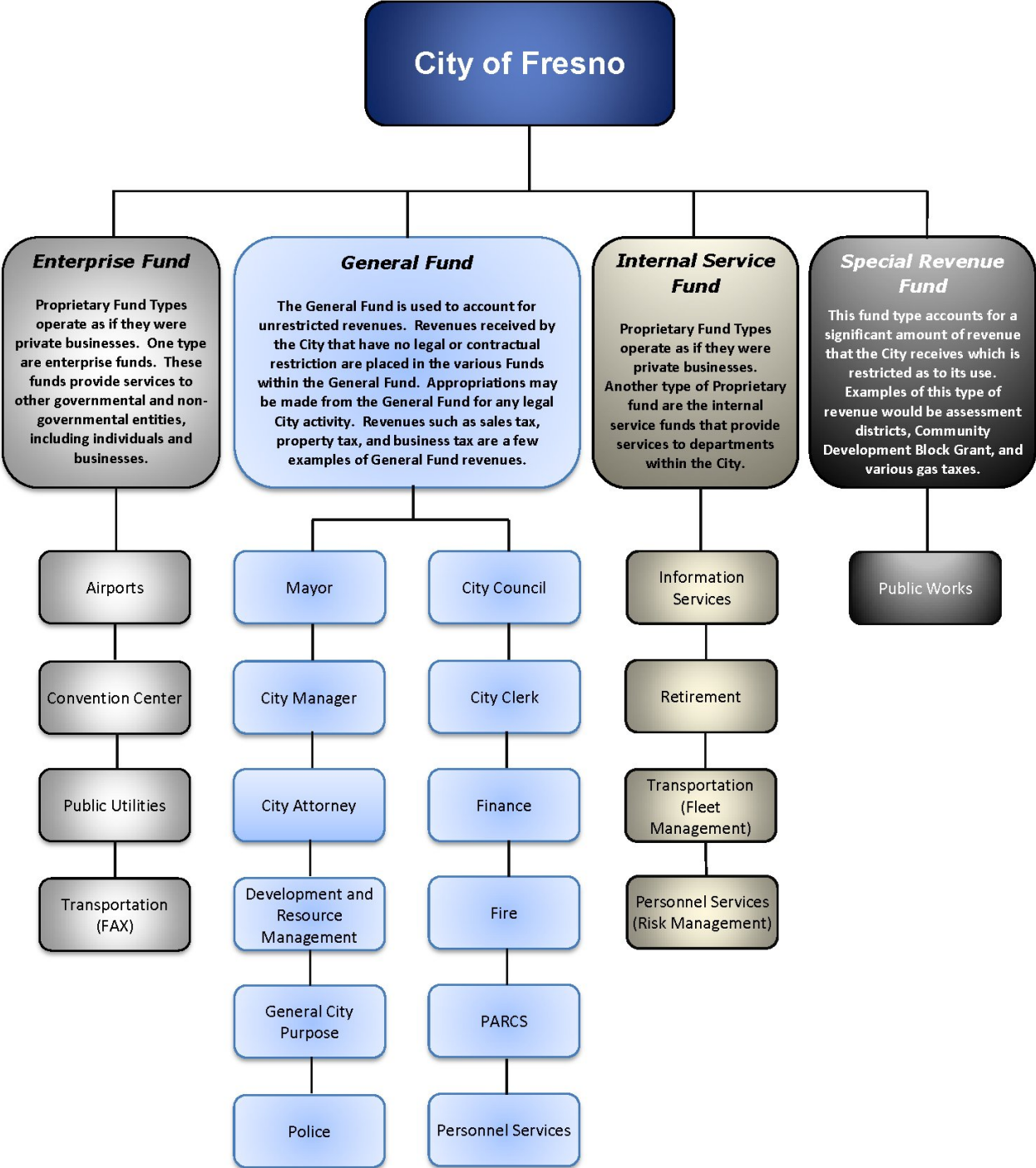


Wilma Quan-Schechter  
City Manager

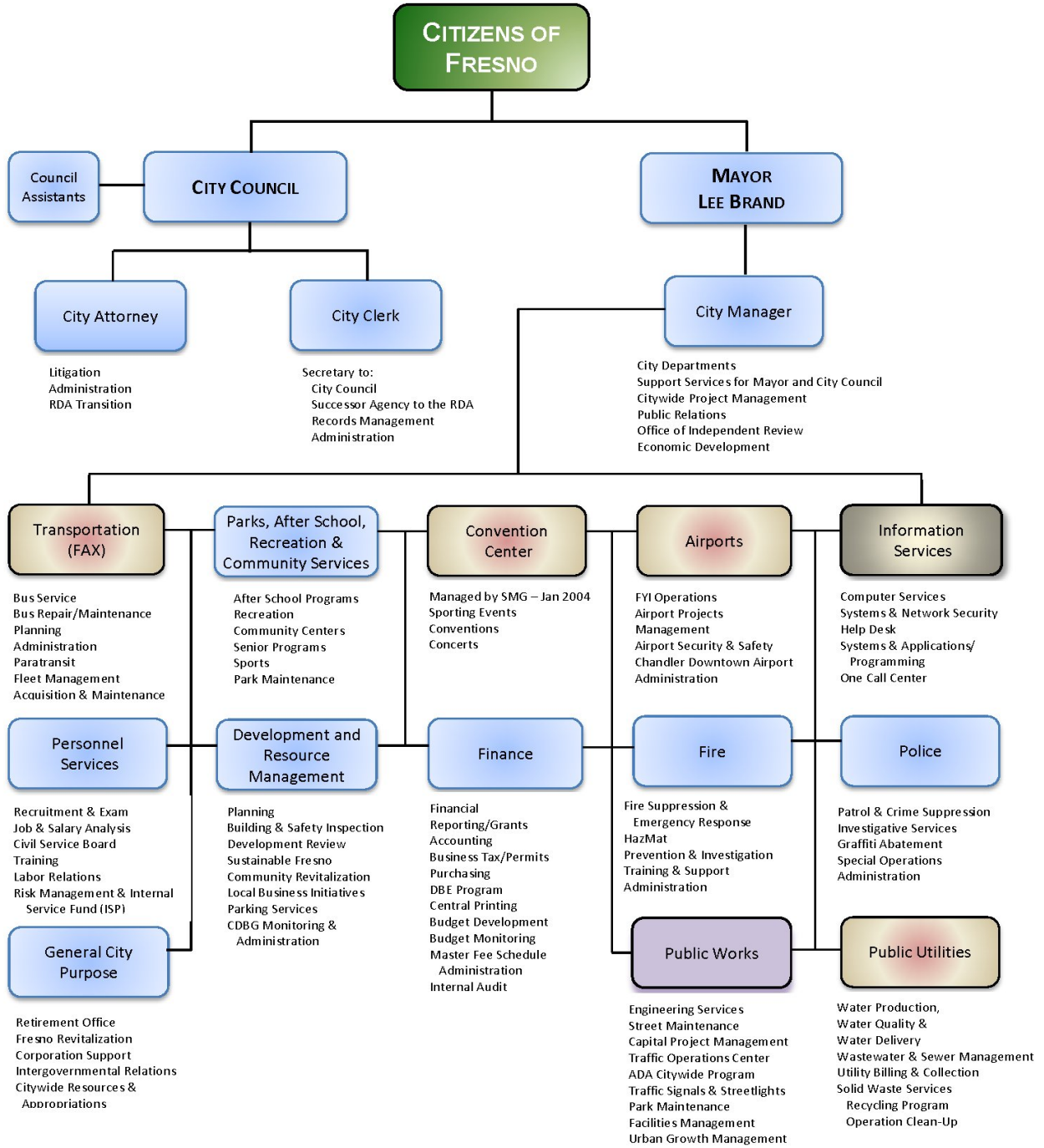


Michael Lima  
Finance Director/City Controller

# CITY OPERATING FUND STRUCTURE



**City Organizational Chart**



General Fund / Enterprise Funds / Internal Service Funds / Special Revenue Fund / Successor Development Agency



**City of Fresno, California**  
**DIRECTORY OF CITY OFFICIALS**

**June 30, 2017**

	<i>Term Expiration Date</i>
<b>MAYOR</b> Lee Brand	January 2021

**COUNCIL MEMBERS**

Esmeralda Z. Soria	District 1	January 2019
Steve Brandau	District 2	January 2021
Oliver L. Baines III	District 3	January 2019
Paul Caprioglio	District 4	January 2021
Luis Chavez	District 5	January 2019
Garry Bredefeld	District 6	January 2021
Clint Olivier	District 7	January 2019

**CITY OFFICIALS**

City Manager	Wilma Quan-Schecter
Assistant City Manager	Jane Sumpter
City Attorney	Douglas Sloan
City Clerk	Yvonne Spence
Finance Director/City Controller	Michael Lima

*Elected City officials as of January 19, 2018*



Government Finance Officers Association

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

Presented to

**City of Fresno  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

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CITY OF FRESNO

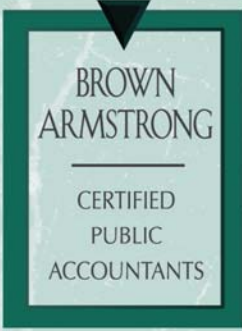


PHOTO COURTESY OF FRESNO/CLOVIS CONVENTION AND VISITORS BUREAU

# FINANCIAL SECTION

[www.fresno.gov](http://www.fresno.gov)





# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council  
City of Fresno, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Fresno Cultural Arts Properties Corporation (COFCAP) or the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund (the Successor Agency), which represent the following percentages, respectively, of the assets, net position/fund balances, and additions/revenues of the following opinion units:

Opinion Unit	Assets	Net Position/Fund Balances	Additions/Revenues
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	0%	0%	5%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for COFCAP and the Successor Agency, are based on the reports 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. The financial statements of COFCAP were not audited in accordance with *Government Auditing Standards*.

#### BAKERSFIELD OFFICE (MAIN OFFICE)

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BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

#### FRESNO OFFICE

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EAST SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

#### LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

#### STOCKTON OFFICE

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund, schedule of investment returns, schedule of changes in net pension liability and related ratios and schedule of employer contributions for both the Employees Retirement System and the Fire and Police Retirement System, and the schedule of funding progress for the Other Postemployment Benefits Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB), 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, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
January 18, 2018



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PHOTO COURTESY OF FRESNO/CLOVIS CONVENTION AND VISITORS BUREAU

# MANAGEMENT'S DISCUSSION & ANALYSIS





# MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2017

## CITY OF FRESNO, CALIFORNIA

This section of the City of Fresno's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The reader is encouraged to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that is furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparisons primarily for the previous two years; but, may include more extensive comparisons in some instances.

## FINANCIAL HIGHLIGHTS

- The assets of the City continue to set records, reaching a total of \$3.6 billion for the first time in the City's history.
- The City also received a record amount of revenue in fiscal year 2017. \$804.3 million was received, surpassing the previous record of \$752.8 million set in fiscal year 2016.
- Net Position for the entire City improved to \$2,293.3 million; a \$164.0 million (7.7%) increase over fiscal year 2016's Net Position of \$2,129.3 million.
- Fund Balance for the General Fund increased from \$48.9 million in fiscal year 2016 to \$71.2 million in fiscal year 2017.
- The City continues to record a net pension asset. The fiscal year 2017 net pension asset of \$147.7 million, while down from fiscal year 2016's net pension asset of \$295.7 million, still leaves Fresno as one of very few government entities in the country with a net pension asset.

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

### OVERVIEW OF FISCAL YEAR 2017 FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) Government-Wide Financial Statements, (2) **Fund Financial Statements** and (3) **Notes to the Financial Statements**. This report also contains other **Supplementary Information** in addition to the basic financial statements.

**Government-Wide Financial Statements** are designed to provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

- The **Statement of Net Position** presents information on all assets/deferred outflows of resources and liabilities/deferred inflows of resources. The difference between them is reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the City's financial position is improving or deteriorating.
- The **Statement of Activities** shows how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. Examples include revenues pertaining to uncollected taxes and fees and expenses pertaining to earned but unused vacation and sick leave.

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (Governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-Type activities). The Governmental activities of the City include general government, public protection, public ways and facilities, culture and recreation, and community development. The Business-Type activities of the City include two airports, public transportation system, water, sewer, solid waste, community sanitation, convention center, and the stadium.

The Government-Wide Financial Statements report information about the City, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all City assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Statement of Activities reports all of the current year's revenues and expenses regardless of when the cash is received or paid. These Financial Statements report information about the City, as a whole, and about its activities that should help to answer the question: "Is the City, as a whole, better or worse off as a result of this year's activities?"

The Government-Wide Financial Statements include not only the City (known as the primary government), but also legally separate component units including the Fresno Joint Powers Financing Authority, City of Fresno Fire and Police Retirement System, City of Fresno Employees Retirement System, City of Fresno Employees Healthcare Plan, Fresno Revitalization Corporation, and FRC Canyon Crest, LLC. The component units have been "blended" into the City's financial statements because the governing board (although legally separate from the City) is substantially the same as the City's, or they

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City.

As of February 1, 2012, a Successor Agency was created to replace the Redevelopment Agency of the City of Fresno (RDA). Dissolution law provided that the Successor Agency would pay all “enforceable obligations” of the former RDA. The Successor Agency is considered a separate legal entity under Assembly Bill (AB) 1484 for financial presentation purposes. Effective June 30, 2012, the Successor Agency was reported as a Private Purpose Trust Fund. This means that the Successor Agency’s assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the City’s own programs.

Also presented in the Government-Wide Financial Statements is a discretely presented component unit, the City of Fresno Cultural Arts Properties Corporation (COFCAP). COFCAP is a component unit because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation’s board and the ability to approve the corporation’s budget. The tax-exempt entity is, however, discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community. Financial information for this component unit is reported separately from the financial information presented for the primary government in a separate column on the Government-Wide Financial Statements, as well as throughout the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found on pages 45-47 of this report.

**Fund Financial Statements** focus on individual parts of the City government, reporting the City’s operations in more detail than the Government-Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure compliance with finance-related legal requirements. They can be divided into three categories:

- **Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements (i.e., most of the City’s basic services are reported in Governmental Funds). These statements, however, focus on (1) how cash and other financial assets can be readily converted to available resources, and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City’s programs.

Because the focus of Governmental Funds Financial Statements is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both, the Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities. These reconciliations may be found on pages 51 and 53.

The City maintains several individual Governmental Funds organized according to their type: general

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

fund, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Grants Special Revenue Fund (which are considered to be major funds). Data from the remaining Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of the Nonmajor Governmental Funds is provided in the form of combining statements elsewhere in this report. These Funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money.

Budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund for fiscal year 2017 have been provided in the required supplementary information and can be found on pages 180-183. These demonstrate compliance with the budget, and also reflect in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other Nonmajor Governmental Funds are provided after the combining statements.

- **Proprietary Funds** are generally used to account for services for which the City charges customers (either outside customers, or internal units or departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements, only in more detail. Proprietary Funds (Enterprise and Internal Service) utilize the same method used by the private sector businesses, or the accrual basis of accounting. The City maintains the following two types of Proprietary Funds:
  - † **Enterprise Funds** are used to report the same functions as Business-Type Activities in the Government-Wide Financial Statements. The City uses Enterprise Funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], Fresno International Airport (FYI) and the Fresno Chandler Downtown Airport (FCH) [**Airports**], **Fresno Convention Center**, and Chukchansi Park Stadium [**Stadium**], all of which are considered to be major funds of the City. **Community Sanitation** and **Parks and Recreation** are considered to be Nonmajor Enterprise Funds of the City.
  - † **Internal Service Funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles, management information systems, property maintenance, and electronics/communication support (**General Services**); self-insurance (**Risk Management**); and billing, collecting, and servicing activities for the Water, Sewer, Solid Waste and Community Sanitation Funds (**Billing and Collection**); and healthcare plans (**Employees Healthcare Plan, Retirees Healthcare Plan, Blue Collar Employees Healthcare Plan**). Because Risk Management, General Services and the healthcare plans predominantly benefit Governmental rather than Business-Type functions, they have been included within governmental activities in the Government-Wide Financial Statements, whereas Billing and Collection is included in the Business-Type Activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund

# City of Fresno, California

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary Funds** are used to account for resources held for the benefit of parties outside the City. The City maintains the following three types of Fiduciary Funds:
  - † **Pension Trust Funds** consist of funds for Fire and Police and other Employees. The *Fire and Police Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.
  - † **Private Purpose Trust Fund** is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency).
  - † **Agency Funds** consist of *City Departmental* and *Special Purpose Funds*. They are used to account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 45-177 of this report.

The following table summarizes the major features of the financial statements:

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
<i>Scope</i>	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for Business-Type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
<i>Accounting basis and measurement focus</i>	Accrual basis of accounting and economic resources measurement focus	Modified accrual basis of accounting and current financial resources measurement focus	Accrual basis of accounting and economic resources measurement focus	Accrual basis of accounting and economic resources measurement focus; except agency funds, which do not have a measurement focus
<i>Type of asset and liability information</i>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
<i>Type of inflow and outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

### **Governmental Fund Balance Classifications**

The City follows Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The fund balance classifications are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in Governmental Funds.

The initial distinction that is made is **nonspendable**, such as a fund balance associated with inventories. The remaining classifications are **restricted, committed, assigned, and unassigned** and are based on the relative strength of the constraints that control how specific amounts can be spent. The **restricted** fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The **committed** fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the **assigned** fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**Unassigned** balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in all of the financial statements. The Notes to the Financial Statements can be found on pages 67-177 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds and schedules of funding progress for the pension and other postemployment benefits (OPEB) plans. Required Supplementary Information and accompanying notes can be found on pages 180 -190 of this report.

### **Combining and Individual Fund Statements and Schedules**

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and the Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 192-227 of this report.

## City of Fresno, California

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. The current year's analysis compares this year's data primarily to the prior year; however, in other instances additional years' information is provided.

# City of Fresno, California

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

### Net Position - Government-Wide / Primary Government

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current and Other Assets	\$ 390,915,700	\$ 501,998,313	\$ 892,914,013
Net Pension Asset	126,305,973	21,347,304	147,653,277
Capital Assets:			
Land, Intangibles and Construction in Progress Not Being Depreciated	305,514,942	463,705,902	769,220,844
Facilities, Infrastructure and Equipment, Net of Depreciation	644,676,839	1,139,643,451	1,784,320,290
Total Capital Assets	950,191,781	1,603,349,353	2,553,541,134
Total Assets	1,467,413,454	2,126,694,970	3,594,108,424
<b>Deferred Outflows of Resources:</b>			
Charge on Refunding	5,292,519	1,984,288	7,276,807
Pension Contributions	26,259,911	7,479,930	33,739,841
Deferred Outflows - Pension	141,106,282	30,376,717	171,482,999
Total Deferred Outflows of Resources	172,658,712	39,840,935	212,499,647
<b>Liabilities:</b>			
Long-term Liabilities Outstanding	547,096,344	717,120,797	1,264,217,141
Other Liabilities	23,397,385	127,469,671	150,867,056
Total Liabilities	570,493,729	844,590,468	1,415,084,197
<b>Deferred Inflows of Resources:</b>			
Pension Revenue Applicable to Future Years	84,877,086	13,381,264	98,258,350
<b>Net Position:</b>			
Net Investment in Capital Assets	787,522,333	955,127,699	1,742,650,032
Restricted	168,926,734	—	168,926,734
Unrestricted (Deficit)	28,252,284	353,436,474	381,688,758
Total Net Position	\$ 984,701,351	\$ 1,308,564,173	\$ 2,293,265,524

### Net Position - Government-Wide / Primary Government

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current and Other Assets	\$ 366,023,258	\$ 524,322,799	\$ 890,346,057
Net Pension Asset	246,312,385	49,361,295	295,673,680
Capital Assets:			
Land, Intangibles and Construction in Progress Not Being Depreciated	323,861,073	254,970,103	578,831,176
Facilities, Infrastructure and Equipment, Net of Depreciation	632,453,765	1,138,088,351	1,770,542,116
Total Capital Assets	956,314,838	1,393,058,454	2,349,373,292
Total Assets	1,568,650,481	1,966,742,548	3,535,393,029
<b>Deferred Outflows of Resources:</b>			
Charge on Refunding	273,831	2,101,604	2,375,435
Pension Contributions	24,522,271	5,480,972	30,003,243
Total Deferred Outflows of Resources	24,796,102	7,582,576	32,378,678
<b>Liabilities:</b>			
Long-term Liabilities Outstanding	538,759,411	614,992,936	1,153,752,347
Other Liabilities	33,172,247	132,705,865	165,878,112
Total Liabilities	571,931,658	747,698,801	1,319,630,459
<b>Deferred Inflows of Resources:</b>			
Pension Revenue Applicable to Future Years	96,343,868	22,492,888	118,836,756
<b>Net Position:</b>			
Net Investment in Capital Assets	795,883,574	896,818,064	1,692,701,638
Restricted	151,345,628	—	151,345,628
Unrestricted	(22,058,145)	307,315,371	285,257,226
Total Net Position	\$ 925,171,057	\$ 1,204,133,435	\$ 2,129,304,492

# City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

## Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 118,176,231	\$ 270,774,070	\$ 388,950,301
Operating Grants and Contributions	25,015,982	37,186,830	62,202,812
Capital Grants and Contributions	44,585,796	47,576,435	92,162,231
General Revenues:			
Property Taxes	123,857,831	—	123,857,831
Business Tax	19,101,205	—	19,101,205
Sales Taxes - Shared Revenues	86,128,159	—	86,128,159
Other Local Taxes	29,810,029	—	29,810,029
Investment Earnings	1,214,774	640,565	1,855,339
Gain on Sale of Capital Assets	214,004	—	214,004
<b>Total Revenues</b>	<b>448,104,011</b>	<b>356,177,900</b>	<b>804,281,911</b>
<b>Expenses</b>			
General Government	44,157,145	—	44,157,145
Public Protection	196,006,347	—	196,006,347
Public Ways and Facilities	72,983,720	—	72,983,720
Culture and Recreation	23,499,746	—	23,499,746
Community Development	28,912,576	—	28,912,576
Interest on Long-term Debt	18,658,438	—	18,658,438
Sewer, Water and Solid Waste	—	154,482,392	154,482,392
Transit	—	47,957,719	47,957,719
Airports	—	29,938,494	29,938,494
Fresno Convention Center	—	10,797,935	10,797,935
Community Sanitation	—	8,977,730	8,977,730
Parks and Recreation	—	409,959	409,959
Stadium	—	3,538,678	3,538,678
<b>Total Expenses</b>	<b>384,217,972</b>	<b>256,102,907</b>	<b>640,320,879</b>
Change in Net Position Before Transfers	63,886,039	100,074,993	163,961,032
Transfers	(4,355,745)	4,355,745	—
Change in Net Position	59,530,294	104,430,738	163,961,032
Net Position - Beginning	925,171,057	1,204,133,435	2,129,304,492
<b>Net Position - Ending</b>	<b>\$ 984,701,351</b>	<b>\$ 1,308,564,173</b>	<b>\$ 2,293,265,524</b>

# City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

## Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 117,273,515	\$ 242,614,037	\$ 359,887,552
Operating Grants and Contributions	34,014,845	29,189,926	63,204,771
Capital Grants and Contributions	57,954,565	18,014,955	75,969,520
General Revenues:			
Property Taxes	117,048,385	—	117,048,385
Business Tax	16,878,582	—	16,878,582
Sales Taxes - Shared Revenues	74,010,018	—	74,010,018
In-Lieu Sales Tax	10,559,262	—	10,559,262
Other Local Taxes	28,288,143	—	28,288,143
Investment Earnings	1,652,093	5,129,285	6,781,378
Gain on Sale of Capital Assets	217,672	—	217,672
<b>Total Revenues</b>	<b>457,897,080</b>	<b>294,948,203</b>	<b>752,845,283</b>
<b>Expenses</b>			
General Government	32,206,544	—	32,206,544
Public Protection	187,732,700	—	187,732,700
Public Ways and Facilities	60,874,731	—	60,874,731
Culture and Recreation	20,222,550	—	20,222,550
Community Development	28,789,251	—	28,789,251
Interest on Long-term Debt	18,787,359	—	18,787,359
Sewer, Water and Solid Waste	—	155,084,063	155,084,063
Transit	—	44,191,186	44,191,186
Airports	—	28,508,830	28,508,830
Fresno Convention Center	—	9,749,674	9,749,674
Community Sanitation	—	6,904,082	6,904,082
Parks and Recreation	—	315,875	315,875
Stadium	—	3,190,915	3,190,915
<b>Total Expenses</b>	<b>348,613,135</b>	<b>247,944,625</b>	<b>596,557,760</b>
Increase in Net Position Before Transfers	109,283,945	47,003,578	156,287,523
Transfers	(15,060,978)	15,060,978	—
<b>Change in Net Position</b>	<b>94,222,967</b>	<b>62,064,556</b>	<b>156,287,523</b>
Net Position Beginning of Year	830,948,090	1,142,068,879	1,973,016,969
Net Position - Beginning	830,948,090	1,142,068,879	1,973,016,969
<b>Net Position - Ending</b>	<b>\$ 925,171,057</b>	<b>\$ 1,204,133,435</b>	<b>\$ 2,129,304,492</b>

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

### Analysis of Changes in Government-Wide Net Position

The City's financial position continued to show improvement during fiscal year 2017. This improvement is best depicted on the Government-Wide Statement of Net Position. The standout metric on that statement is the increase in the City's overall Net Position. Net Position improved to \$2,293.3 million: a \$164.0 million (7.7%) increase over fiscal year 2016's Net Position of \$2,129.3 million. Most notably, the Unrestricted Net Position showed the most growth; going from \$285.3 million in fiscal year 2016 to \$381.7 million in fiscal year 2017.

Several factors drove the overall increase in Net Position:

- Total Assets grew from \$3,535.4 million in fiscal year 2016 to \$3,594.1 million in fiscal year 2017: a \$58.7 million (1.7%) increase. Driving the overall increase was \$190.4 million of growth in Land, Intangibles, and Construction in Progress (from \$578.8 million in fiscal year 2016 to \$769.2 million in fiscal year 2017: a 32.9% increase) that was the product of the construction of the Southeast Surface Water Treatment Plant, the Fulton Street Restoration Project, and the Bus Rapid Transit System construction/implementation. Partially offsetting that increase was a decline of \$148.0 million in the Net Pension Asset (from \$295.7 million in fiscal year 2016 to \$147.7 million in fiscal year 2017: a 50.1% decline), which was the result of lower than anticipated investment returns generated by the Retirement Systems.
- Total Deferred Outflows of Resources grew \$180.1 million (556.3%) from fiscal year 2016's figure of \$32.4 million, primarily as a result of substantially increased Deferred Outflows - Pensions.
- Total Liabilities rose \$95.5 million (7.2%) from \$1,319.6 million in fiscal year 2016 to \$1,415.1 million in fiscal year 2017. The overall growth in Total Liabilities was entirely attributable to an increase of \$109.0 million in Long-term Liabilities Due in More than One Year. The Long-term Liabilities which fueled the increase were new loans received from the State Water Resources Control Board for the Southeast Surface Water Treatment Plant's construction.
- A \$20.6 million (17.3%) decrease in the Deferred Inflows of Resources; specifically, the Pension Revenue Applicable to Future Years.
- Expenses for the City as a whole rose from the \$596.6 million incurred in fiscal year 2016 to \$640.3 million in fiscal year 2017: a 7.3% increase. \$35.6 million of the overall increase was attributable to the Governmental Activities; with General Government activities and Public Ways/Facilities activities each contributing approximately \$12.0 million toward the overall Governmental Activities increase.
- Revenues for the City saw a similar 6.8% increase that was seen with expenses; going from \$752.8 million in fiscal year 2016 to \$804.3 million in fiscal year 2017. The overall increase was driven by increases of \$29.1 million (8.1%) in Charges for Services (specifically, Water rate charges), \$7.2 million (2.8%) in General Revenues (mainly additional Sales Tax revenues resulting from the end of the "Triple Flip"), and \$16.2 million (21.3%) in Capital Grants (specifically, Bus Rapid Transit monies for the Transit Fund).

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

### Governmental Activities

In fiscal year 2017, Governmental Activities increased their Net Position by \$59.5 million (6.4%) over fiscal year 2016's Governmental Activities Net Position of \$925.2 million. Almost all of the growth in Net Position occurred within the Unrestricted Net Position, which improved by \$50.3 million to fiscal year 2017's Net Position of \$28.3 million.

Key factors affecting the Net Position were:

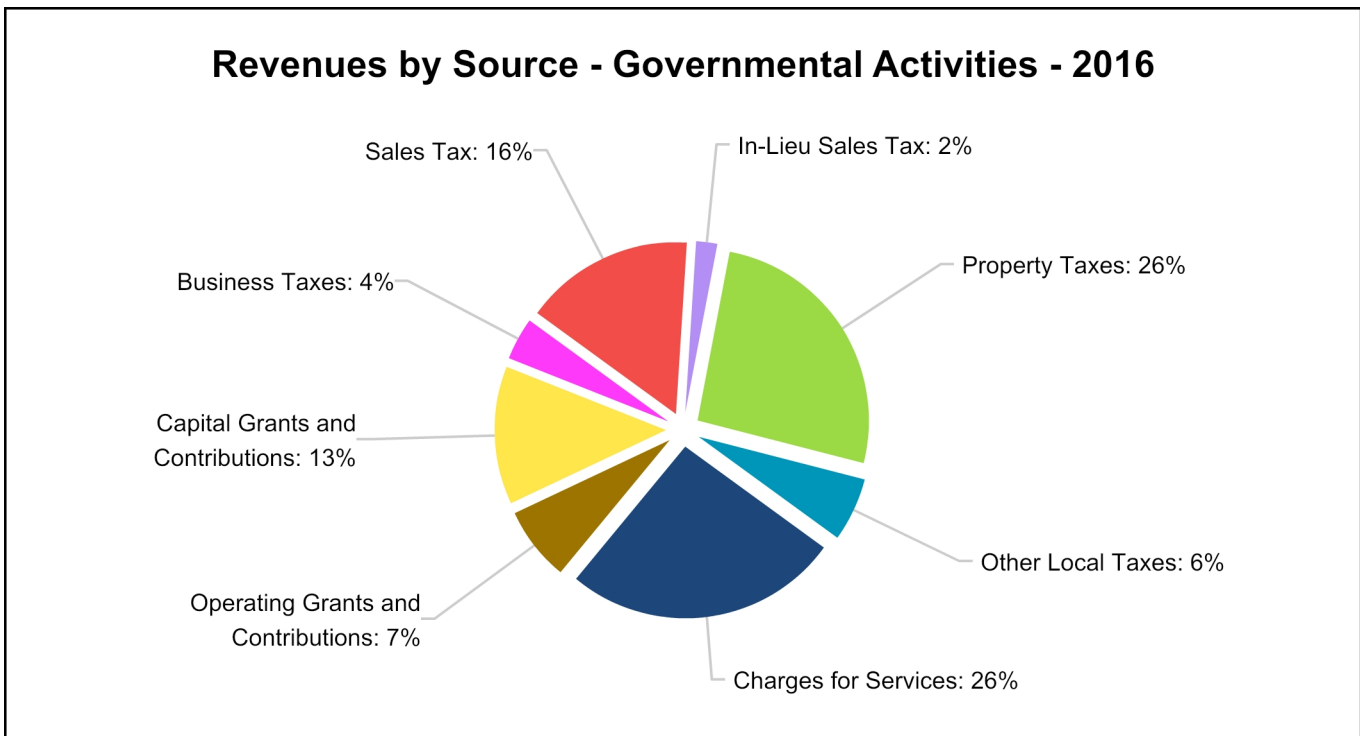
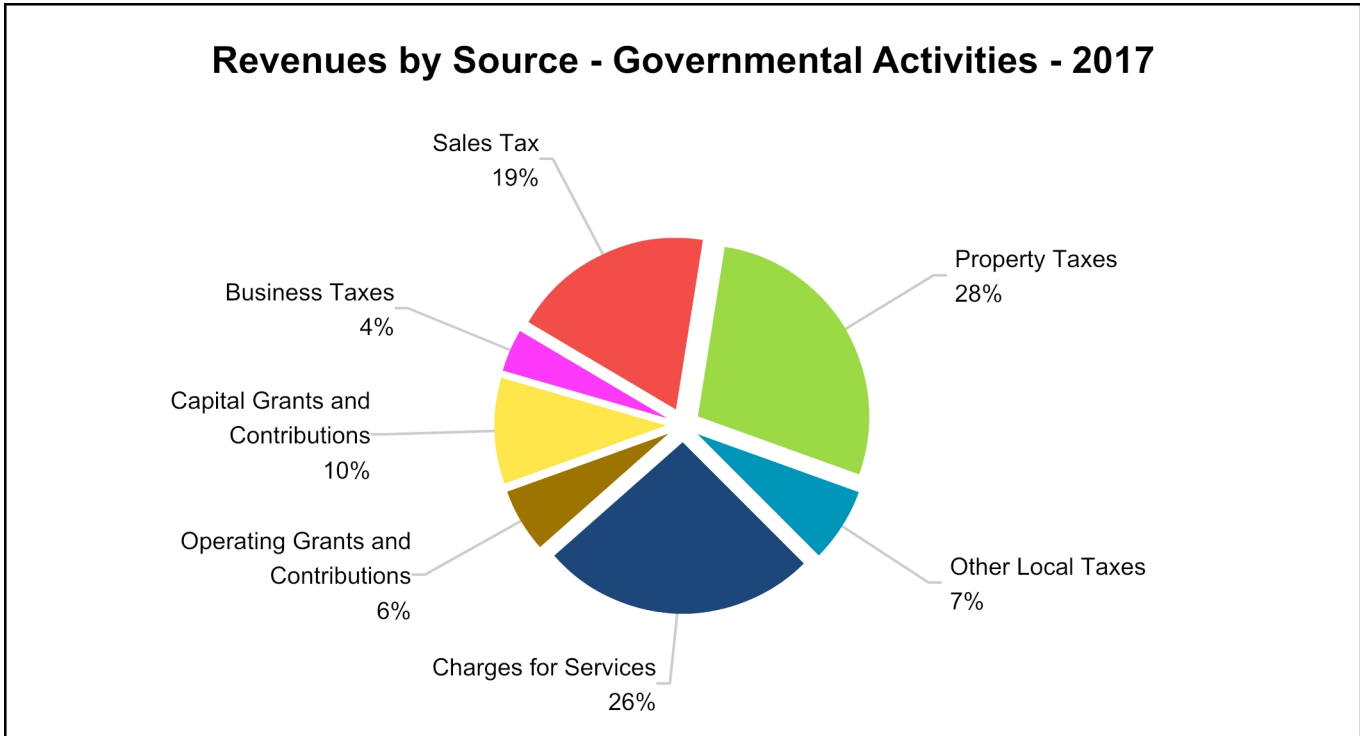
- Total Assets decreased by \$101.2 million (6.5%) from fiscal year 2016's Total Assets balance of \$1,568.7 million. A decrease of \$120.0 million (48.7%) in the Net Pension Asset to \$126.3 million was offset by a \$17.6 million (11.4%) increase in Unrestricted Cash.
- Deferred Outflows of Resources increased \$147.9 million (596.3%) to \$172.7 million. Most of the growth was in the Deferred Outflows - Pension account.
- Total Liabilities decreased by (0.3)%, or \$1.4 million, from fiscal year 2016's Total Liabilities of \$571.9 million. A decline in Accrued Liabilities (specifically, Accrued Payroll) of \$9.8 million (35.9%) was offset by growth in total Long-Term Liabilities (Due Within a Year and Due in More than One Year, combined) of \$8.3 million (1.5%).
- Deferred Inflows of Resources, which reflect potential future resources available to meet pension obligations, decreased by \$11.5 million (11.9%) to \$84.9 million.
- Revenues went from \$457.9 million in fiscal year 2016 to \$448.1 million in fiscal year 2017: a \$9.8 million (2.1%) decrease. While growth was seen in both the Charges for Services (up \$0.9 million, or 0.8%) and General Revenues (up \$11.7 million, or 4.7%) accounts, this growth was completely offset by a substantial decrease in Operating Grants (down \$9.0 million, or 26.5%) and a significant decrease in Capital Grants (down \$13.4 million, or 23.1%). Driving the decrease in Capital Grants revenues was a reduction of \$21.2 million (39.5%) in Public Ways and Facilities grant revenues.
- Expenses grew from \$348.6 million in fiscal year 2016 to \$384.2 million in fiscal year 2017, led by a 37.1% increase in General Government expenses (from \$32.2 million in fiscal year 2016 to \$44.2 million in fiscal year 2017) and a 19.9% rise in Public Ways/ Facilities expenses (from \$60.9 million in fiscal year 2016 to \$73.0 million in fiscal year 2017).

# City of Fresno, California

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

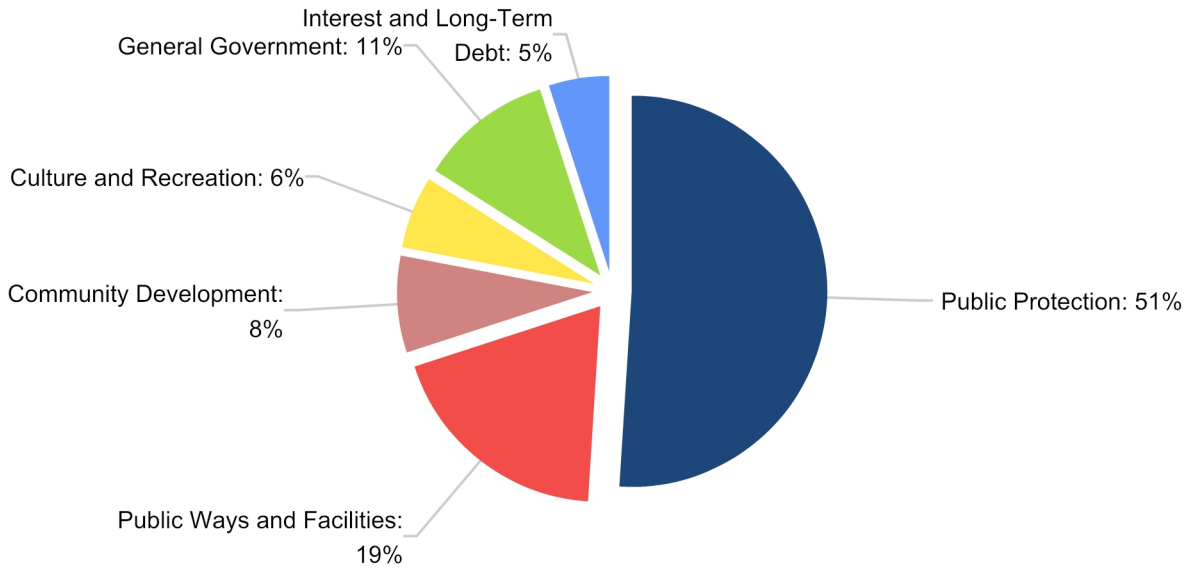
## Governmental Activities - Charts and Graphs

The following charts and graphs illustrate the City's governmental revenues by source and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

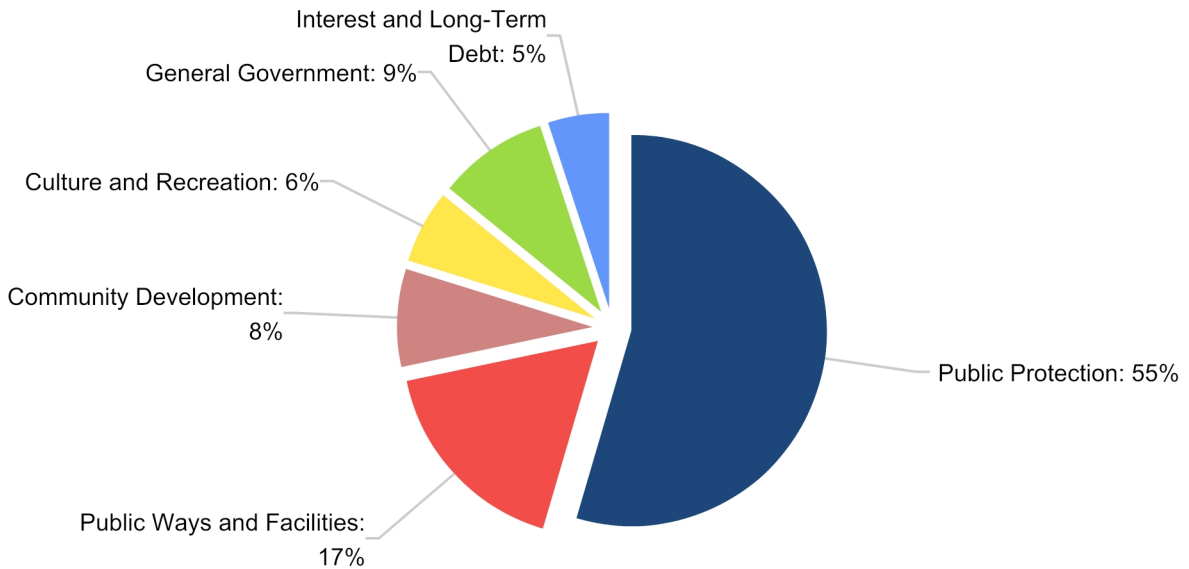


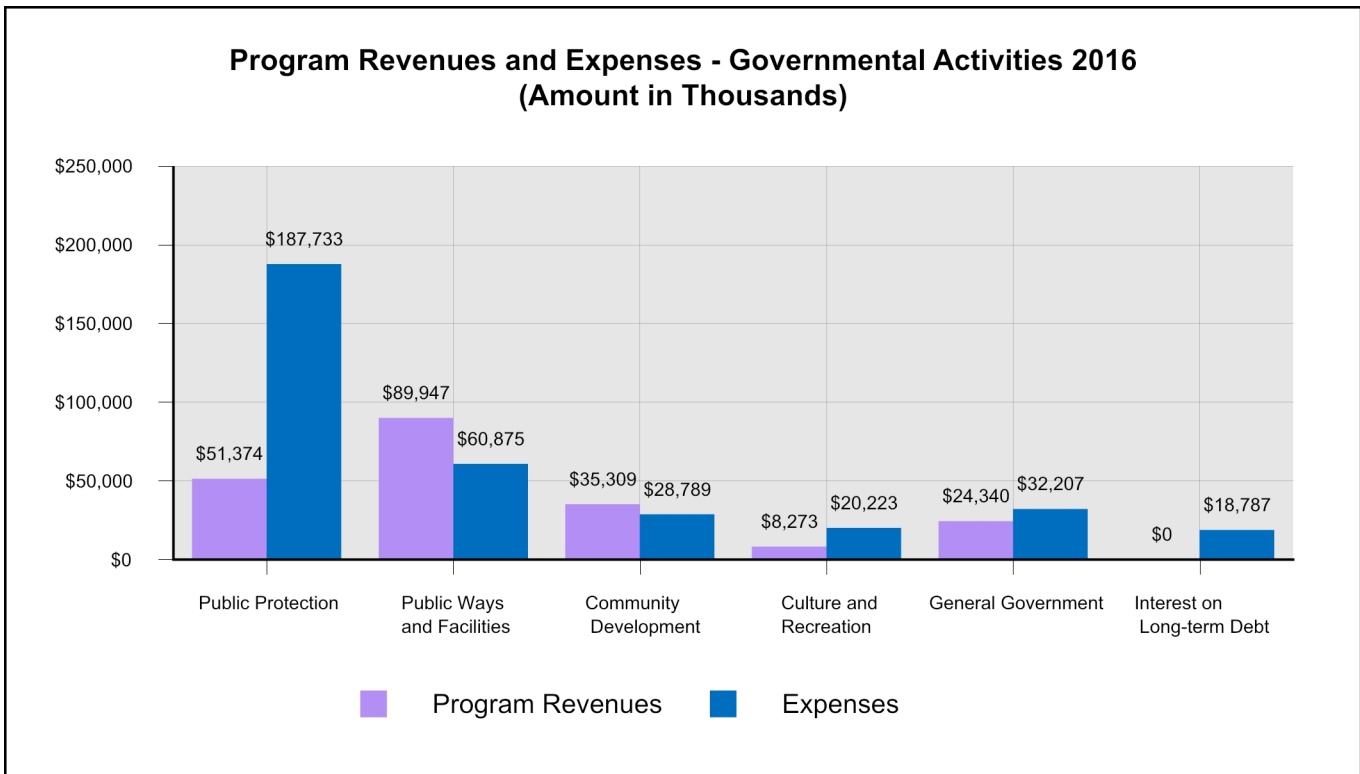
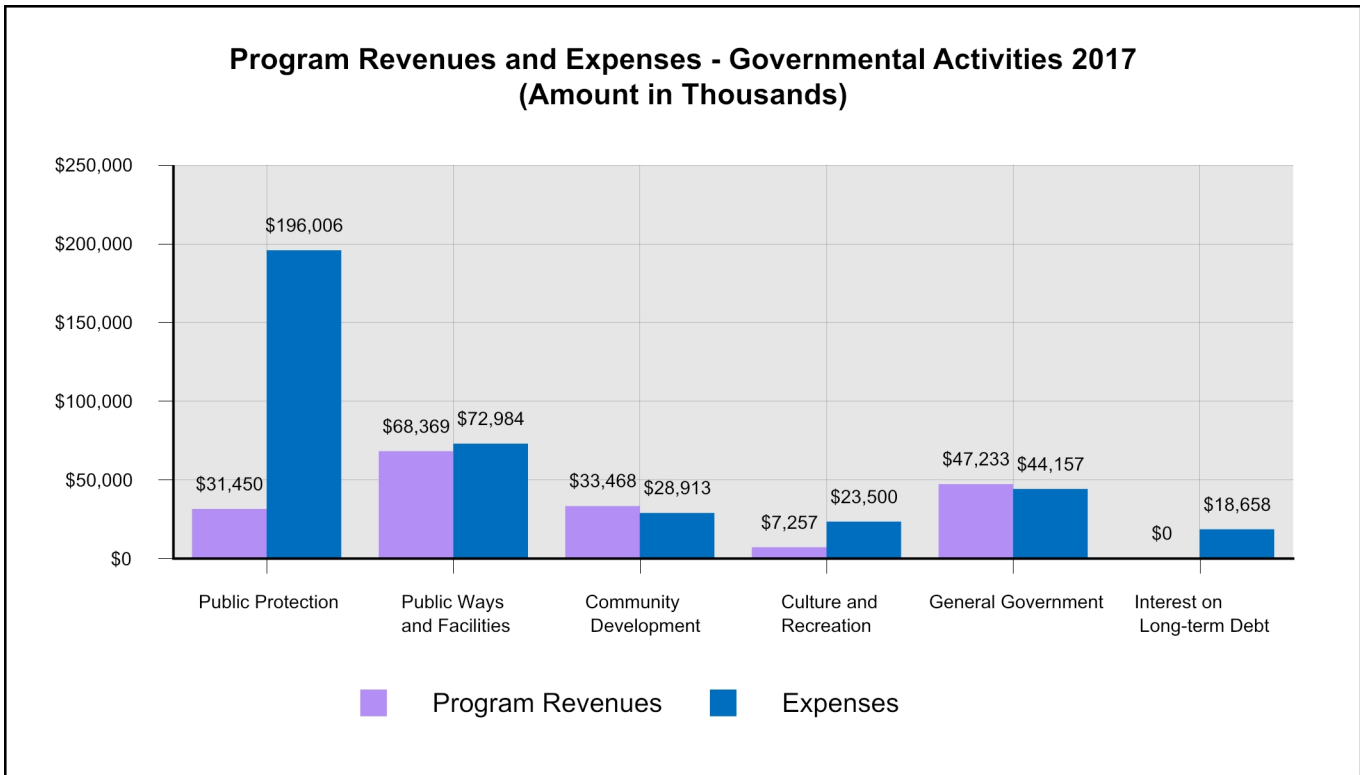


### Expenses By Type - Governmental Activities - 2017



### Expenses By Type - Governmental Activities - 2016





## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

The following is an analysis of some of the funds within the Governmental Activities category:

### General Fund

Fiscal year 2017's revenues showed significant growth when compared to fiscal year 2016's revenues, increasing by \$35.4 million (12.5%) from fiscal year 2016's total of \$282.1 million. The increase was primarily due to the fact that fiscal year 2017's revenues reflect the reversal of the "triple-flip" funding mechanism that was instituted by the State several years ago. The elimination of the "triple-flip" resulted in an additional \$13.4 million of Sales Tax receipts and \$4.5 million of Sales Tax Swap revenues. In addition to the the Sales Tax growth, additional revenue was provided from recognizing \$8.0 million of Advances to the Redevelopment Agency that have been approved for reimbursement. Upon receipt, these reimbursements will be deposited in the General Fund Emergency Reserve until such time as the Reserve has funds equal to 10% of General Fund appropriations.

While General Fund revenues showed strong growth, General Fund expenditures also showed substantial growth. General Fund expenditures grew by \$19.9 million, or 7.8%, between fiscal years. The fiscal year 2017 expenditures were \$274.4 million, while fiscal year 2016 expenditures were \$254.5 million. The majority of the growth was attributable to the Public Protection activity, which increased from \$190.8 million in fiscal year 2016 to \$201.1 million in fiscal year 2017: a \$10.4 million, or 5.4%, increase. The Public Protection increase was entirely due to additional personnel costs, partially from new positions added and partially from pay increases provided to current staff. In addition to the Public Protection increase, there was also a material increase in General Governmental costs. General Governmental expense rose \$6.9 million (41.7%) over fiscal year 2016's figure of \$16.6 million. The \$3.2 million purchase of a new permit management system in the Development and Resource Management Department was the primary cause of the overall increase in General Governmental expenditures.

With revenue growth outpacing expenditure growth, General Fund Total Assets increased. Total Assets grew by \$7.3 million to \$109.1 million in fiscal year 2017 (7.2%). The main driver behind the increase was a \$16.2 million (103.9%) rise in Unrestricted Cash (from \$15.6 million in fiscal year 2016 to \$31.9 million in fiscal year 2017). The growth in Unrestricted Cash can primarily be attributed to a \$4.2 million increase in the General Fund Emergency Reserve's Unrestricted Cash.

While General Fund assets increased, liabilities decreased (albeit at a slower pace). Total Liabilities decreased from \$17.0 million in fiscal year 2016 to \$10.2 million in fiscal year 2017. The decrease was due to a \$6.4 million (51.4%) drop in Accrued Liabilities, primarily Accrued Payroll costs.

The change making the largest impact on the General Fund's financial condition was a decrease in the Deferred Inflows of Resources, which fell \$8.2 million (22.9%) from fiscal year 2016's level of \$35.8 million. Most of this decrease was attributed to the Unavailable Revenue - Sales Tax, which decreased \$10.3 million (71.1%) to \$4.2 million.

With less future revenues earmarked as unavailable, the decrease in Deferred Inflows of Resources contributed to an increase in the General Fund's Fund Balance. Fund Balance increased from \$48.9 million in fiscal year 2016 to \$71.2 million in fiscal year 2017. Most of the increase was in the Committed Fund Balance, which grew as a result of the General Fund Emergency Reserve's entire Fund Balance

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

being designated by Council for use in fiscal year end cash balancing. It is significant to note that the Unassigned Fund Balance decreased from \$31.8 million in fiscal year 2016 to \$26.7 million in fiscal year 2017: a \$5.1 million (15.9%) decline.

### General Fund Budget to Actual Comparison

The fiscal year 2017 Adopted Budget was made up of \$350.6 million of budgeted revenues and \$327.2 million of appropriations. After various amendments were made throughout the fiscal year, the General Fund ended the fiscal year with \$363.5 million of budgeted revenues and \$340.0 million of appropriations. Actual results on a budgetary (cash) basis of accounting were \$367.4 million of revenues and \$324.0 million of expenditures. Thus, the actual revenues were \$3.9 million (1.1%) over the fiscal year-end budgeted revenues, while the actual expenditures were \$16.0 million (4.7%) under fiscal year-end appropriations.

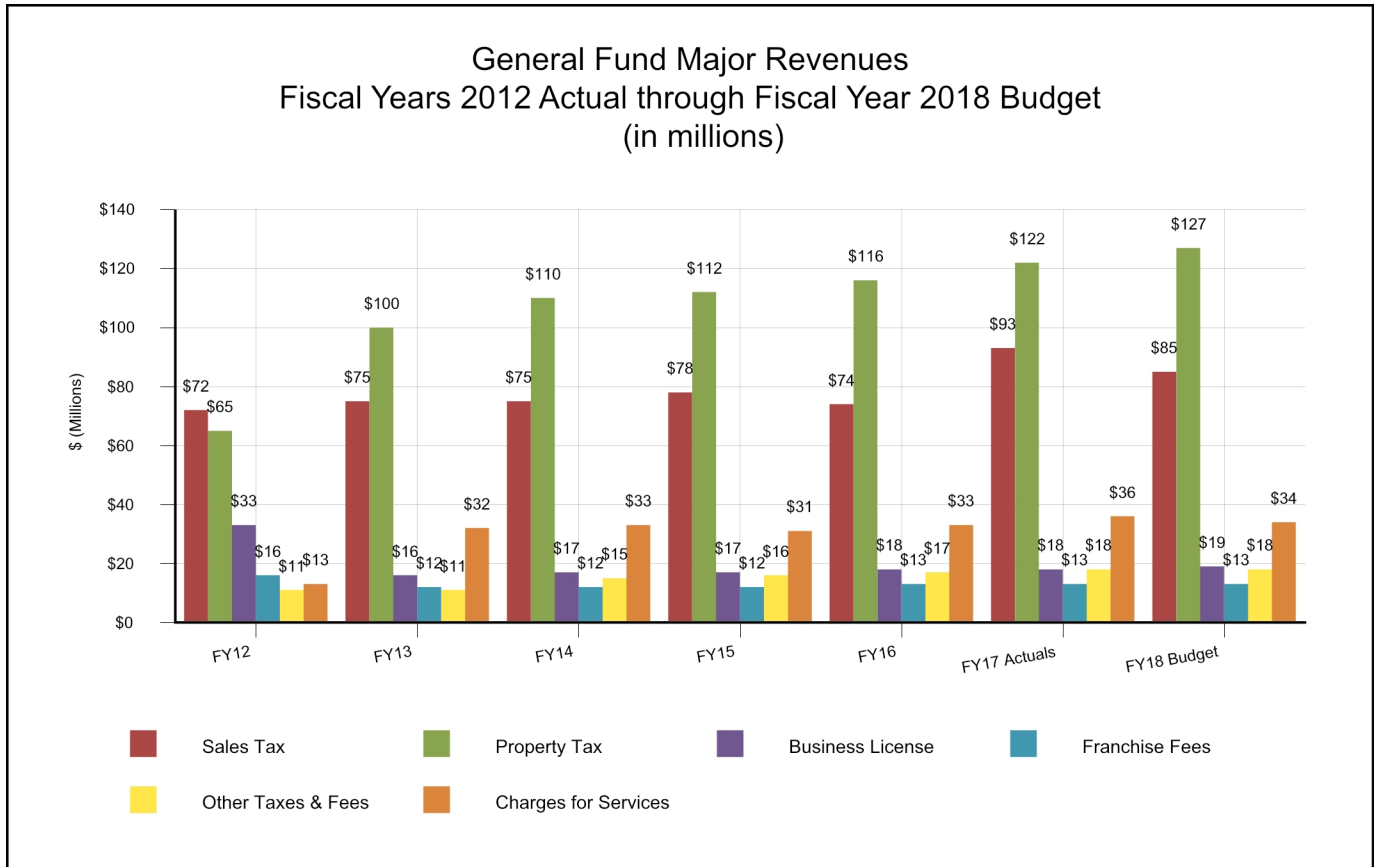
The major differences between the budget and the actual results are noted below:

	Budgeted Original	Budgeted Final	Actual Budgetary Basis	Over(Under) Final Budget	Explanation
<b>Revenues:</b>					
Property Taxes	\$116,401,700	\$120,767,700	\$122,072,236	\$1,304,536	A stronger local economy led to an increase in assessed values, which resulted in actual Property Tax revenues above estimated levels.
Sales Taxes	\$96,632,600	\$96,632,600	\$96,384,774	\$(247,826)	The actual "Triple Flip" close-out payment of approximately \$11 million was slightly less than anticipated.
Other Taxes	\$32,754,200	\$32,754,200	\$34,025,314	\$1,271,114	Room Tax receipts exceeded budgeted estimates by \$1.6 million.
<b>Expenditures:</b>					
Fire Department	\$55,790,700	\$56,505,700	\$56,890,592	\$384,892	Training costs for Fire Academy were higher than anticipated. Additionally, Mutual Aid reimbursements were not received before the end of the fiscal year.
Police Department	\$157,698,100	\$157,438,700	\$152,944,086	\$(4,494,614)	Payroll costs were down as Police held positions vacant for a period of time to reduce expenditures.
Capital Outlays	\$7,381,200	\$11,706,800	\$6,820,378	\$(4,886,422)	Costs for purchase and installation of a new development permit system were \$1.2 million below budget.

A more detailed look at the budget versus actual comparison for the General Fund can be found on page 180 in the Required Supplementary Information section.

**GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES**

The chart below is a graphic depiction of the major General Fund revenue sources and the trends in those revenues on an actual basis as well as the estimated figures used for the fiscal year 2018 budget.



It should be noted that the large increase in Charges for Services beginning in fiscal year 2013 was the result of six former Internal Service Funds being merged into the General Fund.

**Grants Special Revenue Fund**

Fiscal year 2017 revenues in the Grants Special Revenue Fund had a significant change from the \$35.2 million shown in fiscal year 2016. Revenues climbed \$22.1 million (62.9%) to a total of \$57.3 million. All of the growth was associated with the recognition of the revenue associated with the repayment of loans made to the former RDA and a reduction in the Allowance for Doubtful Accounts tied to that receivable.

While revenues remained constant, expenditures decreased dramatically between fiscal years 2016 and 2017. Expenditures increased by \$4.3 million (14.8%) from fiscal year 2016's level of \$29.2 million to fiscal year 2017's total of \$33.5 million.

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

The growth in expenditures was primarily due to the following three factors:

1. An increase in Capital Outlays of \$1.0 million (7.8%) from \$13.1 million in fiscal year 2016 to \$14.2 million in fiscal year 2017. Most of the increase was caused by the Proposition 84 grant funded construction of the Cultural Arts District Park, which was completed in fiscal year 2017.
2. An increase of \$1.2 million (17.7%) in the Community Development area. All of the increase was associated with an accrual of notes receivable associated with the Neighborhood Stabilization program.
3. An increase of \$1.8 million (44.9%) in Public Ways and Facilities sector. The growth in this sector was spurred by road paving equipment purchases of \$0.9 million and rock/mineral purchase of \$0.8 million. Both items were used for street paving that was paid with grant dollars.

Total Assets mirrored Total Revenues; increasing \$13.2 million (17.1%) to \$90.3 million in fiscal year 2017. A \$19.9 million decrease in the Allowance for Doubtful Accounts associated with the Advances to the former Redevelopment Agency was partially offset by a \$5.6 million decline in Grants Receivable and a \$1.6 million drop in Unrestricted Cash.

Total Liabilities showed a significant decline; falling \$7.5 million (38.5%) from \$19.5 million in fiscal year 2016 to \$12.0 million in fiscal year 2017. The decrease was almost entirely due to a \$6.7 million (53.7%) reduction to Due to Other Funds, as fewer grant funds needed short-term "bridge" loans to reach a "cash-neutral" position at fiscal year-end.

The rise in assets and revenues, as well as a \$1.6 million (17.6%) decrease in Deferred Inflows of Resources resulted in Fund Balance growth. Fund Balance rose from \$48.3 million in fiscal year 2016 to \$70.6 million in fiscal year 2017. The growth in Total Fund Balance was primarily in the Restricted Fund Balance, which improved \$16.8 million (30.8%). However, the Unassigned Fund Balance also contributed to the overall Fund Balance increase: growing \$5.5 million (87.5%) in fiscal year 2017.

### Other Governmental Funds

Revenues for the Other Governmental Funds were up \$4.2 million (7.4%) from fiscal year 2016's revenues of \$56.2 million. The increase can be attributed to additional Tax revenues; specifically, a \$4.5 million increase in Measure C monies for Pedestrian Facilities.

The pace of growth in Other Governmental Funds Expenditures outpaced the growth rate for Revenues. Expenditures climbed from \$80.2 million in fiscal year 2016 to \$86.8 million in fiscal year 2017: a increase of \$6.6 million, or 8.3%. The primary cause of the rise in Total Expenditures can be traced to a \$2.8 million (33.5%) increase in Capital Outlay Expenditures (entirely made up of \$4.3 million in Land Acquisition costs) and a \$2.9 million increase in Public Ways Expenditures (mostly comprised of \$0.8 million of personnel costs). As was the case with Revenues, both of the drivers for the Expenditure growth were found in the Measure C Fund.

Total Assets for the Other Governmental Funds dropped from \$133.1 million in fiscal year 2016 to \$122.6

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

million in fiscal year 2017: a \$10.5 million, or 7.9%, decrease. Almost all of the overall decrease can be attributed to a \$9.7 million (99.6%) decline in Restricted Cash, which was released as part of the bond refinancing.

Total Liabilities decreased from \$18.6 million in fiscal year 2016 to \$17.5 million in fiscal year 2017: a \$1.2 million (6.3%) decrease. The overall decrease was mainly due to a \$0.8 million (23.6%) decline in Accrued Payables: specifically, a \$0.4 million decline in the Special Gas Tax Fund's Accounts Payables and a \$0.3 million decline in the Community Services Fund's Accrued Payroll.

With the drop in Total Assets being greater than the drop in Total Liabilities, it is no surprise that Fund Balance for the Other Governmental Funds fell \$8.4 million between fiscal year 2016 and fiscal year 2017 (\$113.0 million versus \$104.5 million, respectively). The decline was almost evenly split between the Restricted Fund Balance, which decreased by \$4.8 million (4.9%) to fiscal year 2017's figure of \$92.4 million, and the Assigned Fund Balance, which decreased \$3.7 million (23.2%) to fiscal year 2017's figure of \$12.2 million.

It should be noted that results for the High Speed Rail Fund are included in the Other Governmental Funds section. While the financial impact of this fund is currently small (\$0.7 million of revenue and \$0.9 million of assets), it is anticipated that it will have a more material effect on future fiscal years' financial statements as construction increases.

### Business-Type Activities

Business-Type Activities for fiscal year 2017 increased their Net Position by \$104.4 million (8.7%) over fiscal year 2016's Business-Type Activities Net Position of \$1,204.1 million. Key factors affecting the Net Position were:

- Total Assets increased by \$160.0 million (8.1%) over fiscal year 2016's Total Asset balance of \$1,966.7 million. The increase was primarily due to the growth in the Land, Intangibles, and Construction in Progress account, which grew \$208.7 million (81.9%) between fiscal year 2016 and fiscal year 2017 mainly because of the ongoing construction work at the Southeast Surface Water Treatment Plant. Offsetting that increase was a drop in total Cash (Unrestricted Cash plus Restricted Cash) of \$29.5 million, primarily due to the escrowing of \$116 million in Sewer Cash for the retirement of debt when the bonds become callable in September 2018.
- Total Deferred Outflows of Resources increased \$32.3 million (425.4%) to \$39.8 million. The majority of the growth was due to Deferred Outflows - Pension.
- Total Liabilities rose by 13.0%, or \$96.9 million, from fiscal year 2016's Total Liabilities of \$747.7 million. The increase was primarily due to a \$101.8 million (17.3%) increase in Long Term Liabilities Due in More than One Year; specifically, loans with the State Water Resources Control Board used as funding for the Southeast Surface Water Treatment Plant.
- Revenues went from \$294.9 million in fiscal year 2016 to \$356.2 million in fiscal year 2017: a \$61.2 million (20.8%) increase. Most of the growth can be attributed to a spike in Capital Grant revenues received by the Transit Fund. Those grant revenues increased by \$29.8 million (1,257.5%): from

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

\$2.4 million in fiscal year 2016 to \$32.1 million in fiscal year 2017. All of the increase was due to funding received for the construction of the Bus Rapid Transit system. The other driver in the overall Revenue growth was a \$23.9 million (30.7%) increase in Charges for Services generated in the Water Fund. All of Water's revenue growth was generated by an increase in Water rates.

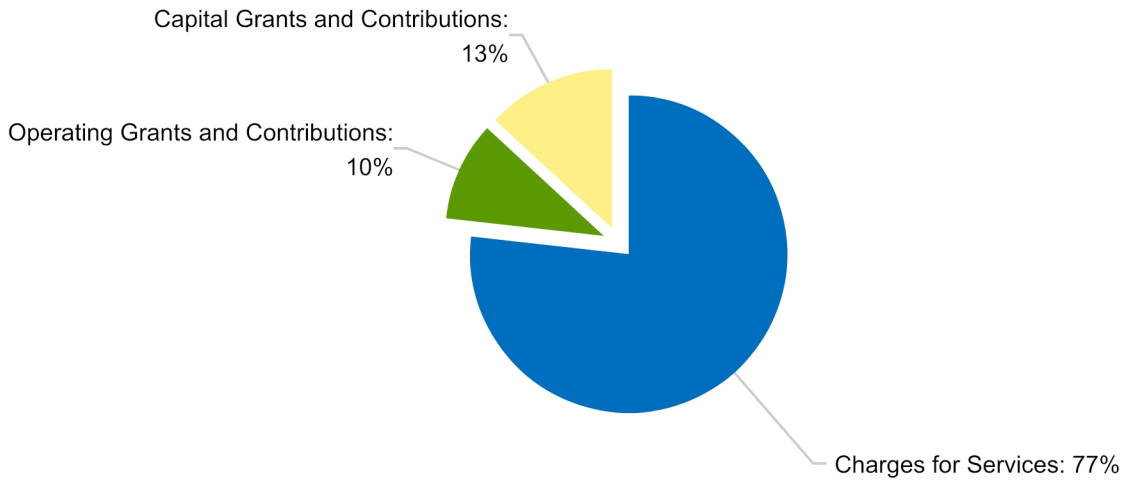
- Expenses also grew, albeit at a smaller pace than Revenues. Total Expenses went from \$247.9 million in fiscal year 2016 to \$256.1 million in fiscal year 2017. A \$3.8 million, or 8.5%, increase in the Transit Fund's expenses and a \$2.1 million, or 30.0%, increase in Community Sanitation expenses were the primary causes of the rise in overall expenses for Business-Type Activities.



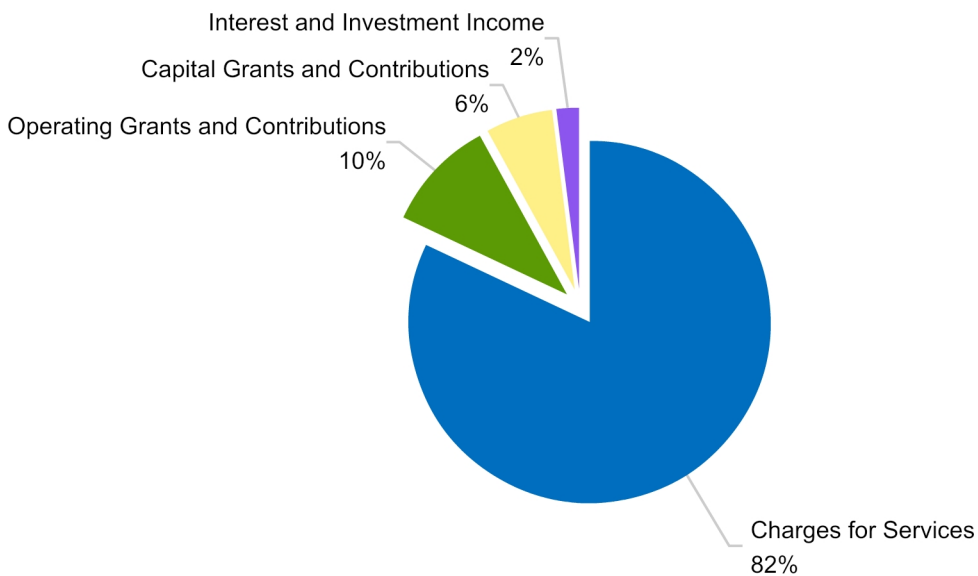
**Business-Type Activities - Charts and Graphs**

The following charts and graphs illustrate the City's Business-Type revenues and expenses by both source and function. Sewer, Water, and Solid Waste are by far the largest Business-Type Activities reflecting the City's greatest overall expenses.

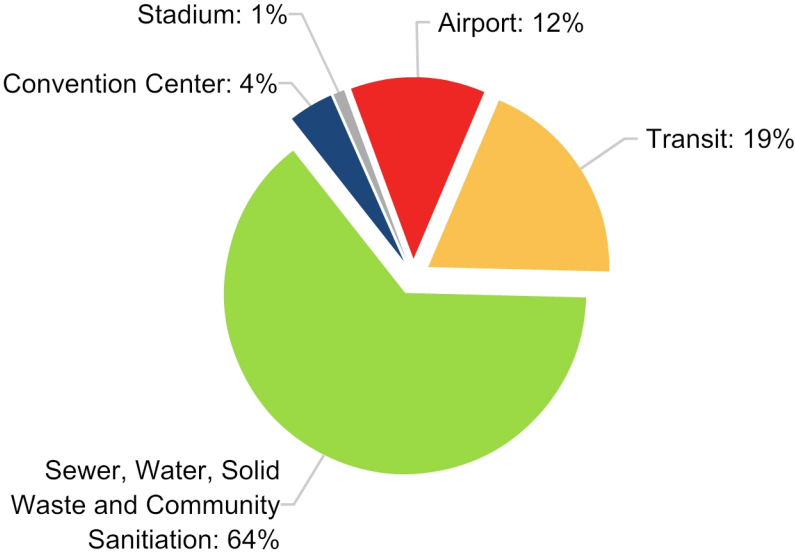
**Revenues by Source - Business-Type Activities 2017**



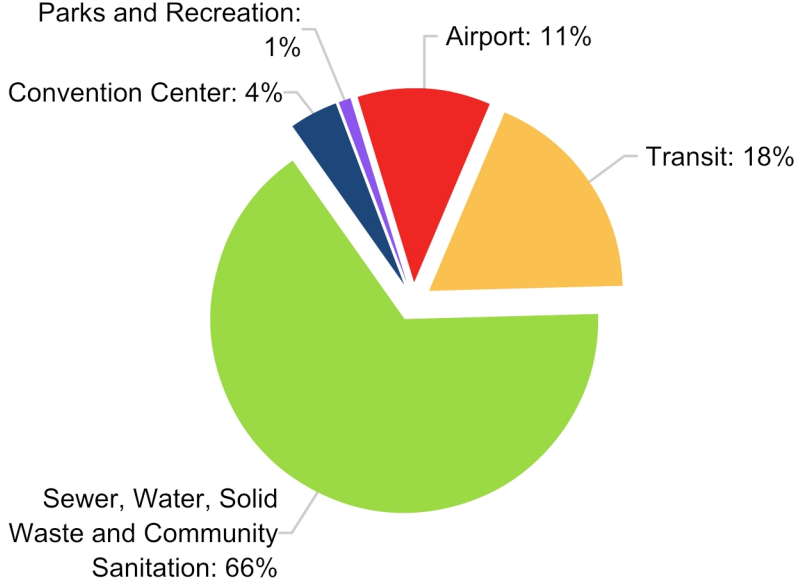
**Revenues by Source - Business-Type Activities 2016**

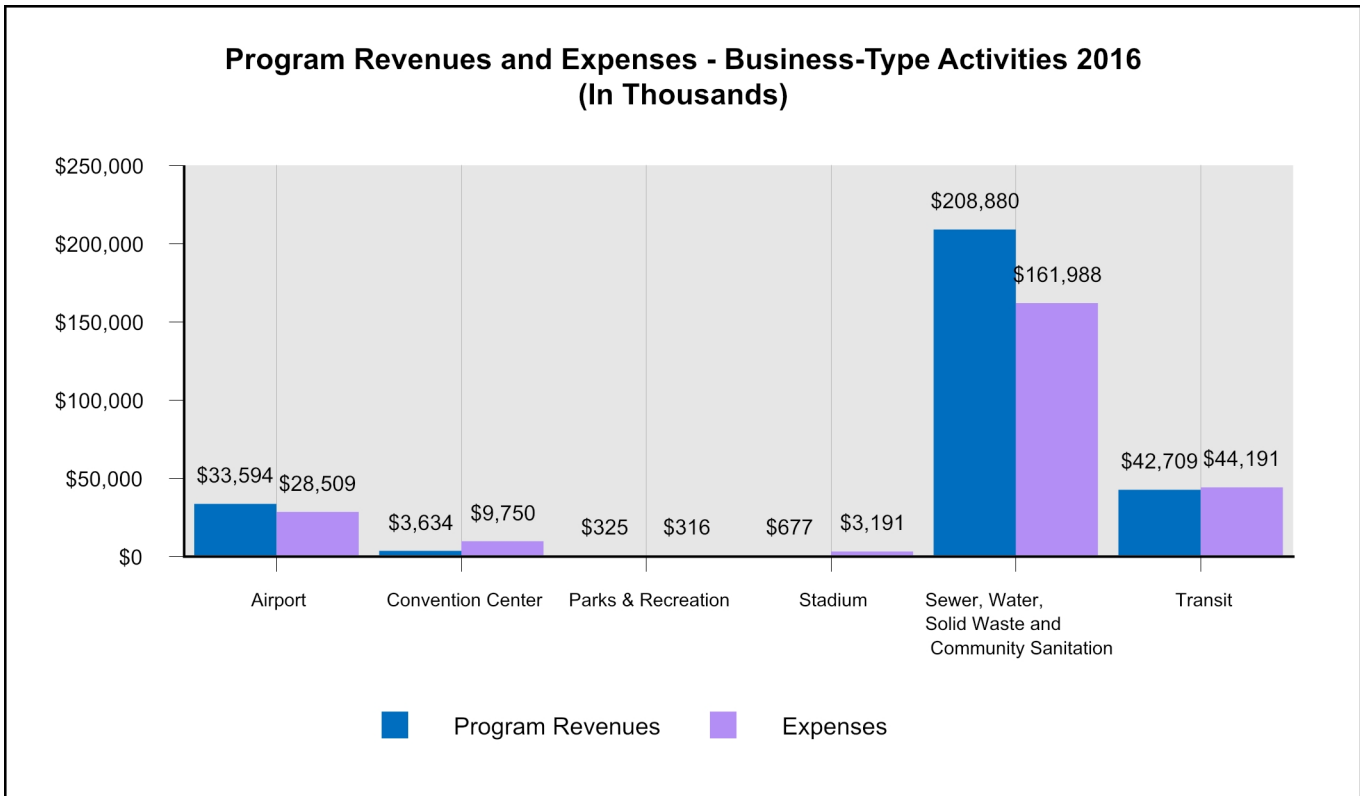
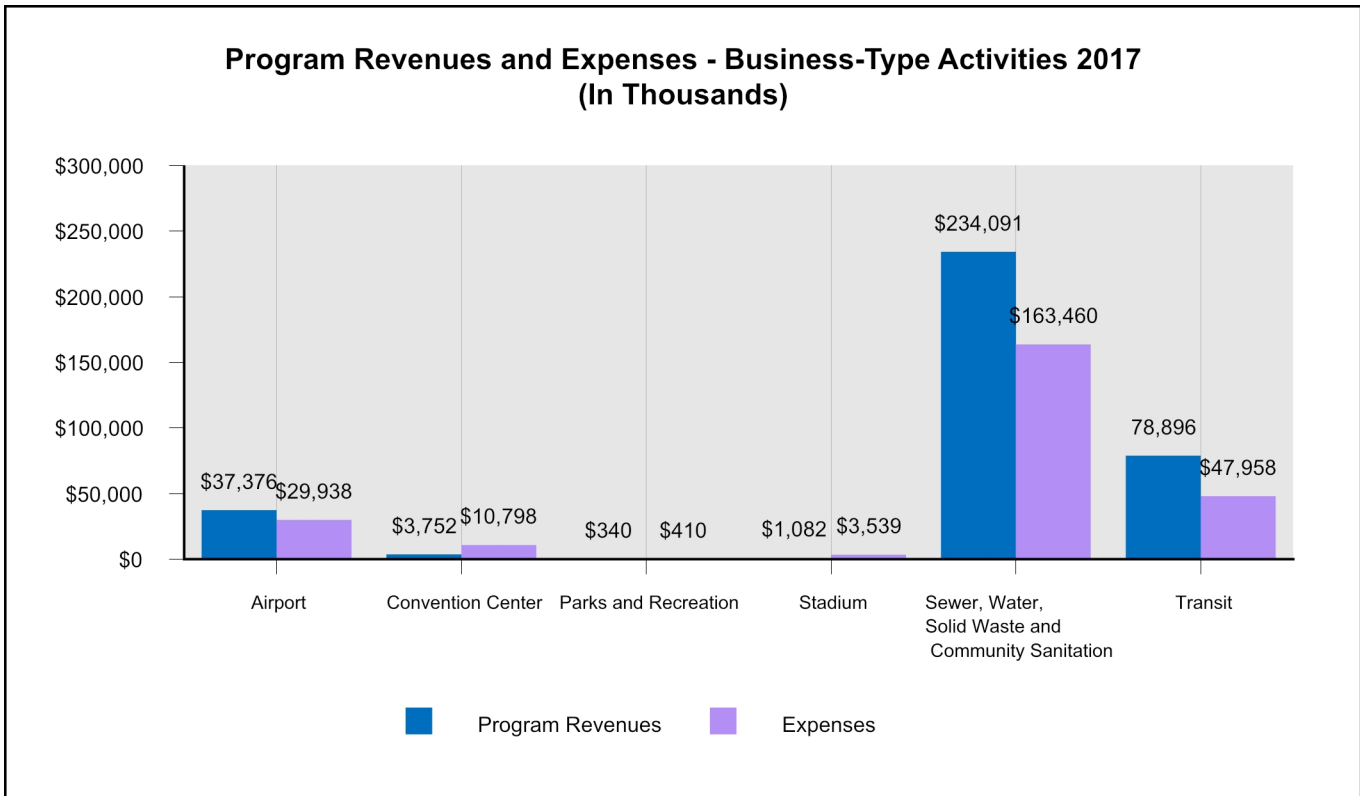


### Expenses by Type - Business-Type Activities 2017



### Expenses by Type - Business-Type Activities 2016





## City of Fresno, California

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

The following is an analysis of some of the funds within the Business-Type Activities category:

### Water

Water revenues continued to increase in fiscal year 2017 from the levels seen in fiscal year 2016; growing from \$78.0 million in fiscal year 2016 to \$101.9 million in fiscal year 2017: a \$23.9 million, or 30.7%, increase. The increase was primarily driven by a \$17.6 million rise in Customer User Charges and a \$7.3 million increase in Water Sales revenue. The additional Customer User Charge revenue was the product of the second year of a five-year Water rate increase plan. The five year rate plan approved in February 2015 is shown below:

Initial Rate	Year 1	Year 2	Year 3	Year 4	Year 5
\$24.49	\$27.76	\$31.92	\$36.84	\$42.80	\$49.22

The new rates went into effect in April 2015. Year 3's rate was implemented in April 2017.

Operating expenses in the Water Fund increased by \$3.6 million (5.9%) from fiscal year 2016's expenses total of \$60.5 million to \$64.1 million in fiscal year 2017. The increase was mainly generated by a \$1.3 million (3.7%) increase in Cost of Services (primarily repairs/maintenance and utilities expenses) and a \$1.6 million (14.5%) increase in Administration Expenses (primarily Professional Service - Consulting expenses).

Total Assets showed a much more dramatic change. Total Assets grew from \$596.2 million in fiscal year 2016 to \$732.0 million in fiscal year 2017: a \$135.8 million (22.8%) increase. A \$161.1 million (35.1%) increase in Capital Assets (resulting from the on-going construction of the Southeast Surface Water Treatment Plant and associated water pipelines) was partially offset by a \$23.7 million decrease in Unrestricted Cash (which was used to pay for Capital Asset costs).

Total Liabilities increased by \$102.1 million (41.2%) from \$247.7 million in fiscal year 2016 to \$349.8 million in fiscal year 2017. The overall growth in Total Liabilities was fueled by a \$106.6 million (193.7%) increase in Notes Payable related to the State Water Resources Board loans received to finance the Southeast Surface Water Treatment Plant.

Water's Net Position showed an increase over fiscal year 2016's levels. Net Position grew from \$345.6 million in fiscal year 2016 to \$387.0 million in fiscal year 2017: a \$41.4 million (12.0%) increase. An increase in the Net Investment in Capital Assets of \$52.1 million (19.5%) was significantly offset by a decrease of \$10.6 million (13.6%) in Unrestricted Net Position.

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### Sewer

Fiscal year 2017 revenues of \$83.6 million for the Sewer Fund were up \$5.4 million (7.0%) when compared to the fiscal year 2016's revenues of \$78.2 million. The increase was due to a \$3.4 million increase in Customer User Charge revenues and a \$3.2 million increase in Sewer Trunkline and Connection Revenue.

While revenues showed a strong growth, operating expenses displayed a lower amount of increase. Operating expenses increased by \$2.3 million (3.9%): from \$59.1 million in fiscal year 2016 to \$61.4 million in fiscal year 2017. The increase was primarily in the Cost of Services category, which increased \$1.6 million (6.6%) from fiscal year 2016's figure of \$24.6 million. Contributing to the overall increase in Cost of Services expenses was \$0.7 million of growth in Utilities expenses and \$0.5 million of growth in Personnel Services expenses.

Total Assets were up slightly from fiscal year 2016's figure of \$897.3 million. Fiscal year 2017's Total Assets were \$919.3 million: an increase of \$22.0 million (2.4%). Contributing to the overall increase were the following:

- Current Assets decreased by \$83.0 million (58.8%) over fiscal year 2016's total of \$141.1 million. The decrease was primarily fueled by a decrease in Unrestricted Cash of \$85.3 million (67.2%) from fiscal year 2016's Unrestricted Cash of \$127.0 million. The decrease in Unrestricted Cash was due to the March 2017 transfer of \$116 million into an escrow account for the purpose of defeasing a portion of the Sewer Series 2008 bonds when they become callable on September 1, 2018.
- Restricted Assets increased by \$98.4 million (109.3%) from fiscal year 2016's total of \$90.0 million to \$188.4 million in fiscal year 2017. The increase is entirely due to the March 2017 transfer of \$116 million into an escrow account for the purpose of defeasing a portion of the Sewer Series 2008 bonds when they become callable on September 1, 2018.
- Capital Assets went from \$646.1 million in fiscal year 2016 to \$658.5 million in fiscal year 2017: a \$12.4 million (1.9%) increase. Most of that growth can be attributed to the Construction in Progress account, which went from \$62.1 million in fiscal year 2016 to \$94.3 million in fiscal year 2017: a \$32.2 million (51.8%) increase. The construction growth in progress was the product of ongoing implementation of a recycled water system.

Total Liabilities grew from levels seen in the previous fiscal year. While liabilities were \$276.7 million in fiscal year 2016, they finished at \$284.5 million in fiscal year 2017: a \$7.8 million (2.8%) increase. An increase in Long-Term Notes Payable of \$7.6 million associated with the receipt of State Revolving Fund loans drove the overall increase in Total Liabilities.

Net Position increased by \$21.7 million (3.5%), from \$618.2 million in fiscal year 2016 to \$639.8 million in fiscal year 2017. The overall increase in Net Position was comprised of a \$26.1 million decrease in Net Investment in Capital Assets and a \$47.8 million increase in Unrestricted Net Position.

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### Solid Waste Management

Revenues for the Solid Waste Management Fund showed a slight decline during the fiscal year. Revenues for fiscal year 2017 were \$31.2 million versus fiscal year 2016 revenues of \$32.0 million: a \$0.8 million (2.5%) decrease. The drop is due to a \$0.3 million decrease in Customer User Charges.

Solid Waste Management Fund's Operating Expenses also decreased in fiscal year 2017. Expenses went from \$26.7 million in fiscal year 2016 to \$26.3 million in fiscal year 2017: a \$0.4 million (1.5%) decrease. A \$0.3 million increase in Depreciation Expense and a \$0.9 million drop in Administration expenses (mainly caused by a reduction in Fleet Services costs) drove the overall decrease in Expenses.

Mimicking the minimal declines in revenue and expenses was a minimal decrease in Total Assets. Total Assets decreased from \$64.5 million in fiscal year 2016 to \$63.6 million in fiscal year 2017: a \$0.9 million (1.3%) decrease. A \$3.3 million (11.7%) increase in Unrestricted Cash was completely offset by a \$3.5 million decrease in the Net Pension Asset and a \$0.9 million decrease in Long Term Landfill Closure Accounts Receivable.

Deferred Outflows of Resources showed a large increase between fiscal years, growing from \$0.7 million in fiscal year 2016 to \$4.6 million in fiscal year 2017. The increase was due to changes in the actuarial assumptions which resulted in increased anticipated employer pension contributions.

Total Liabilities decreased modestly from fiscal year 2016's levels, going from \$23.5 million to \$22.3 million. The overall decrease was entirely due to a \$1.2 million drop in Long Term Accrued Closure Costs.

The substantial increase in Deferred Outflows of Resources led to a large increase in Net Position. Net Position grew from fiscal year 2016's figure of \$38.5 million to fiscal year 2017's figure of \$44.3 million: a \$5.7 million (14.8%) increase. A small decrease in Net Investment in Capital Assets (\$0.6 million, or 7.6%) was completely offset by growth in Unrestricted Net Position (\$6.3 million, or 20.7%).

### Transit

Fiscal year 2017 saw Transit (known as Fresno Area Express, or FAX) experience its lowest level of ridership in twelve years. FAX transported 9.6 million passengers in fiscal year 2017, a 10.3% decrease from fiscal year 2016's ridership of 10.7 million passengers. The decrease continued a trend seen since fiscal year 2009, when passenger traffic was a record 18.0 million passengers.

The decline in ridership had an impact on the Transit Fund's revenues. Revenues fell \$1.0 million (8.2%) from \$12.5 million in fiscal year 2016 to \$11.5 million in fiscal year 2017. The entire decline in revenues was attributable to a \$2.0 million drop in Pension Revenues.

The drop in revenues was mirrored by an increase in expenses. Operating expenses went from \$44.9 million in fiscal year 2016 to \$47.5 million in fiscal year 2017: a \$2.6 million (5.7%) increase. A \$0.3 million increase in Administration Expenses (driven by \$0.5 million of growth in Reimbursements to the General Fund) complimented a \$2.3 million increase in Cost of Services Expenses (specifically, a \$2.4 million increase in Personnel costs).

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As has been the case in previous fiscal years, Operating Grant revenue had a major impact on Transit's financial condition. Operating Grant revenue increased \$7.4 million (26.7%), going from \$27.9 million in fiscal year 2016 to \$35.3 million in fiscal year 2017. Most of the overall Operating Grant increase was attributable to a \$6.9 million increase in State Grant revenues.

The growth in Operating Grant revenue helped fuel an increase in Transit's assets. Total Assets were up \$16.1 million (15.1%), from \$106.5 million in fiscal year 2016 to \$122.6 million in fiscal year 2017. The overall increase in assets was caused by the combination of a \$41.9 million increase in Capital Assets (specifically, construction and equipment purchases associated with the Bus Rapid Transit System), which was partially offset by a \$6.4 million decrease in Unrestricted Cash and a \$17.6 million decrease in Restricted Cash.

As was the case with other Business-Type funds, Deferred Outflows of Resources had a significant impact on the overall financial condition of the Transit Fund. Deferred Outflows of Resources rose from \$1.7 million in fiscal year 2016 to \$11.9 million in fiscal year 2017: a \$10.1 million (579.9%) increase. The growth was due to changes in the actuarial assumptions which resulted in increased anticipated employer pension contributions.

As opposed to Total Assets, Total Liabilities fell in fiscal year 2017. Total Liabilities decreased \$1.2 million (2.6%) from \$46.2 million in fiscal year 2016 to \$45.1 million in fiscal year 2017. A \$4.9 million decrease in Unearned Revenue (primarily Proposition 1B revenue) was partially offset by a \$2.0 million increase in Accrued Liabilities (specifically, Accounts Payable).

With substantial increase in Total Assets caused by the construction of the Bus Rapid Transit system, it is unsurprising that the Transit Fund showed an increase in Net Position. Net Position grew \$29.8 million (53.8%) from \$55.4 million in fiscal year 2016 to \$85.3 million in fiscal year 2017. An upturn of \$41.9 million (112.9%) in the Net Investment in Capital Assets Net of Debt was offset by a drop in the Unrestricted Net Position, which fell \$12.1 million (66.2%) to \$6.2 million.

## Airports

Fiscal year 2017 origin and destination passengers numbered a record 1,537,876, 4.3% higher than prior year passengers of 1,475,006. Passenger growth at Airports has outpaced national trends in recent years. Since fiscal year 2010 - the first post-Great Recession year - Fresno Yosemite International passengers have increased 28.5%, for an average annual compound rate of 3.6%, compared to an estimated 18.0% nationwide.

This growth trend is partly attributable to international passengers, which reached a record 208,945 in fiscal year 2017, 14.7% higher than prior year passengers of 182,225. Since fiscal year 2010 international passengers have grown by 229%.

Fiscal year 2017 landed weight was 1.0% less than prior year, mostly reflecting a drop in U.S. Forest Service Air Tanker activity associated with forest fires. Domestic scheduled airlines landed weight increased by 4.4%, and international scheduled airlines landed weight spiked 11.8%, reflecting the ongoing transition to larger aircraft and higher frequencies.

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The increase in passengers, flight frequency, and aircraft size had little effect on revenues. Airports reported record Operating Revenues of \$22.5 million in fiscal year 2017: the same as the previous fiscal year.

Fiscal year 2017's Operating Expenses amounted to \$27.3 million, about 4.4% (\$1.2 million) higher than prior fiscal year's Operating Expenses of \$26.1 million. The increase was mostly due to higher salaries and benefits costs (up \$0.3 million from fiscal year 2016's figure of \$6.0 million) and repairs/maintenance expenses (up \$0.7 million over fiscal year 2016's figure of \$0.5 million).

In addition to the Operating Revenue, key Non-Operating revenues also saw growth due to the increased passenger levels. Passenger Facility Charges (PFC) increased from \$3.1 million in fiscal year 2016 to \$3.2 million in fiscal year 2017: a \$0.1 million (3.2%) increase. Customer Facility Charges (CFC) grew from \$2.1 million in fiscal year 2016 to \$2.2 million in fiscal year 2017: a \$0.1 million (3.7%) increase. Both of these revenue streams are critical to the financial well-being of Airports as PFC and CFC are used to make the annual debt service payment on the Series 2007 and Series 2013 bonds.

Current Assets grew from \$24.4 million in fiscal year 2016 to \$25.4 million in fiscal year 2017: a \$1.0 million (4.0%) increase. Most of that growth can be attributed to the dramatic ongoing improvement of Airports' cash position. Cash and Investments increased to \$19.9 million in fiscal year 2017, \$3.1 million higher (18.7%) than the prior year amount of \$16.8 million. The increase was partially offset by a \$1.8 million (87.0%) reduction in Grants Receivable and a \$0.8 million drop in Due From Other Funds as a result of the GAP settlement being paid off in fiscal year 2017 (please see Note 12 for further information on the GAP settlement).

Non-Current Assets decreased slightly to \$203.1 million: a \$1.5 million (0.7%) decline. The drop was largely due to \$2.4 million decline in the Net Pension Asset .

Total Assets in fiscal year 2017 amounted to \$228.5 million compared to \$229.0 million in fiscal year 2016: a decrease of \$0.5 million (0.2%).

Total Liabilities were \$58.6 million in fiscal year 2017: \$(4.5) million (7.2%) less than prior year. The primary driver in this decrease resided in the Current Liabilities - specifically, the Accrued Liabilities of Vouchers Payable (down \$1.7 million) and Accounts Payable (down \$1.0 million).

Total Net Position was \$172.2 million: \$7.4 million (4.5%) higher than \$164.8 million in fiscal year 2016. All of the growth occurred in the Unrestricted Net Position, which increased \$13.1 million (44.4%) to \$42.6 million.

Airports apply four key financial metrics to evaluate operating performance and frame decisions:

1. Debt Service Coverage ratio above rating agency guidelines;
2. Airline cost per enplanement below industry average;
3. Days of cash on hand above rating agency guidelines; and



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### 4. Surplus Fund deposit sufficient to support the Strategic Plan.

Airports exceeded each of its key financial metrics in fiscal year 2017:

- Debt Service coverage was 3.27 (for each dollar of annual debt service, \$3.27 was available for payment), well above the threshold ratio of 2.25.
- Average signatory domestic airline cost per enplanement amounted to \$6.88, below the \$7.00 limit, and well below the industry average (\$8-\$9), highlighting the favorable operating environment that Airports offers incumbent and potential new carriers.
- Unrestricted cash for an estimated 500 days of expenses was available at the end of the year, well above the 365 days target
- The Surplus Fund was augmented by \$4.2 million in fiscal year 2017. Annual deposits to the Surplus Fund cover the cost of ongoing facility maintenance, and are allocated to fund future capacity projects that are not grant or PFC eligible.

## Convention Center

The Convention Center had no growth in activity during fiscal year 2017 when compared to fiscal year 2016. Event days went from 312 in fiscal year 2016 to 313 in fiscal year 2017. Similarly, total attendance remained flat: moving from 455,491 in fiscal year 2016 to 455,587 in fiscal year 2017.

With the number of event days and the attendance flat, it is no surprise that revenues showed a minimal increase. Revenues went from \$3.6 million in fiscal year 2016 to \$3.7 million in fiscal year 2017: a \$0.1 million (3.3%) improvement. All of the growth in Total Revenues was in the Charges for Services revenues.

While Convention Center revenues showed minor growth from the previous fiscal year, its expenses increased substantially. Operating expenses increased \$1.0 million (14.2%) from fiscal year 2016's expenses of \$7.4 million. The overall growth in Operating Expenses was fueled by a \$0.4 million increase in Repairs and Maintenance Expenses, as well as a \$0.2 million rise in Personnel Expenses.

The Convention Center's Total Assets decreased by \$6.3 million (15.6%) to \$34.1 million. The decrease was primarily due to a \$3.5 million increase in Accumulated Depreciation, a \$2.0 million decrease in Long Term Restricted Cash (a product of the bond refinancing), and a \$0.9 million decrease in Current Restricted Cash (due to a drop in ticket escrow deposits).

Total Liabilities also dropped significantly in fiscal year 2017. Total Liabilities fell by \$5.4 million (12.0%) from fiscal year 2016's figure of \$45.2 million. The majority of the decrease came from a \$3.2 million reduction in the Long-Term Bonds Payable liability and a \$1.0 million drop in Current Bonds Payable, which was the result of both payments made on the bonds and the bond refinancing.

With the change in Total Assets being almost equal to the change in Total Liabilities, it is no surprise that there was little change in the Convention Center's Net Position. Net Position decreased from \$(4.6) million in fiscal year 2016 to \$(5.4) million in fiscal year 2017: a \$0.8 million (16.7%) decline.

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### Stadium

The Stadium showed an improvement in Revenues during fiscal year 2017. Revenues for the Stadium grew by \$0.4 million (59.8%) between fiscal year 2016 and fiscal year 2017, going from \$0.7 million to \$1.1 million. The increase was mainly made up of \$0.3 million additional lease revenues.

Expenses grew by a slightly less amount than revenues grew. Operating Expenses rose from the \$1.1 million that was seen in fiscal year 2016 to \$1.3 million in fiscal year 2017: a \$0.2 million (17.7%) increase. Payments made in conjunction with the bond refinancing were the cause for the overall increase in Operating Expenses.

The Stadium's Total Assets decreased by \$1.8 million (5.4%) to \$31.2 million. A \$(1.4) million decrease in Restricted Cash as a product of the bond refinancing was the primary driver in the overall decline in Total Assets.

Total Liabilities decreased from \$33.3 million in fiscal year 2016 to \$31.8 million in fiscal year 2017: a \$1.5 million (4.6%) decrease. A reduction in Non-Current Bonds Payable accounts for the entire decrease in Total Liabilities.

The nearly offsetting decreases in Total Assets and Total Liabilities were reflected in the Net Position. Net Position dropped from \$(0.3) million in fiscal year 2016 to \$(0.5) million in fiscal year 2017.

### Internal Service Funds

Internal Service Funds are those funds that provide services primarily to other City departments. Examples of such funds include Utility Billing and Collection, General Services (Fleet Management, Information Services, and Facilities Management), Risk Management, and the Healthcare Plan Funds.

Fiscal year 2017's revenues for the Internal Service Funds increased by \$15.1 million (11.7%) from fiscal year 2016's revenues of \$128.2 million. A large contributor to the overall increase was the Utility Billing and Collection Fund, whose revenues increased \$7.3 million (107.5%) over fiscal year 2016's figure of \$6.8 million. An \$3.3 million increase in Fixed Reimbursement revenues was the main factor in the Utility Billing and Collection Fund's revenue growth. Another contributor to the overall Internal Service Fund revenue growth was the Risk Management Fund, whose revenues grew \$3.9 million (13.7%) to \$32.4 million. As was the case with the Utility Billing and Collection Fund, additional Fixed Reimbursement revenues (in this case, \$2.7 million) drove the increase in Risk Management's revenues.

While Fiscal Year 2017's revenues increased, Operating Expenses grew at a greater pace. Operating expenses rose \$27.8 million (23.4%) from fiscal year 2016's expense total of \$118.8 million. Most of the increase occurred in the Risk Management Fund's expenses, which grew \$15.3 million (50.2%). Almost all of the Risk Management Fund's expense increase was related to Refunds and Claims costs. The next largest contributor to the overall expense increase was the Retirees Healthcare Plan Fund, whose expense grew \$2.4 million (41.4%) to \$8.3 million. Like the Risk Management Fund, all of the expense growth in the Retirees Healthcare Fund came from Refunds and Claims costs.

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Total Assets for the Internal Service Funds grew \$4.1 million (3.8%) to \$113.3 million in fiscal year 2017. The majority of the overall asset growth in Internal Service Funds came from the Employees Healthcare Plan Fund, whose Unrestricted Cash rose \$3.1 million (15.1%).

While Total Assets showed modest growth, Total Liabilities increased more significantly: up \$18.4 million (13.0%) to fiscal year 2017's total of \$159.8 million. The increase was made up primarily of two components:

- The Noncurrent Liability for Self-Insurance in the Risk Management Fund went from \$86.6 million in fiscal year 2016 to \$100.5 million in fiscal year 2017: a \$13.9 million (16.1%) increase.
- \$1.5 million (193.6%) growth in Due to Other Funds for the General Services Fund, which reflects pre-billings for various projects and equipment purchases.

The Net Position deficit grew \$4.6 million (12.9%) from a \$(35.7) million in fiscal year 2016 to \$(40.3) million in fiscal year 2017. A \$1.6 million increase in Net Investment in Capital Assets was partially offset by an increase in the Unrestricted Deficit of \$6.3 million.

### **Fiduciary Activities**

The City maintains Fiduciary Funds for the assets of the Fire and Police Retirement System, the Employees' Retirement System, the Successor Agency to the Fresno Redevelopment Agency, Private Purpose Trust, Special Assessment District Funds, as well as City Departmental and Special Purpose Funds. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. The two largest Fiduciary Funds on the City's accounting records are the Fire and Police Retirement Pension Trust Fund and the Employees' Retirement System Pension Trust Fund. The following analysis will focus on those two funds.

Additions into the two Pension Trust Funds increased by \$347.0 million, or 580.3%, from fiscal year 2016's total of \$59.8 million to fiscal year 2017's total of \$406.8 million. The primary driver behind the increased additions into both funds was strong growth in Investment Income, which jumped from \$22.7 million in fiscal year 2016 to \$369.4 million in fiscal year 2017: growth of \$346.7 million. Most of that growth came from a \$350.4 million (1,248.2%) increase in the Net Appreciation in the Value of the Systems' Investments.

While Additions saw a dramatic increase, Deductions from the Pension Trust Funds continued to increase at a slower pace. Deductions grew from \$111.9 million in fiscal year 2015 to \$117.7 million in fiscal year 2016: a \$5.9 million (5.2%) increase. A \$6.5 million (6.1%) increase in Benefit Payments was the primary driver behind the overall increase in Deductions.

Total Assets for both funds combined grew by \$185.1 million (6.5%) to \$3,039.5 million at the end of fiscal year 2017. Most of that growth can be attributed to an increase in the Fair Value of Domestic Equity securities, which rose \$113.3 million (11.8%) to \$1,069.5 million. Also contributing to the increase was a rise in the Fair Value of International Developed Market Equity securities of \$96.9 million (24.9%).

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While assets grew significantly, Total Liabilities fell during fiscal year 2017. Total Liabilities dropped \$104.0 million (28.9%) to \$255.8 million at the end of fiscal year 2017. An increase in Collateral Held for Securities Lent of \$21.2 million was completely offset by a decline in Accrued Liabilities of -\$122.2 million.

Given the significant growth in Total Assets, the Net Position for the two Pension Trust Funds increased \$289.1 million (11.6%) to \$2,783.7 million at the end of fiscal year 2017.

For further information on the Retirement Systems, please see Note 10 of the Notes to the Basic Financial Statements (pages 139-160).

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets for its Governmental and Business-Type Activities, before Component Units, as of June 30, 2017, amount to \$2,553,541,134 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, bridges, and construction in progress. The net increase in the City's capital assets for the current fiscal year was approximately 8.7%, a 0.6% decrease for Governmental Activities, a 15.1% increase for Business-Type Activities) as shown in the table below. Capital assets for June 30, 2016 amounted to \$2,349,373,292 (net of accumulated depreciation). The net increase for 2016 was approximately 4.1% (a 2.7% increase for Governmental Activities and a 5.1% increase for Business-Type Activities).

<i>Changes in Capital Assets, Net of Depreciation</i>						
Asset Category	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2017	2016	2017	2016	2017	2016
Land	\$250,648,609	\$252,060,858	\$48,514,356	\$48,556,044	\$299,162,965	\$300,616,902
Intangibles (Indefinite Life)	—	—	17,094,787	17,094,787	17,094,787	17,094,787
Buildings and Improvements	135,251,942	140,792,655	558,963,753	597,779,870	694,215,695	738,572,525
Machinery and Equipment	43,977,584	31,640,684	42,167,570	27,249,291	86,145,154	58,889,975
Infrastructure	465,447,313	460,020,426	538,512,128	513,059,190	1,003,959,441	973,079,616
Construction In Progress	54,866,333	71,800,215	398,096,759	189,319,272	452,963,092	261,119,487
Total	<u>\$950,191,781</u>	<u>\$956,314,838</u>	<u>\$1,603,349,353</u>	<u>\$1,393,058,454</u>	<u>\$2,553,541,134</u>	<u>\$2,349,373,292</u>

Major capital asset events during the fiscal year ended June 30, 2017, some of which were in progress during the fiscal year ended June 30, 2016, included the following:

#### † **Water - T4 Tank Booster Pump Station**

The Water Division of the Department of Public Utilities constructed an aboveground pre-stressed concrete storage tank, operations building, miscellaneous yard piping, site improvements, site landscaping, and architectural treatment of new above ground facilities in fiscal year 2017. The operations building houses a booster pump station, water treatment

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facilities, chlorination storage and injection equipment, electrical, standby generators, switchgear, and a document storage area. Total capitalized cost of the project was \$14.1 million.

### † **Water - Transmission Main Construction**

The Water Division of the Public Utilities Department completed the construction and installation of approximately 22,400 linear feet of water pipeline to provide water to southwestern portions of the City when the future South East Surface Water Treatment Plant (SWTP) is brought online. Prior to the completion of the South East SWTP, the pipeline will convey groundwater from the southwest to the downtown area. The project was funded with Water Series 2010 Bond proceeds. The project was completed with a total cost of \$9.1 million.

### † **PARCS - Universally Accessible Park**

The Parks, After School, Recreation and Community Services (PARCS) Department opened Inspiration Park and the Donovan Center during fiscal year 2017. Inspiration Park is an all-inclusive park where everyone can go regardless of age, mobility, or special needs. The park includes many features such as age appropriate play structures; soccer, baseball, and softball fields; and a splash park. The Donovan Center, an energy efficient community building located at Inspiration Park includes a game room, family restrooms, and a computer lab with assistive technology. The total capitalized value of the Universally Accessible Park was \$4.7 million.

### † **Public Works - Street Improvements**

The Public Works Department completed a portion of a maintenance and repair effort that specifically targeted the installation and/or repair of neighborhood street improvements, such as sidewalks, curbs, gutters, street paving, slurry seal, and street light repair. This capital project was in addition to the normal operational maintenance programs. Each project was selected by the Council Member for their district. Capitalized costs of the project were \$4.7 million

At June 30, 2017, the City had commitments related to various construction projects associated with Governmental Activities totaling \$3.3 million. Commitments connected with Proprietary Activities at fiscal year-end amounted to \$182.4 million. The most significant of the Governmental Activities projects were the Fulton Mall Improvements (\$0.1 million) and Veterans Boulevard at the Highway 99/Union Pacific Railroad Overpass (\$2.6 million). The most significant of the Proprietary Activities projects were the Southeast Fresno Surface Water Treatment Plant (\$104.2 million), the Bus Rapid Transit improvements (\$20.0 million), the Friant/Kern Canal pipeline (\$3.1 million), the Southwest Recycled Water Distribution System (\$5.0 million), and the purchase of buses for the Fixed Route Systems (\$0.4 million). A complete list of projects appears in Note 12(1), page 168 under Construction and Other Significant Commitments.

## **Debt Administration**

At the end of fiscal year 2017, the City had total long-term bond obligations, notes, and leases payable outstanding of \$936,596,032 (excluding accreted interest and issuance premiums/discounts). Of this amount, \$131,840,000 are obligation bonds, backed by the full faith and credit of the City, while \$643,226,866 are revenue bonds and notes of the City's business enterprises and \$5,029,602 are tax allocation debt issued by the Successor Agency of the Redevelopment Agency. The remaining

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\$156,499,564 includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2017, the City's total bonded debt increased by \$72,431,477. This increase was due to several new loans from the California State Water Resources Control Board to the City's Water and Wastewater Divisions.

The City took the following actions in fiscal year 2017:

- Paid off the remaining balance on the City's 2002 Judgment Obligation Bonds.
- Placed \$116 million into an escrow account to be used to defease a portion of the Series 2008 Sewer bonds when they become callable in September 2018.
- Refinanced several lease revenue bonds through a consolidated bond transaction to achieve average annual debt service savings to the City of \$1.9 million, with \$1.2 million of those savings directly impacting the General Fund.
- Borrowed approximately \$142 million from the California State Water Resources Control Board for water transport projects.
- Entered into a Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp. for a \$25 million line of credit over the next three years, and funded \$7.4 million for public safety vehicles in fiscal year 2017.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. A comparison of these indicators (as stated in thousands) follows:

	Fiscal Year		
	2017	2016	2015
General Bonded Debt (Par Amount)	\$ 131,840	\$ 140,000	\$ 147,180
General Bonded Debt Per Capita	\$ 250.73	\$ 269.00	\$ 282.92
Debt Service Tax Rate Per \$100 Taxable Valuation	\$ 0.40	\$ 0.44	\$ 0.49

Although the City's Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time to 20% of assessed value of property in the City, the City recognizes that debt of that magnitude cannot be supported with its current tax base and as such is very cautious about issuing general obligation debt. Currently, there are no general obligation bonds outstanding.

### **Special District Debt**

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was \$3,610,429 at June 30, 2017 as compared to \$3,777,145 at June 30, 2016.

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Additional information on the City of Fresno's long-term obligations can be found in Note 6, pages 112-129, of the Notes to the Financial Statements.

### **Debt - Pledged Revenue Coverage Calculations**

The City has issued various Bonds in accordance with Indentures that set forth various covenants designed to provide security to bond holders, including rate covenants requiring that the City fix, prescribe and collect rates, fees and charges that will yield Net Revenues to equal at least certain designated percentages of estimated debt service. The Schedule of Pledged Revenue Coverage, as presented in the Statistical Section of the CAFR beginning on page 247 shows the debt coverage calculations for those bonds which have a coverage calculation methodology detailed in their indentures. For those bonds that do not have a coverage calculation methodology detailed in their indentures, the GASB Statement No. 44 methodology for calculating debt coverage was used.

## **FINANCIAL OUTLOOK**

Management believes that the City will continue to improve its financial position in fiscal year 2018. Several developments have occurred after the conclusion of fiscal year 2017, which provide management confidence in their belief.

- The City finished fiscal year 2017 with a cash balance in its General Fund Emergency Reserve of \$20.5 million. Since the close of the fiscal year, the City has received about \$3.2 million from the State as repayment for loans that were made to the City's former Redevelopment Agency. This payment left the Emergency Reserve with a balance of \$23.7 million. Going forward, the City is assured to receive approximately \$3.5 million per year through at least fiscal year 2020 in loan repayment. On June 23, 2016, the City Council approved a resolution requiring all future loan repayments received from the State to be deposited in the Emergency Reserve. As a result of this resolution, the Emergency Reserve is projected to have a cash balance of \$34.2 million in fiscal year 2020.
- The City continues to be successful in obtaining finance lease arrangements for the acquisition of various equipment and vehicles.
- After a very successful fiscal year of ratings actions, the trend has continued in fiscal year 2018 with the ratings upgrade of the Airports' bonds by Fitch in October 2017. The upgrades reflect the investors' continued confidence in the City's financial improvement.
- The re-opening of the Fulton Mall to automobile traffic was completed in October 2017. This project is expected to enhance economic activity in the downtown area by facilitating business development.
- The Bus Rapid Transit System (BRT) is scheduled to be active in the Spring 2018. Once in place, the BRT will enhance mobility within the City by making it easier to travel from downtown to shopping areas in the City's northern boundaries and from downtown to the residential and

## City of Fresno, California

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

shopping areas on the City's eastern boundary. The anticipated additional traffic generated by the BRT is expected to accelerate economic growth in the BRT corridors.

- Construction on the Southeast Surface Water Treatment Plant and associated infrastructure program is also scheduled for completion in Spring 2018. This project will have a material impact on the City's financial statements when completed in fiscal year 2018. The project will allow the City to make use of all the river water allotments it possesses, thereby reducing the drawdown of ground water that is currently used to meet Fresno's water needs.
- Both Ulta and Amazon will open Fresno fulfillment centers in 2018. The facilities are expected to initially employ about 2,500 full-time, with the potential to employ 4,500 full-time. These facilities are expected to generate property and sales tax for the City's use.

In spite of all the positive momentum for the City's finances, there are areas of concern that will need to be addressed in the upcoming fiscal years.

- As mentioned earlier, revenues in fiscal year 2017 set a new record for revenue received by the City. However, the type of revenue being received remains problematic for the long term financial health of the organization.

Revenues				
Category	FY 2016	FY 2017	Change (\$)	Change (%)
Charges for Services	\$ 359,887,552	\$ 388,950,301	\$ 29,062,749	8.1%
Operating Grants	\$ 63,204,771	\$ 62,202,812	\$ (1,001,959)	-1.6%
Capital Grants	\$ 75,969,520	\$ 92,162,231	\$ 16,192,711	21.3%
General Revenues	\$ 253,783,440	\$ 260,966,567	\$ 7,183,127	2.8%

As the table shows, the main drivers in the overall revenue growth were Charges for Services (primarily Water fees) and Capital Grants. Additionally, grant revenues (Operating and Capital Grants combined) still made up almost 19% of the City's revenues. Finally, the General Revenues (broadly speaking, those that can be used to pay for General Fund costs), rose only 3%. The continued reliance of grant revenues to fund operations and capital needs combined with the slower growth rate of General Revenues is likely to continue to affect the organization as it delivers services to the City's residents.

- At the Citywide level, liabilities increased by \$95.5 million (7.2%) from fiscal year 2016's figure of \$1,319.6 million. Most of the growth was in Long-term Liabilities Due in More than One Year. While revenue streams are currently sufficient to address these Long-term Liabilities, the City must continue to be vigilant about the growth of its Long-Term Liabilities.
- While the Emergency Reserve cash balance has grown, it is still woefully below where it should be for an organization of the City's size. As noted previously, the Emergency Reserve had a cash balance of \$23.8 million as of December 31, 2017. Given that an average payroll for the General Fund is about \$7.8 million every two weeks, the anticipated Emergency Reserve cash balance



## City of Fresno, California

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

represents a little over three General Fund payrolls. Thus, the need to continue to build the Emergency Reserve remains in spite of the progress that has been made thus far.

- The Net Pension Asset was first recorded as a standalone line item on the Statement of Net Position in the fiscal year 2015 CAFR. In that CAFR, the Net Pension Asset was \$326.7 million. Two fiscal years later, the Net Pension Asset was \$147.7 million. In other words, the Net Pension Asset has lost slightly more than half its value in just two fiscal years. This decrease shows the need for continued cognizance that salary and benefit increases, if not offset by investment returns, could turn this asset into a liability.
- Fresno Area Express (FAX) has lost almost half of its ridership in eight years, dropping from 18 million riders in fiscal year 2009 to 9.6 million in fiscal year 2017. The significant drop in ridership has shown itself in the Transit Fund's financial results; most specifically, unrestricted cash. The Transit Fund's unrestricted cash fell from \$6.5 million in fiscal year 2016 to \$95,397 in fiscal year 2017, FAX management has begun an assessment of the system's operations to determine the optimal level of bus service in the City. Management believes this assessment, along with the inauguration of BRT service, will improve the Transit Fund's financials. However, this situation bears watching over the next few fiscal years.
- The City has a large amount of deferred maintenance that needs to be addressed. As noted in the fiscal year 2015 CAFR, assessments of the City's Transit yard, the Municipal Service Center, and Camp Fresno, about \$12.5 million of repairs will be needed on these facilities within the next few years. A similar assessment of the City's parking garages revealed that \$9.8 million of work needed to be done on those facilities in the next ten years. A challenge going forward will be to find the funds and support of the governing body to address this deferred maintenance backlog.

While challenges remain, management believes that there are many more positive factors than challenges. Key among those factors is the commitment to the balanced approach of financial management that has been observed in the past few years. This balance includes: 1) restore services; 2) invest in deferred maintenance; 3) pay off debt; and 4) fund reserves for future economic downturns. Management believes that continued adherence to this approach will result in a continuation of the financial progress that has been made.

### Conclusion

Fiscal year 2017's results can be seen as another step forward for the City's finances. Assets, Net Position, and the Emergency Reserve all grew in a positive direction. The difficult decisions that were made during the Great Recession are bearing good financial results for the City. However, the continued reliance on grant revenues and the increase in liabilities show that the City still has issues to address in order to solidify its finances. Thus, while there is much to celebrate in fiscal year 2017's results, those results also show there is work left to do before the City's finances are wholly restored.

## City of Fresno, California

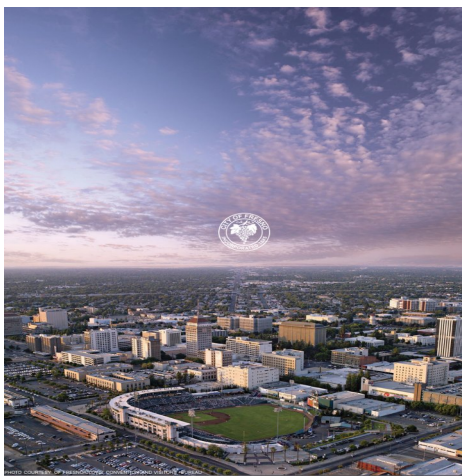
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

### REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact information for questions about this report or requests for additional financial information.

Documents can be made accessible in alternative ADA compliant formats upon request. To request documents in alternative ADA Compliant formats, contact Lilly Banuelos at [Lilly.Banuelos@fresno.gov](mailto:Lilly.Banuelos@fresno.gov) or [\(559\) 621-7071](tel:5596217071).

### CITY OF FRESNO



Office of the Controller/Finance Department

2600 Fresno Street, Room 2156  
Fresno, California 93721-3622

[www.fresno.gov](http://www.fresno.gov)

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS



**CITY OF FRESNO, CALIFORNIA**

Statement of Net Position

June 30, 2017

	Primary Government			Component Unit <sup>(1)</sup>
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties Corporation
<b>Assets</b>				
Cash and Investments	\$ 171,958,783	\$ 134,636,784	\$ 306,595,567	\$ 1,199,473
Receivables, Net	90,515,913	53,645,910	144,161,823	758,964
Internal Balances	25,036,888	(25,036,888)	—	—
Inventories	766,793	5,846,651	6,613,444	—
Prepays	24,599	552,917	577,516	—
Other Assets	1,570,057	2,136,899	3,706,956	—
Property Held for Resale	7,524,077	—	7,524,077	—
Restricted Cash	2,215,961	296,321,960	298,537,921	—
Restricted Interest Receivable	—	348,789	348,789	—
Loans, Notes, Leases and Other				
Receivables, Net	91,302,629	33,545,291	124,847,920	—
Net Pension Asset	126,305,973	21,347,304	147,653,277	—
Capital Assets:				
Land, Intangibles and Construction in Progress				
Not Being Depreciated	305,514,942	463,705,902	769,220,844	424,766
Facilities Infrastructure and Equipment				
Net of Accumulated Depreciation	644,676,839	1,139,643,451	1,784,320,290	11,042,555
Total Assets	1,467,413,454	2,126,694,970	3,594,108,424	13,425,758
<b>Deferred Outflows of Resources</b>				
Charge on Refunding	5,292,519	1,984,288	7,276,807	—
Pension Contributions	26,259,911	7,479,930	33,739,841	—
Deferred Outflows - Pension	141,106,282	30,376,717	171,482,999	—
Total Deferred Outflows of Resources	172,658,712	39,840,935	212,499,647	—
<b>Liabilities</b>				
Accrued Liabilities	17,491,165	48,245,392	65,736,557	—
Unearned Revenue	5,891,548	56,004,418	61,895,966	231,250
Deposits from Others	14,672	16,550,205	16,564,877	—
Other Liabilities	—	6,669,656	6,669,656	—
Long-term Liabilities:				
Due Within One Year	56,892,566	26,449,030	83,341,596	—
Due in More than One Year	490,203,778	690,671,767	1,180,875,545	13,194,508
Total Liabilities	570,493,729	844,590,468	1,415,084,197	13,425,758
<b>Deferred Inflows of Resources</b>				
Pension Revenue Applicable to Future Years	84,877,086	13,381,264	98,258,350	—
Total Deferred Inflows of Resources	84,877,086	13,381,264	98,258,350	—
<b>Net Position</b>				
Net Investment in Capital Assets	787,522,333	955,127,699	1,742,650,032	—
Restricted for:				
General Government	162,969	—	162,969	—
Public Protection	6,799,966	—	6,799,966	—
Public Ways and Facilities	57,846,227	—	57,846,227	—
Culture and Recreation	4,975,956	—	4,975,956	—
Community Development	99,141,616	—	99,141,616	—
Unrestricted	28,252,284	353,436,474	381,688,758	—
<b>Total Net Position</b>	<b>\$ 984,701,351</b>	<b>\$ 1,308,564,173</b>	<b>\$ 2,293,265,524</b>	<b>\$ —</b>

The notes to the financial statements are an integral part of this statement.

(1) Refer to Note 13 - City of Fresno Cultural Arts Properties Corporation.

# CITY OF FRESNO, CALIFORNIA

## Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General Government	\$ 44,157,145	\$ 46,742,360	\$ 490,685	\$ —
Public Protection	196,006,347	22,382,403	3,914,520	5,153,359
Public Ways and Facilities	72,983,720	21,910,510	14,081,513	32,377,353
Culture and Recreation	23,499,746	3,645,200	1,042,852	2,568,932
Community Development	28,912,576	23,495,758	5,486,412	4,486,152
Interest on Long-term Debt	18,658,438	—	—	—
<b>Total Governmental Activities</b>	<b>384,217,972</b>	<b>118,176,231</b>	<b>25,015,982</b>	<b>44,585,796</b>
<b>Business-Type Activities</b>				
Water System	63,753,258	101,894,846	1,189,164	3,513,839
Sewer System	64,124,147	83,634,711	—	2,855,787
Solid Waste Management	26,604,987	31,169,734	219,849	—
Transit	47,957,719	11,452,398	35,304,944	32,138,326
Airports	29,938,494	27,834,636	472,873	9,068,483
Fresno Convention Center	10,797,935	3,752,007	—	—
Community Sanitation	8,977,730	9,613,470	—	—
Parks and Recreation	409,959	339,957	—	—
Stadium	3,538,678	1,082,311	—	—
<b>Total Business-Type Activities</b>	<b>256,102,907</b>	<b>270,774,070</b>	<b>37,186,830</b>	<b>47,576,435</b>
<b>Total Primary Government</b>	<b>\$ 640,320,879</b>	<b>\$ 388,950,301</b>	<b>\$ 62,202,812</b>	<b>\$ 92,162,231</b>
<b>Component Unit</b>				
City of Fresno Cultural Arts Properties Corporation	\$ 638,965	\$ 500,000	\$ —	\$ —

General Revenues:

Taxes and Licenses:

Property Taxes

Sales Taxes - Shared Revenues

Franchise Taxes

Business Tax

Room Tax

Other Taxes

Investment Earnings

Gain on Sale of Capital Assets

Transfers:

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			City of Fresno
Governmental Activities	Business-Type Activities	Total	Cultural Arts Properties Corporation
\$ 3,075,900	\$ —	\$ 3,075,900	\$ —
(164,556,065)	—	(164,556,065)	—
(4,614,344)	—	(4,614,344)	—
(16,242,762)	—	(16,242,762)	—
4,555,746	—	4,555,746	—
(18,658,438)	—	(18,658,438)	—
(196,439,963)	—	(196,439,963)	—
—	42,844,591	42,844,591	—
—	22,366,351	22,366,351	—
—	4,784,596	4,784,596	—
—	30,937,949	30,937,949	—
—	7,437,498	7,437,498	—
—	(7,045,928)	(7,045,928)	—
—	635,740	635,740	—
—	(70,002)	(70,002)	—
—	(2,456,367)	(2,456,367)	—
—	99,434,428	99,434,428	—
\$ (196,439,963)	\$ 99,434,428	\$ (97,005,535)	\$ —
			(138,965)
\$ 638,965	\$ 500,000	\$ —	\$ —
123,857,831	—	123,857,831	—
86,128,159	—	86,128,159	—
14,334,761	—	14,334,761	—
19,101,205	—	19,101,205	—
13,127,600	—	13,127,600	—
2,347,668	—	2,347,668	—
1,214,774	640,565	1,855,339	3,608,548
214,004	—	214,004	—
(4,355,745)	4,355,745	—	—
255,970,257	4,996,310	260,966,567	3,608,548
59,530,294	104,430,738	163,961,032	3,469,583
925,171,057	1,204,133,435	2,129,304,492	(3,469,583)
\$ 984,701,351	\$ 1,308,564,173	\$ 2,293,265,524	\$ —

The notes to the financial statements are an integral part of this statement.



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# FUND FINANCIAL STATEMENTS



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# CITY OF FRESNO, CALIFORNIA

## Balance Sheet

### Governmental Funds

June 30, 2017

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Investments	\$ 31,867,371	\$ 2,869,986	\$ 74,246,390	\$ 108,983,747
Receivables, Net	14,063,161	—	512,081	14,575,242
Grants Receivable	315,777	8,835,221	41,868	9,192,866
Intergovernmental Receivables	35,151,301	—	5,586,359	40,737,660
Due From Other Funds	7,628,289	776,171	1,185,684	9,590,144
Advances to Other Funds, Net	18,416,581	19,928,140	62,208	38,406,929
Property Held for Resale	—	—	7,524,077	7,524,077
Restricted Cash	1,622,830	—	35,354	1,658,184
Loans, Notes, Leases, Other Receivables, Net	—	57,897,448	33,405,181	91,302,629
<b>Total Assets</b>	<b>\$ 109,065,310</b>	<b>\$ 90,306,966</b>	<b>\$ 122,599,202</b>	<b>\$ 321,971,478</b>
<b>Liabilities</b>				
Accrued Liabilities	\$ 6,073,926	\$ 3,017,856	\$ 2,669,584	\$ 11,761,366
Unearned Revenue	2,428,397	3,184,759	278,392	5,891,548
Due to Other Funds	1,390,649	5,801,075	1,757,010	8,948,734
Advances From Other Funds	317,174	—	12,752,708	13,069,882
Deposits From Others	10,672	—	4,000	14,672
<b>Total Liabilities</b>	<b>10,220,818</b>	<b>12,003,690</b>	<b>17,461,694</b>	<b>39,686,202</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue-Property Tax	8,845,531	—	—	8,845,531
Unavailable Revenue-Sales Tax	4,195,135	—	—	4,195,135
Unavailable Revenue-Other	14,606,796	7,656,423	593,239	22,856,458
<b>Total Deferred Inflows of Resources</b>	<b>27,647,462</b>	<b>7,656,423</b>	<b>593,239</b>	<b>35,897,124</b>
<b>Fund Balances</b>				
Nonspendable	18,416,581	—	—	18,416,581
Restricted	37,172	71,435,268	92,366,919	163,839,359
Committed	22,104,409	—	—	22,104,409
Assigned	3,890,016	—	12,177,350	16,067,366
Unassigned	26,748,852	(788,415)	—	25,960,437
<b>Total Fund Balances</b>	<b>71,197,030</b>	<b>70,646,853</b>	<b>104,544,269</b>	<b>246,388,152</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 109,065,310</b>	<b>\$ 90,306,966</b>	<b>\$ 122,599,202</b>	<b>\$ 321,971,478</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF FRESNO, CALIFORNIA**

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position

June 30, 2017

Fund balances - total governmental funds	\$ 246,388,152
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Those assets consist of:	
Land	\$ 250,648,609
Buildings and Improvements, net of \$138,491,257 accumulated depreciation	133,190,208
Machinery and Equipment, net of \$30,126,440 accumulated depreciation	14,733,300
Infrastructure, net of \$920,287,433 accumulated depreciation	465,447,313
Construction in Progress	<u>53,373,133</u>
Total Capital Assets	917,392,563
Some of the City's property taxes (\$8,845,531), sales tax (\$2,468,121), in-lieu sales tax (\$1,727,014), Measure C tax (\$551,371), grant revenue (\$7,976,896), franchise fee (\$2,427,992), fines and fees (\$8,167,609), and business license (\$3,732,590) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenue in the funds.	35,897,124
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(2,100,350)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds and Certificates of Participation	\$ (264,440,000)
Notes Payable	(3,015,535)
Capital Leases	(12,577,960)
Compensated Absences and Health Retirement Arrangement	(52,656,872)
Net OPEB Obligation	(58,307,071)
Retention Payable	<u>(278,984)</u>
Total Long-term Liabilities	(391,276,422)
Governmental funds report the effect of prepaid insurance, premium, original issue discount, and deferred inflows of resources on bond refunding charge when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and expensed over the life of the debt.	
Prepaid Insurance on Bonds	\$ 1,570,057
Deferred Inflows of Resources on Bond Refundings	5,292,519
Unamortized Premium	(12,097,925)
Unamortized Discount	<u>522</u>
Total	(5,234,827)
The net pension asset \$123,184,979 and pension related deferred outflows of resources \$161,198,489 and deferred inflows of resources (\$82,755,901) are not available resources for the current period and therefore are not reported in the governmental funds.	201,627,567
Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>(17,992,456)</u>
Net position of governmental activities	<u><u>\$ 984,701,351</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF FRESNO, CALIFORNIA**

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 266,810,740	\$ —	\$ 31,613,927	\$ 298,424,667
Licenses and Permits	7,291,365	—	—	7,291,365
Intergovernmental	3,952,644	32,042,310	2,775,149	38,770,103
Charges for Services	25,838,652	60	23,699,292	49,538,004
Fines	3,487,025	—	—	3,487,025
Use of Money and Property	748,676	—	536,444	1,285,120
Miscellaneous	9,392,179	25,285,642	1,769,889	36,447,710
Total Revenues	317,521,281	57,328,012	60,394,701	435,243,994
<b>Expenditures</b>				
Current:				
General Government	23,583,385	—	2,673,497	26,256,882
Public Protection	201,103,501	4,085,647	7,638,668	212,827,816
Public Ways and Facilities	9,504,239	5,739,700	27,185,722	42,429,661
Culture and Recreation	13,520,943	1,283,372	2,123,475	16,927,790
Community Development	20,125,051	8,208,073	1,026,847	29,359,971
Capital Outlay	4,507,814	14,169,354	11,312,771	29,989,939
Debt Service:				
Principal	1,808,931	—	17,387,194	19,196,125
Interest	292,495	—	17,487,092	17,779,587
Total Expenditures	274,446,359	33,486,146	86,835,266	394,767,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	43,074,922	23,841,866	(26,440,565)	40,476,223
<b>Other Financing Sources (Uses)</b>				
Transfers In	8,238,757	1,876,202	45,814,943	55,929,902
Transfers Out	(35,067,909)	(3,391,659)	(20,595,536)	(59,055,104)
Discount on Debt Issued	—	—	834,938	834,938
Issuance of Refunding Bonds	—	—	108,903,080	108,903,080
Payment to Refund Bonds Escrow Agent	—	—	(128,621,357)	(128,621,357)
Premium on Debt Issued	—	—	11,528,486	11,528,486
Capital Lease Financing	4,126,345	—	—	4,126,345
Sale of Capital Assets	1,894,081	—	151,632	2,045,713
Total Other Financing Sources (Uses)	(20,808,726)	(1,515,457)	18,016,186	(4,307,997)
Net Changes in Fund Balances	22,266,196	22,326,409	(8,424,379)	36,168,226
Fund Balances - Beginning	48,930,834	48,320,444	112,968,648	210,219,926
Fund Balances - Ending	\$ 71,197,030	\$ 70,646,853	\$ 104,544,269	\$ 246,388,152

The notes to the financial statements are an integral part of this statement.

## CITY OF FRESNO, CALIFORNIA

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

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Net change in fund balances - total governmental funds	\$ 36,168,226
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$35,500,989 were exceeded by depreciation of \$44,607,239 and disposals of \$20,073 in the current period.

(9,126,323)

Some expenses, retention payable, and Net OPEB Obligation reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

(3,913,031)

In the statement of net position, acquiring debt increases Long-term Liabilities and does not affect the statement of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net position.

Principal Payments to Bond, Certificate and Note Holders	\$ 19,196,124	
Bonds and Refunding Bonds Payable	7,354,853	
Capital Lease Financing	<u>(4,126,345)</u>	
		22,424,632

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Compensated Absences and Health Retirement Arrangement	\$ (2,077,640)	
Additions and Amortization of Debt Premium and Discount	(645,685)	
Amortization of Deferred Outflows of Resources on Bond Refunding	(86,979)	
Interest Due on Refunded Bonds	(1,133,624)	
Accrued Interest on Bonds, Certificates, and Notes	<u>1,197,330</u>	
		(2,746,598)

Changes to the net pension asset and pension related deferred outflows and inflows of resources do not provide current financial resources and therefore are not reported in the governmental funds.

32,143,374

Revenues recognized in the statement of activities in previous years and recognized in the governmental fund statements in the current year were less than revenues recognized in the statement of activities in the current year but not reported in the governmental funds as they do not provide current financial resources.

(10,740,553)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities in the statement of activities.

(4,679,433)

Change in net position of governmental activities	<u>\$ 59,530,294</u>
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The notes to the financial statements are an integral part of this statement.



# CITY OF FRESNO, CALIFORNIA

## Statement of Net Position

### Proprietary Funds

June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ 30,036,978	\$ 41,695,353	\$ 31,856,459	\$ 95,397
Interest Receivable	361,873	403,212	155,067	118,824
Accounts Receivables, Net	16,256,008	11,036,364	4,507,431	642,479
Grants Receivable	—	—	—	9,278,079
Inventories	1,636,688	3,336,627	—	798,830
Prepays	46,388	—	7,130	—
Intergovernmental Receivables	—	1,528,907	—	2,549,894
Due from Other Funds	9,042	61,828	—	—
Restricted Cash	—	—	—	—
<b>Total Current Assets</b>	<b>48,346,977</b>	<b>58,062,291</b>	<b>36,526,087</b>	<b>13,483,503</b>
Noncurrent Assets:				
Restricted:				
Cash and Investments	48,570,201	188,138,249	1,785,090	23,941,888
Interest Receivable	74,384	274,405	—	—
<b>Total Restricted Assets</b>	<b>48,644,585</b>	<b>188,412,654</b>	<b>1,785,090</b>	<b>23,941,888</b>
Other Assets:				
Other Receivables	1,226,992	8,326,708	—	—
Other Assets	17,836	1,249,813	—	4,724
Net Pension Asset	4,969,779	4,378,258	3,040,059	6,043,162
Unamortized CVP Water Settlement	9,131,216	—	—	—
Solid Waste Rate Payers	—	—	14,860,375	—
Advances to Other Funds, Net	—	317,174	—	—
<b>Total Other Assets</b>	<b>15,345,823</b>	<b>14,271,953</b>	<b>17,900,434</b>	<b>6,047,886</b>
Capital Assets:				
Land and Intangibles	30,207,265	17,512,812	849,137	1,477,909
Buildings, Systems and Improvements	47,789,041	523,282,810	1,801,459	23,518,962
Machinery and Equipment	2,594,184	11,922,857	6,541,104	70,994,885
Infrastructure	494,653,900	276,494,139	—	—
Construction in Progress	249,042,150	94,332,313	—	39,551,486
Less Accumulated Depreciation	(204,627,127)	(265,041,769)	(1,772,686)	(56,454,889)
<b>Total Capital Assets, Net</b>	<b>619,659,413</b>	<b>658,503,162</b>	<b>7,419,014</b>	<b>79,088,353</b>
<b>Total Noncurrent Assets</b>	<b>683,649,821</b>	<b>861,187,769</b>	<b>27,104,538</b>	<b>109,078,127</b>
<b>Total Assets</b>	<b>731,996,798</b>	<b>919,250,060</b>	<b>63,630,625</b>	<b>122,561,630</b>
<b>Deferred Outflows of Resources</b>				
Charge on Refunding	634,814	915,102	—	—
Pension Contributions	1,396,163	1,342,082	942,281	2,292,342
Deferred Outflows - Pension	5,304,431	5,210,756	3,658,948	9,584,810
<b>Total Deferred Outflows of Resources</b>	<b>7,335,408</b>	<b>7,467,940</b>	<b>4,601,229</b>	<b>11,877,152</b>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 19,945,993	\$ 1,099,834	\$ 43,043	\$ 6,325,589	\$ 131,098,646	\$ 66,513,174
167,231	2,881	6,633	39,214	1,254,935	370,729
1,488,304	341,300	2,161,458	1,343,286	37,776,630	836,801
264,935	—	—	—	9,543,014	—
20,000	54,506	—	—	5,846,651	766,793
432,905	61,346	—	530	548,299	29,217
139,870	—	—	—	4,218,671	—
—	—	—	14,550	85,420	2,703,478
2,955,297	1,980,936	—	—	4,936,233	—
25,414,535	3,540,803	2,211,134	7,723,169	195,308,499	71,220,192
20,290,559	1,377,943	2,393,142	—	286,497,072	5,446,432
—	—	—	—	348,789	—
20,290,559	1,377,943	2,393,142	—	286,845,861	5,446,432
—	—	—	—	9,553,700	—
301,565	247,197	297,274	18,490	2,136,899	—
1,439,615	—	—	786,673	20,657,546	3,810,753
—	—	—	—	9,131,216	—
—	—	—	—	14,860,375	—
—	—	—	—	317,174	—
1,741,180	247,197	297,274	805,163	56,656,910	3,810,753
10,074,567	4,765,946	710,000	11,508	65,609,144	—
196,862,253	85,492,607	39,151,537	4,599,404	922,498,073	7,688,733
5,943,342	431,728	1,599,193	226,544	100,253,837	113,038,761
66,799,644	—	—	—	837,947,683	—
14,609,605	561,205	—	—	398,096,759	1,493,200
(113,235,015)	(62,320,257)	(15,152,922)	(2,451,478)	(721,056,143)	(89,421,476)
181,054,396	28,931,229	26,307,808	2,385,978	1,603,349,353	32,799,218
203,086,135	30,556,369	28,998,224	3,191,141	1,946,852,124	42,056,403
228,500,670	34,097,172	31,209,358	10,914,310	2,142,160,623	113,276,595
21,104	291,339	42,693	79,236	1,984,288	—
629,502	—	—	312,207	6,914,577	1,785,493
2,830,817	—	—	1,253,947	27,843,709	7,480,572
3,481,423	291,339	42,693	1,645,390	36,742,574	9,266,065

The notes to the financial statements are an integral part of this statement.

**CITY OF FRESNO, CALIFORNIA**

Statement of Net Position

Proprietary Funds

June 30, 2017 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Liabilities</b>				
Current Liabilities:				
Accrued Liabilities	\$ 25,460,347	\$ 8,929,365	\$ 1,002,091	\$ 7,135,972
Accrued Compensated Absences and HRA	237,594	262,290	242,226	428,363
Liability for Self-Insurance	—	—	—	—
Unearned Revenue	7,421,547	21,850,298	333,367	25,631,178
Due to Other Funds	196,559	202,256	455,066	72,392
Bonds Payable	5,465,000	9,590,000	—	—
Capital Lease Obligations	—	—	—	—
Notes Payable	2,714,820	—	—	—
<b>Total Current Liabilities</b>	<b>41,495,867</b>	<b>40,834,209</b>	<b>2,032,750</b>	<b>33,267,905</b>
Noncurrent Liabilities				
Accrued Compensated Absences and HRA	2,123,267	1,504,679	1,113,902	2,355,417
Capital Lease Obligations	—	—	—	—
Liability for Self-Insurance	—	—	—	—
Bonds Payable	131,104,218	179,544,453	—	—
Accreted Interest Payable on Capital				
Appreciation Bonds	—	—	—	—
Notes Payable	161,689,465	44,134,390	—	—
CVP Litigation Settlement	8,436,323	—	—	—
Pollution Remediation Obligation	—	—	—	—
Other Liabilities	—	6,669,656	—	—
Accrued Closure Costs	—	—	15,438,053	—
Net OPEB Obligation	3,924,260	3,702,643	3,724,043	9,433,239
Deposits Held for Others	1,064,500	8,103,865	—	—
<b>Total Noncurrent Liabilities</b>	<b>308,342,033</b>	<b>243,659,686</b>	<b>20,275,998</b>	<b>11,788,656</b>
<b>Total Liabilities</b>	<b>349,837,900</b>	<b>284,493,895</b>	<b>22,308,748</b>	<b>45,056,561</b>
<b>Deferred Inflows of Resources</b>				
Unamortized Pension Expense	2,491,246	2,380,053	1,666,549	4,113,771
<b>Total Deferred Inflows of Resources</b>	<b>2,491,246</b>	<b>2,380,053</b>	<b>1,666,549</b>	<b>4,113,771</b>
<b>Net Position</b>				
Net Investment in Capital Assets	319,320,725	427,095,622	7,419,014	79,088,354
Unrestricted (Deficit)	67,682,335	212,748,430	36,837,543	6,180,096
<b>Total Net Position (Deficit)</b>	<b>\$ 387,003,060</b>	<b>\$ 639,844,052</b>	<b>\$ 44,256,557</b>	<b>\$ 85,268,450</b>

The notes to the financial statements are an integral part of this statement.

**Business-Type Activities - Enterprise Funds**

Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds
\$ 2,872,489	\$ 1,225,694	\$ 223,421	\$ 182,947	\$ 47,032,326	\$ 4,563,531
201,306	17,017	—	32,792	1,421,588	461,695
—	—	—	—	—	28,613,817
—	44,758	—	—	55,281,148	723,270
23,218	440	—	206,617	1,156,548	2,272,706
1,635,000	2,189,283	1,355,000	60,000	20,294,283	—
—	—	—	—	—	2,630,636
—	49,708	—	—	2,764,528	—
<u>4,732,013</u>	<u>3,526,900</u>	<u>1,578,421</u>	<u>482,356</u>	<u>127,950,421</u>	<u>39,265,655</u>
1,156,535	83,298	—	452,601	8,789,699	3,280,688
—	—	—	—	—	5,675,433
—	—	—	—	—	100,521,051
49,872,774	29,743,739	30,205,773	1,848,230	422,319,187	—
—	4,089,945	—	—	4,089,945	—
—	267,245	—	—	206,091,100	—
—	—	—	—	8,436,323	—
630,056	—	—	—	630,056	—
—	—	—	—	6,669,656	—
—	—	—	—	15,438,053	—
1,773,441	11,388	198	1,015,098	23,584,310	6,079,908
396,885	2,044,466	—	—	11,609,716	4,940,489
<u>53,829,691</u>	<u>36,240,081</u>	<u>30,205,971</u>	<u>3,315,929</u>	<u>707,658,045</u>	<u>120,497,569</u>
58,561,704	39,766,981	31,784,392	3,798,285	835,608,466	159,763,224
1,227,558	—	—	536,812	12,415,989	3,086,461
<u>1,227,558</u>	<u>—</u>	<u>—</u>	<u>536,812</u>	<u>12,415,989</u>	<u>3,086,461</u>
129,567,726	(2,710,454)	(5,210,272)	556,984	955,127,699	24,493,149
42,625,105	(2,668,016)	4,677,931	7,667,619	375,751,043	(64,800,174)
<u>\$ 172,192,831</u>	<u>\$ (5,378,470)</u>	<u>\$ (532,341)</u>	<u>\$ 8,224,603</u>	<u>\$ 1,330,878,742</u>	<u>\$ (40,307,025)</u>

Some amounts reported for Business-Type Activities in the Statement of Net Position are different due to certain Internal Service Fund assets and liabilities being included with Business-Type Activities.

(22,314,569)

Net position of Business-Type Activities

\$ 1,308,564,173

The notes to the financial statements are an integral part of this statement.

**CITY OF FRESNO, CALIFORNIA**

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Operating Revenues:</b>				
Charges for Services	\$ 101,894,846	\$ 83,634,711	\$ 31,169,734	\$ 11,452,398
<b>Operating Expenses:</b>				
Cost of Services	34,854,943	26,233,033	16,823,150	32,075,092
Administration	12,345,860	11,825,272	8,897,306	11,385,719
Depreciation	16,879,515	23,359,990	611,406	4,037,979
Total Operating Expenses	64,080,318	61,418,295	26,331,862	47,498,790
Operating Income (Loss)	37,814,528	22,216,416	4,837,872	(36,046,392)
<b>Non-Operating Revenue (Expenses):</b>				
Operating Grants	1,189,164	—	219,849	35,304,944
Interest Income	16,508	491,672	34,886	(129,389)
Interest Expense	(651,636)	(3,772,551)	—	—
Passenger Facility Charges	—	—	—	—
Customer Facility Charges	—	—	—	—
Gain (Loss) on Disposal of Capital Assets	25,400	298,550	57,603	(13,565)
Total Non-Operating Revenue (Expenses)	579,436	(2,982,329)	312,338	35,161,990
Income (Loss) Before Contributions and Transfers	38,393,964	19,234,087	5,150,210	(884,402)
Capital Contributions	3,513,839	2,855,787	—	32,138,326
Transfers In	—	—	1,655,571	—
Transfers Out	(480,590)	(421,801)	(1,096,222)	(1,426,577)
Change in Net Position	41,427,213	21,668,073	5,709,559	29,827,347
Total Net Position (Deficit) - Beginning	345,575,847	618,175,979	38,546,998	55,441,103
Total Net Position (Deficit) - Ending	\$ 387,003,060	\$ 639,844,052	\$ 44,256,557	\$ 85,268,450

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 22,513,635	\$ 3,752,007	\$ 1,082,311	\$ 9,953,427	\$ 265,453,069	\$ 143,254,252
11,681,555	4,048,013	28,430	4,814,269	130,558,485	117,156,130
5,341,585	881,417	195,395	4,011,064	54,883,618	24,078,771
10,249,952	3,509,723	1,057,911	190,193	59,896,669	5,292,580
27,273,092	8,439,153	1,281,736	9,015,526	245,338,772	146,527,481
(4,759,457)	(4,687,146)	(199,425)	937,901	20,114,297	(3,273,229)
472,873	—	—	—	37,186,830	—
81,021	42,033	608	28,749	566,088	347,850
(2,479,197)	(2,358,782)	(2,256,942)	(129,679)	(11,648,787)	(209,893)
3,164,158	—	—	—	3,164,158	—
2,156,843	—	—	—	2,156,843	—
—	—	—	—	367,988	277,523
3,395,698	(2,316,749)	(2,256,334)	(100,930)	31,793,120	415,480
(1,363,759)	(7,003,895)	(2,455,759)	836,971	51,907,417	(2,857,749)
9,068,483	—	—	—	47,576,435	—
9	6,233,741	2,245,422	57,246	10,191,989	440,000
(281,097)	—	(5,740)	(1,597,669)	(5,309,696)	(2,197,091)
7,423,636	(770,154)	(216,077)	(703,452)	104,366,145	(4,614,840)
164,769,195	(4,608,316)	(316,264)	8,928,055		(35,692,185)
<u>\$ 172,192,831</u>	<u>\$ (5,378,470)</u>	<u>\$ (532,341)</u>	<u>\$ 8,224,603</u>		<u>\$ (40,307,025)</u>

Some amounts reported for Business-Type Activities in the Statement of Activities are different due to the net revenue (expenses) of certain Internal Service Funds being reported with Business-Type Activities.

	64,593
Change in net position of Business-Type Activities	<u>\$ 104,430,738</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF FRESNO, CALIFORNIA**

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 95,165,559	\$ 80,604,893	\$ 34,321,038	\$ 8,869,195
Cash Received from Interfund Services Provided	—	—	26,296	53,575
Cash Payments to Suppliers for Services	(39,066,012)	(20,054,875)	(5,063,087)	(9,599,148)
Cash Paid for Interfund Services Used	(9,392,263)	(8,522,609)	(10,720,857)	(7,238,319)
Cash Payments to Employees for Services	(13,682,575)	(13,625,588)	(15,349,085)	(28,799,059)
Cash Payments for Claims and Refunds	—	—	—	—
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>33,024,709</b>	<b>38,401,821</b>	<b>3,214,305</b>	<b>(36,713,756)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital Contributions	3,586,659	2,277,982	—	30,631,469
Passenger and Customer Facility Charges	—	—	—	—
Interest Payments on Capital Debt	(9,526,812)	(9,827,572)	—	—
Proceeds from Issuance of Capital Debt	109,356,320	20,336,822	—	—
Payment for Cost of Issuance	—	—	—	—
Principal Payments on Capital Debt-Bonds	(5,205,000)	(9,110,000)	—	—
Retirement of Debt	—	—	—	—
Principal payments on Capital Debt-Notes	(2,711,563)	(962,666)	—	—
Principal Payments on Capital Lease Obligations	—	—	—	—
Proceeds from Sale of Capital Assets	25,400	340,238	57,603	(1)
Acquisition and Construction of Capital Assets	(151,537,360)	(28,600,166)	—	(42,324,644)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(56,012,356)</b>	<b>(25,545,362)</b>	<b>57,603</b>	<b>(11,693,176)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating Grants	1,189,163	—	274,614	25,927,956
Borrowing Receipt from Other Funds	—	—	—	—
Borrowing (Payment to) Other Funds	—	—	—	—
Transfers In	—	—	1,655,570	—
Transfers Out	(480,590)	(421,801)	(1,096,222)	(1,426,577)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<b>708,573</b>	<b>(421,801)</b>	<b>833,962</b>	<b>24,501,379</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	75,205	631,480	8,515	(88,373)
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>75,205</b>	<b>631,480</b>	<b>8,515</b>	<b>(88,373)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(22,203,869)</b>	<b>13,066,138</b>	<b>4,114,385</b>	<b>(23,993,926)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>100,811,048</b>	<b>203,020,120</b>	<b>29,527,164</b>	<b>48,031,211</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 78,607,179</b>	<b>\$ 216,086,258</b>	<b>\$ 33,641,549</b>	<b>\$ 24,037,285</b>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds

Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds
\$ 22,453,381	\$ 2,699,549	\$ 320,006	\$ 10,934,476	\$ 255,368,097	\$ 48,806,773
21,947	—	—	—	101,818	121,089,071
(9,514,875)	(2,951,976)	(188,022)	(2,564,378)	(89,002,373)	(34,586,262)
(2,608,603)	(35)	(91)	(2,564,756)	(41,047,533)	(5,169,277)
(7,310,236)	(2,048,724)	(10,668)	(5,119,617)	(85,945,552)	(25,121,055)
—	—	—	—	—	(90,499,624)
3,041,614	(2,301,186)	121,225	685,725	39,474,457	14,519,626
9,068,483	—	—	—	45,564,593	—
5,479,572	—	—	—	5,479,572	—
(2,690,507)	(2,798,009)	(2,206,178)	(136,720)	(27,185,798)	(226,305)
—	18,489,625	15,615,086	1,769,030	165,566,883	—
—	198,284	56,649	25,696	280,629	—
(1,540,000)	(3,161,892)	(1,410,000)	(60,000)	(20,486,892)	—
—	(19,600,000)	(15,800,000)	(1,970,000)	(37,370,000)	—
—	(32,209)	—	—	(3,706,438)	—
—	—	—	—	—	(2,046,059)
—	—	—	—	423,240	277,523
(11,234,749)	(127,959)	—	—	(233,824,878)	(5,025,148)
(917,201)	(7,032,160)	(3,744,443)	(371,994)	(105,259,089)	(7,019,989)
2,253,233	—	—	—	29,644,966	—
736,700	—	—	—	736,700	758,004
(736,811)	—	—	—	(736,811)	735,016
9	6,233,741	2,245,422	57,246	10,191,988	440,001
(281,097)	—	(5,740)	(1,597,667)	(5,309,694)	(2,197,091)
1,972,034	6,233,741	2,239,682	(1,540,421)	34,527,149	(264,070)
23,762	39,153	1,583	23,306	714,631	317,719
23,762	39,153	1,583	23,306	714,630	317,719
4,120,209	(3,060,452)	(1,381,953)	(1,203,384)	(30,542,853)	7,553,286
39,071,640	7,519,165	3,818,138	7,528,973	439,327,459	64,406,320
\$ 43,191,849	\$ 4,458,713	\$ 2,436,185	\$ 6,325,589	\$ 408,784,606	\$ 71,959,606

(Continued)

The notes to the financial statements are an integral part of this statement.



# CITY OF FRESNO, CALIFORNIA

## Statement of Cash Flows

### Proprietary Funds

Year Ended June 30, 2017 (Continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating income (loss)	\$ 37,814,528	\$ 22,216,416	\$ 4,837,872	\$ (36,046,392)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	16,879,515	23,359,990	611,406	4,037,979
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(5,098,914)	(1,589,956)	(66,486)	(394,156)
Decrease (increase) in other receivables	(28,368)	769,645	917,426	—
Decrease (increase) in due from other funds	—	(61,828)	12,737	—
Decrease (increase) in due from other governments	—	(813,754)	—	(4,445,859)
Decrease (increase) in material and supplies inventory	(29,321)	30,221	—	(17,732)
Decrease (increase) in prepaid items	3,206	4,967	(1,197)	(4,723)
Decrease (increase) in net pension asset and deferred outflows pensions	(471,387)	(574,100)	(408,521)	(1,567,631)
Decrease (increase) in advances to other funds	—	15,103	—	—
Decrease (increase) in prepaid insurance	5,946	33,561	—	—
(Decrease) increase in accounts payable	3,937,031	(1,871,282)	237,205	(154,681)
(Decrease) increase in salaries payable	(261,042)	(450,555)	(167,373)	(497,191)
(Decrease) increase in due to other funds	(68,694)	(115,673)	(483,139)	(58,498)
(Decrease) increase in other liabilities	—	(884,656)	—	—
(Decrease) increase in retention payable	(17,732,841)	—	—	56,578
(Decrease) increase in accrued closure costs	—	—	(1,175,236)	—
(Decrease) increase in unearned revenue	—	—	—	4,048,201
(Decrease) increase in liability for self-insurance	—	—	—	—
(Decrease) increase in deposits	—	—	—	—
(Decrease) increase in pollution remediation liability	—	—	—	—
(Decrease) increase in OPEB obligation	375,965	335,054	295,257	729,652
(Decrease) increase in deferred inflows of resources pensions	(2,300,915)	(2,001,332)	(1,395,646)	(2,399,303)
<b>Net Cash Provided by (Used For) Operating Activities</b>	<b>\$ 33,024,709</b>	<b>\$ 38,401,821</b>	<b>\$ 3,214,305</b>	<b>\$ (36,713,756)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>				
Cash and Investments:				
Unrestricted	\$ 30,036,978	\$ 41,695,353	\$ 31,856,459	\$ 95,397
Restricted - Current and Noncurrent	48,570,201	188,138,249	1,785,090	23,941,888
Total cash and investments	78,607,179	229,833,602	33,641,549	24,037,285
Less: Non-cash equivalents	—	13,747,344	—	—
<b>Cash and Cash Equivalents at End of Year on Statement of Cash Flows</b>	<b>\$ 78,607,179</b>	<b>\$ 216,086,258</b>	<b>\$ 33,641,549</b>	<b>\$ 24,037,285</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Acquisition and construction of capital assets on accounts payable	\$ 19,620,781	\$ 3,931,681	\$ —	\$ 5,300,289
Amortization of bond premium, discount and loss on refunding	(374,305)	(191,171)	—	—
Borrowing under capital lease	—	—	—	—
Decrease (increase) in fair value of investments	479,266	(553,595)	253,604	155,705
Developer and other capital contributions	—	—	—	—
Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable	2,390,899	—	—	—

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds

Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ (4,759,457)	\$ (4,687,146)	\$ (199,425)	\$ 937,899	\$ 20,114,295	\$ (3,273,229)
10,249,952	3,509,723	1,057,911	190,193	59,896,669	5,292,580
(387,533)	(162,409)	(762,305)	(2,339)	(8,464,098)	(761,002)
—	—	—	—	1,658,703	—
804,291	—	—	(14,550)	740,650	551,464
(37,800)	—	—	—	(5,297,413)	—
—	12,028	—	—	(4,804)	(22,486)
(26,027)	13,712	—	—	(10,062)	—
(548,633)	—	—	(191,445)	(3,761,717)	(1,366,357)
—	—	—	—	15,103	—
17,994	27,097	26,480	1,261	112,339	—
(1,709,885)	(47,920)	(1,820)	51,739	440,387	(189,151)
(220,750)	(61,993)	186	(8,206)	(1,666,924)	6,208
(33,924)	(2,250)	—	(11,968)	(774,146)	(133)
—	—	—	—	(884,656)	—
—	—	—	—	(17,676,263)	—
—	—	—	—	(1,175,236)	—
—	(45,683)	—	—	4,002,518	26,358
—	—	—	—	—	15,360,977
39,505	(856,394)	—	—	(816,889)	35,701
(74,745)	—	—	—	(74,745)	—
157,597	49	198	97,945	1,991,717	473,882
(428,971)	—	—	(364,802)	(8,890,969)	(1,615,186)
<u>\$ 3,041,614</u>	<u>\$ (2,301,186)</u>	<u>\$ 121,225</u>	<u>\$ 685,727</u>	<u>\$ 39,474,459</u>	<u>\$ 14,519,626</u>

\$ 19,945,993	\$ 1,099,834	\$ 43,043	\$ 6,325,589	\$ 131,098,646	\$ 66,513,174
23,245,856	3,358,879	2,393,142	—	291,433,305	5,446,432
43,191,849	4,458,713	2,436,185	6,325,589	422,531,951	71,959,606
—	—	—	—	(13,747,344)	—
<u>\$ 43,191,849</u>	<u>\$ 4,458,713</u>	<u>\$ 2,436,185</u>	<u>\$ 6,325,589</u>	<u>\$ 408,784,607</u>	<u>\$ 71,959,606</u>

\$ 279,444	\$ —	\$ —	\$ —	\$ 29,132,195	\$ 53,681
(49,928)	33,840	(4,899)	1,383	(585,080)	—
—	—	—	—	—	3,351,080
227,701	—	38,102	47,470	648,253	86,927
—	—	—	—	—	—
—	—	—	—	2,390,899	—

The notes to the financial statements are an integral part of this statement.

**CITY OF FRESNO, CALIFORNIA**  
Statement of Fiduciary Net Position  
Fiduciary Funds - Trust and Agency Funds  
June 30, 2017

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
<b>Assets</b>			
Cash and Investments	\$ 4,550,305	\$ 10,126,722	\$ 7,633,384
Restricted Cash and Investments Held by Fiscal Agent	—	1,833,558	565,206
Total Cash and Investments	<u>4,550,305</u>	<u>11,960,280</u>	<u>8,198,590</u>
Receivables:			
Receivables for Investments Sold	3,578,938	—	—
Interest and Dividends Receivable	8,086,128	—	12,362
Other Receivables	2,619,461	46,485	—
Due from Other Governments	—	—	765,747
Total Receivables	<u>14,284,527</u>	<u>46,485</u>	<u>778,109</u>
Investments, at Fair Value:			
Short-Term Investments	53,877,767	—	—
Domestic Equity	1,069,515,570	—	—
Corporate Bonds	281,921,472	—	—
International Developed Market Equities	486,586,285	—	—
International Emerging Market Equities	94,457,979	—	—
Government Bonds	332,000,006	—	—
Direct Lending	96,572,144	—	—
Real Estate	371,443,258	—	—
Total Investments	<u>2,786,374,481</u>	<u>—</u>	<u>—</u>
Collateral Held for Securities Lent	232,049,786	—	—
Capital Assets, Net of Accumulated Depreciation	2,202,510	—	—
Other Assets	—	4,589	—
Prepaid Expense	420	—	—
Property Held for Resale	—	3,059,771	—
Total Assets	<u>3,039,462,029</u>	<u>15,071,125</u>	<u>8,976,699</u>
<b>Deferred Outflows of Resources</b>			
Charge on Refunding	—	33,645	—
Pension Contributions	—	77,837	—
Total Deferred Outflows of Resources	<u>—</u>	<u>111,482</u>	<u>—</u>
<b>Liabilities</b>			
Accrued Liabilities	19,763,805	129,558	411,593
Collateral Held for Securities Lent	232,049,786	—	—
Due To Other Funds	—	—	1,054
Deposits Held for Others	—	—	8,564,052
Other Liabilities	3,983,914	8,683	—
Long-Term Debt:			
Due Within One Year	—	1,215,351	—
Due in More than One Year	—	3,889,460	—
Due To Other Funds (City of Fresno)	—	25,654,221	—
Net Pension Liability	—	400,742	—
Total Liabilities	<u>255,797,505</u>	<u>31,298,015</u>	<u>8,976,699</u>
<b>Deferred Inflows of Resources</b>			
Unamortized Pension Expense	—	85,011	—
<b>Net Position</b>			
Restricted for Pension Benefits	2,783,664,524	—	—
Held in Trust for Redevelopment Dissolution	—	(16,200,419)	—
Total Net Position	<u>\$ 2,783,664,524</u>	<u>\$ (16,200,419)</u>	<u>\$ —</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF FRESNO, CALIFORNIA

## Statement of Changes in Fiduciary Net Position

### Fiduciary Funds - Trust Funds

Year Ended June 30, 2017

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 33,748,668	\$ —
System Members	18,349,608	—
Total Contributions	<u>52,098,276</u>	<u>—</u>
Investment Income:		
Net Appreciation in Value of Investments	322,362,021	—
Interest	26,502,097	48,791
Dividends	20,396,453	—
Other Investment Related	107,066	—
Total Investment Income	<u>369,367,637</u>	<u>48,791</u>
Less Investment Expense	<u>(15,621,022)</u>	<u>—</u>
Total Net Investment Income	<u>353,746,615</u>	<u>48,791</u>
Securities Lending Income:		
Securities Lending Earnings	2,080,604	—
Less Securities Lending Expense	<u>(1,133,356)</u>	<u>—</u>
Net Securities Lending Income	<u>947,248</u>	<u>—</u>
Property Taxes	—	5,671,473
Other Income	—	2,307,181
Total Additions	<u>406,792,139</u>	<u>8,027,445</u>
<b>Deductions</b>		
Benefit Payments	113,099,153	—
Refund of Contributions	1,723,690	—
Redevelopment Expenses	—	411,896
General and Administrative Expenses	2,892,431	359,111
Enforceable Obligations	—	30,615,395
Remittances to County	—	5,903,517
Interest on Debt	—	265,700
Total Deductions	<u>117,715,274</u>	<u>37,555,619</u>
Change in Net Position	289,076,865	(29,528,174)
Net Position - Beginning	<u>2,494,587,659</u>	<u>13,327,755</u>
Net Position - Ending	<u>\$ 2,783,664,524</u>	<u>\$ (16,200,419)</u>

The notes to the financial statements are an integral part of this statement.

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PHOTO COURTESY OF Downtown Fresno Partnership

## NOTES TO FINANCIAL STATEMENTS

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## **City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### **Note 1. Summary of Significant Accounting Policies**

The financial statements of the City of Fresno (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the City are described below.

#### **A. Reporting Entity**

The City is a political subdivision chartered by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under its own Charter and is governed by a directly elected strong Mayor and a seven-member City Council (Council). The City Manager serves as the head of the administrative branch of the City and is appointed by the Mayor.

As required by GAAP, these basic financial statements present the financial status of the City (the primary government) and its component units (entities for which the City is considered to be financially accountable). The blended component units, although legally separate entities, are substantially part of the City's operations. Thus, data from these units are combined with data of the primary government.

A discretely presented component is not blended with the primary government, but rather is presented in separate columns. This presentation is due to the discretely presented component unit being legally separate from the City, as well as not providing its services exclusively or almost exclusively to the primary government.

As a government agency, the City is exempt from both federal income taxes and state franchise taxes.

#### **B. Government-Wide and Fund Financial Statements**

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the clearly identifiable direct expenses of a given function or segment is offset by program revenues. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (though the latter are excluded from the Government-Wide Financial Statements). Major individual governmental funds and major individual enterprise funds are reported by separate columns in the Fund Financial Statements.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Government-Wide, Proprietary Fund, and Trust Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal, ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency Fund Financial Statements report only assets and liabilities. They use the accrual basis of accounting to recognize receivables and payables.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues, local taxes, licenses, interest, and other intergovernmental revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash. Expenditures generally are recorded when a liability is incurred. However, debt service, vacation, sick leave, claims and judgments expenditures are recorded only when payment is due.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

The City reports on the following major governmental funds, enterprise funds, proprietary funds, and fiduciary funds:

#### 1. Major Governmental Funds

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

**Grants Special Revenue Fund** accounts for grants received from federal, state, and other agencies, which are to be used for various purposes identified within the confines of the individual grant.

#### 2. Major Proprietary (Enterprise) Funds

**Water System Fund** accounts for the construction, operation, and maintenance of the City's water distribution system. Revenues are derived from water service fees and various installation charges.

**Sewer System Fund** accounts for the construction, operation, and maintenance of the City's sewer system. Revenues are derived from sewer service fees and various installation charges.

**Solid Waste Management Fund** accounts for the operations of the City's residential solid waste disposal service. Revenues are primarily derived from solid waste service fees.

**Transit Fund** accounts for the operation and maintenance of the City's mass transportation service. Primary revenue sources are rider fares, federal grants, and state operating grants.

**Airports Fund** accounts for the City's two airport operations. Revenues are primarily derived from fees and rents.

**Fresno Convention Center Fund** accounts for the operation and maintenance of the City's convention center. Revenues are primarily derived from fees charged for using the facilities, supplemented by General Fund support.

**Stadium Fund** accounts for the construction, operation and maintenance of the City's baseball stadium. Revenues are derived from the leasing of the facilities, supplemented by General Fund support.

#### 3. Governmental Funds

**Nonmajor Special Revenue Funds** are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Funds listed under Special Revenue Funds include High Speed Rail Fund, Fresno Revitalization Corporation Fund, Special Gas Tax Fund, Measure C Fund, Community Services Fund, Urban Growth Management (UGM) Impact Fees Fund, Low and Moderate Income Housing Fund, and Special Assessments Fund.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

**Capital Projects Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

**Debt Service Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Numbers for City debt and Financing Authorities/Corporations debt are presented in separate columns on the financial statements.

#### 4. Proprietary Funds

**Nonmajor Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. Funds listed under Nonmajor Enterprise Funds include Community Sanitation Fund and Parks and Recreation Fund.

**Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The General Services Fund accounts for the activities of the equipment maintenance services, centralized telecommunications and information services. The Risk Management Fund accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, and unemployment compensation. The Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water System, Sewer System, Solid Waste Management, and Community Sanitation Funds.

The Employees' Healthcare Plan Fund and the Retirees' Healthcare Plan Fund account for the assets held on behalf of the City of Fresno Employees' Healthcare Plan for claim payments on behalf of qualified employees and retirees. While there is only one plan, there is separate accounting for active employees and retirees.

#### 5. Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for other Proprietary Funds.

**Pension Trust Funds** account for the assets held on behalf of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System for pension benefit payments to qualified employees and retirees. Pension Trust Funds are accounted for in essentially the same manner as other Proprietary Funds.

- **City of Fresno Fire and Police Retirement System (Fire and Police):** Fire and Police was established on July 1, 1955, to provide benefits to the public safety employees and retirees of the City. Fire

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

and Police is maintained and governed by Articles 3 and 4 of Chapter 3 of the Fresno Municipal Code. Fire and Police responsibilities include: administration of the trust fund; delivery of retirement, death and disability benefits to eligible members; administration of programs; and general assistance in retirement and related benefits. The governing board is made up of two members appointed by the Mayor, an elected police member, an elected fire member and a board-appointed member. The activity for Fire and Police is reflected within Fiduciary Funds. Separate financial statements are prepared for the Fire and Police Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604 or at <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp>.

- **City of Fresno Employees Retirement System (Employees):** Employees was established on June 1, 1939, to provide benefits to the general employees and retirees of the City. Employees is governed by Article 5 of Chapter 3 of the Fresno Municipal Code. Employees responsibilities include: administration of the trust fund; delivery of retirement, disability, and death benefits to eligible members; administration of programs; and general assistance in retirement and related benefits. The governing board is made up of two Mayor-appointed members, two elected members and one board-appointed member. The activity for Employees is reflected within Fiduciary Funds. Separate financial statements are prepared for the Employees Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604, or at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp>.

**Private-Purpose Trust Funds** account for the custodial responsibilities that are assigned to the Successor Agency to the Redevelopment Agency with the passage of the Redevelopment Dissolution Act.

**Agency Funds** account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units.

The City Departmental and Special Purpose Fund accounts for City-related trust activity, such as payroll withholding and bid deposits. The Special Assessments District Fund accounts for the receipts and disbursements for the debt service activity of bonded assessment districts within the City. Agency Funds, being custodial in nature (assets equal liabilities), do not involve the measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## 6. Component Units

In addition to the primary governmental unit, the City also has several component units whose functions are described below:

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### a. Blended Component Units

Although the following component units are legally separate from the City, the component units have been "blended" into the City's basic financial statements for financial reporting purposes because the governing board is substantially the same as the City Council, there is a financial benefit/burden relationship between the component unit and the City, or City management has the operational responsibility for the component unit. In addition, the component unit provides services exclusively to the primary government or the component unit's total debt outstanding is expected to be repaid with resources of the primary government.

All potential component units were evaluated, resulting in the inclusion of the following entities in the basic financial statements.

**Fresno Joint Powers Financing Authority (Authority):** The Authority, an independent public entity created in 1988, acquires telecommunications equipment, office furniture, and streetlights; constructs facilities; and installs street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's three member governing board, consisting of the Mayor and two Council Members, is responsible for the Authority's fiscal and administrative decisions. The financial activity for the Authority is included in the Financing Authorities and Corporations Debt Service Fund. All lease obligations between the Authority and the City have been eliminated in the financial statements. The Authority does not issue separate financial statements.

**City of Fresno Employees Healthcare Plan:** This component unit provides healthcare to City employees not represented by the Stationary Engineers Local and retired employees who elect to be covered or are covered by the Fresno City Employees Health and Welfare Trusts (Trusts). The Trusts are self-insured trusts administered by an outside third party administrator. The activity for the Trusts is reflected within Internal Service Funds.

**Fresno Revitalization Corporation:** The Fresno Revitalization Corporation (FRC) is a non-profit public benefit corporation created in 1995 for the purpose of developing a revitalization policy and assisting with the downtown Fresno area development, redevelopment and renewal. The organization received a substantial portion of its support from the former Redevelopment Agency (RDA) and the general public. The seven Council Members of the City and the Mayor became members of the FRC's Governing Board on January 26, 2012.

**FRC Canyon Crest, LLC:** FRC Canyon Crest, LLC is a special purpose limited liability company owned by the FRC. The purpose of FRC Canyon Crest, LLC was to acquire, operate, maintain, and rehabilitate a 118-unit low income multi-family complex. The complex was owned by a lender in Chicago as a result of a foreclosure of the previous owner. On March 4, 2010, the City Council approved the award of \$2.7 million in Neighborhood Stabilization Program (NSP) set aside funds to the FRC to acquire the property. FRC Canyon Crest, LLC acquired the property, while the RDA

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

guaranteed the loan from the seller. The RDA also provided administrative, financial, and technical support to FRC Canyon Crest, LLC in the acquisition and operation of the property through a contractual services agreement. The Agency Loan Guarantee and Operating Agreement also contained a Declaration of Restrictions creating the affordability covenants and long-term maintenance and operating restrictions, which were recorded against and run with the property.

The RDA and FRC Canyon Crest, LLC marketed the property for sale upon rehabilitation and stabilization to a qualified affordable housing developer for ongoing management and property improvements. In September 2011, the FRC and FRC Canyon Crest, LLC entered into an Assignment/Assumption Agreement with a developer as required by the U.S. Department of Housing and Urban Development (HUD). Final purchase of the property by the developer occurred on April 2012. However, the FRC and FRC Canyon Crest, LLC still hold a \$500,000 residual receipts note on the property.

As the City is the sole member of FRC Canyon Crest, LLC, the seven City Council members and the Mayor are Board members of FRC Canyon Crest, LLC, the activities of FRC Canyon Crest, LLC are blended into the FRC (and, by extension, the City) because: (1) its governing board is substantially the same as the City Council; (2) it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City; and (3) the City is financially accountable for FRC Canyon Crest, LLC.

#### **b. Fiduciary Component Unit**

**Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency):** The Successor Agency was created to serve as custodian for the assets and to wind down the affairs of the former RDA. The Governing Board of the Successor Agency consists of the City Council. Over the Successor Agency's Governing Board is the Oversight Board, which is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor, two representatives appointed by the Fresno County Board of Supervisors, one member appointed by the Fresno County Superintendent of Schools, one appointed by the Metropolitan Flood Control District (a Special District) and one appointed by the State Center Community College District.

In general, the Successor Agency's 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 future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former RDA until all of those enforceable obligations have been paid in full and all assets have been liquidated.

The City became the Housing Successor Agency and has the sole legal authority to administer the former RDA's housing assets. The City may move forward with completing projects under

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

contract at the time of the dissolution and liquidate surplus real estate for the purpose of distributing proceeds to taxing entities, pursuant to approval of repayment of RDA obligations to the City.

The Successor Agency is a separate legal entity under Assembly Bill (AB) 1484. The Successor Agency is reported as a Private-Purpose Trust Fund in the City's financial statements. This means that the Successor Agency's assets are considered to be held in a trustee or agency capacity for others and cannot be used to support the City's government's own programs. The housing activity of the former RDA is presented within the Low and Moderate Income Housing Fund.

Separate financial statements are prepared for the Successor Agency and can be obtained from the Successor Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721. There is no separate financial report prepared for the Housing Successor Agency.

#### **c. Discretely Presented Component Unit**

**City of Fresno Cultural Arts Properties Corporation (COFCAP):** This nonprofit public benefit corporation (an independent public entity) was created in 2010. The specific charitable and public purpose for which COFCAP was organized was to support the City and the former RDA by: (1) purchasing, developing, financing, rehabilitating, and/or demolishing vacant and blighted properties; (2) assisting the City and the RDA in combating community blight and deterioration in the City by redeveloping vacant or blighted properties; and (3) acquiring, owning, operating, and leasing property within a Low-Income Community (as defined in Section 45D(e)(1) of the Internal Revenue Code) to community businesses, which will promote and support the social welfare of the City.

The COFCAP was formed as part of a New Market Tax Credits financing structure that was utilized by the City to assist in lessening a debt burden. Council authorized the dissolution of the COFCAP on May 25, 2017. However, the concluding transactions for the COFCAP did not resolve until after June 30, 2017. Please see Note 13 (pages 170-171) for more information.

Separate financial statements were prepared for COFCAP and may be obtained from the City of Fresno, Finance Department, 2600 Fresno Street, Suite 2156, Fresno, CA 93721-3622.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### **D. Budgetary Data**

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City charter prohibits expending funds for which there is no legal appropriation.

##### **1. Fund Structure**

The budget document is organized to reflect the fund structure of the City's finances. Fund revenues and expenditures are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

##### **2. Basis of Accounting**

The City adopts an annual operating and capital budget for the General Fund, Special Revenue Funds, Debt Service Funds (except Financing Authorities/Corporations, and City Debt Service), Capital Projects Funds (except Financing Authorities/Corporations) and Proprietary Funds. These budgets are adopted on a cash basis. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are reported as amended.

Encumbrances are commitments related to executed contracts for goods or services. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as part of restricted, committed or assigned fund balance. As of June 30, 2017, encumbrances totaled \$3,883,232 in the General Fund, \$17,609,804 in the Grants Special Revenue Fund and \$9,007,830 in the Nonmajor Governmental Funds.

##### **3. Revenue Estimation**

The methodology for calculating revenue estimates varies depending on the source of revenue. Considerable weight generally has been given to historical trends. This emphasis on historical trends is used because of the composition of the Fresno economy, which differs from California in general.



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

The General Fund is the City's most versatile funding source, since it has the fewest restrictions. Its revenue comes from property and sales taxes, business license fees, room tax (Transient Occupancy Tax), charges for services, development fees, and revenues from other governmental agencies. Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is assessed value information received from the County of Fresno.

Revenue estimates for Enterprise and Internal Service Funds are also rooted in historical trends. As those funds are generally self-supporting (meaning, they do not generally receive tax dollars to cover operational costs), revenue estimates also take into account any adjustments to fees assessed by the Enterprise or the Internal Service Funds. Additionally, any anticipated changes in service levels are also reflected in the revenue estimates.

#### **4. Budget Administration**

The budget establishes appropriation and expenditure levels. Expenditures may be below budgeted amounts at year-end due to unanticipated or mandated savings. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget and the subsequent adoption by the governing body, actual expenditures are likely to be different than the budgeted amounts.

Each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with the City's requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

#### **E. New Accounting Pronouncements - Implemented**

##### **1. GASB Statement No. 74 - Financial Reporting for Postemployment Benefits Plans other than Pension Plans**

GASB Statement No. 74's objective is to improve the usefulness of information about post-employment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and assessing accountability. This statement requires two financial statements (a statement of fiduciary net position and a statement of changes in fiduciary net position) when the trust meets the specified criteria.

The requirements of this statement were effective for financial statements for fiscal years beginning after June 15, 2016, which for the City was the fiscal year ending June 30, 2017. Implementation of this statement had no impact on the City's financial statements.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### **2. GASB Statement No. 77 - Tax Abatement Disclosures**

GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The information provided by this standard is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

The requirements of this statement were effective for financial statements for periods beginning after December 15, 2015, which for the City was fiscal year ending June 30, 2017. Implementation of this statement had no impact on the City's financial statements.

#### **3. GASB Statement No. 78 - Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans**

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this statement were effective for financial statements for periods beginning after December 15, 2015, which for the City was fiscal year ending June 30, 2017. Implementation of this statement had no impact on the City's financial statements.

#### **4. GASB Statement No. 80 - Blending Requirements for Certain Component Units - An Amendment to GASB Statement No. 14**

GASB Statement No. 80 amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. It changes the financial statement presentation of certain component units for all state and local governments.

The requirements of this statement were effective for financial statements for periods beginning after June 15, 2016, which for the City was fiscal year ending June 30, 2017. Implementation of this statement had no impact on the City's financial statements.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### **5. GASB Statement No. 81 - Irrevocable Split-Interest Agreements**

GASB Statement No. 81's objective is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The requirements of this statement were effective for financial statements for periods beginning after December 15, 2016, which for the City was fiscal year ending June 30, 2017. Implementation of this statement had no impact on the City's financial statements.

#### **6. GASB Statement No. 82 - Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73**

GASB Statement No. 82's objective is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in 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 requirements of this statement are effective for financial statements for periods beginning after June 15, 2016, except for the requirements of the statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end.

All requirements for this statement were effective for financial statements for periods beginning on or after June 15, 2017, which for the City was fiscal year ending June 30, 2017. The City has consistently defined covered payroll as payroll on which contributions are based. The actuarial consultant was using the assumptions standard before GASB Statement No. 82 required it. Therefore, the implementation of this statement had no impact on the City's financial statements.

#### **F. New Accounting Pronouncements - Issued But Not Yet Adopted**

The City is assessing what effect, if any, the implementation of the following standards will have on the City's financial statements.

##### **1. GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The most significant change is that the net OPEB obligation will be eliminated and the entire unfunded liability will go on the face of the financial statements. This statement is effective for fiscal years beginning after June 15, 2017, which for the City is the fiscal year ending June 30, 2018.

#### **2. GASB Statement No. 83 - Certain Asset Retirement Obligations**

The objective of GASB Statement No. 83 is to define the accounting and financial reporting for certain asset retirement obligations (AROs), which is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for reporting periods beginning after June 15, 2018, which for the City is the fiscal year ending June 30, 2019.

#### **3. GASB Statement No. 84 - Fiduciary Activities**

The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported by establishing criteria for identifying the fiduciary activities of all state and local governments. This statement is effective for reporting periods beginning after December 15, 2018, which for the City is the fiscal year ending June 30, 2019.

#### **4. GASB Statement No. 85 - Omnibus 2017**

The objective of GASB Statement No. 85 is to address practice issues that have been identified during the implementation/application of certain GASB Statements covering a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement is effective for reporting periods beginning after June 15, 2017, which for the City is the fiscal year ending June 30, 2018.

#### **5. GASB Statement No. 86 - Certain Debt Extinguishment Issues**

The primary objective of GASB Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions, in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for reporting periods beginning after June 15, 2017, which for the City is the fiscal year ending June 30, 2018.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### 6. GASB Statement No. 87 - Leases

The objective of GASB Statement No. 87 is to improve the accounting and financial reporting of leases by governments. GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after December 15, 2019, which for the City is the fiscal year ending June 30, 2020.

#### G. Deposits and Investments

- 1. Investment in the Treasurer's Pool** - The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California Government Code Section 53601. The City Treasurer, who reports investments and earnings on a monthly basis to the City Council, manages the Treasurer's Investment Pool. The Treasurer's Investment Pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds related to bond issuances of Enterprise Funds. In addition to the Treasurer's Investment Pool, the City has other funds that are held by trustees. These funds are related to the issuance of Non-Enterprise Fund bonds and certain loan programs of the City.
- 2. Investment Valuation** - The City categorizes its investments at fair value measurement within the fair value hierarchy established by generally accepted accounting principles as codified in GASB Statement No. 72, *Fair Value Measurement and Application*.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State Treasurer's investment pool. Except as noted in the following paragraph, investments are comprised of obligations of the U.S. Treasury, agencies and instrumentalities, cash, time certificates of deposit, mutual funds, bankers' acceptances, money market accounts and deposits in the State of California Local Agency Investment Fund (LAIF), are stated at amortized cost.

Highly liquid money market investments, guaranteed investment contracts, and other 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.

- 3. Investment Income** - Cash balances of each of the City's funds, except for certain Trust and Agency Funds and other restricted accounts, are pooled and invested by the City. Interest income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

month end. Fiscal year-end deficit cash balances are reclassified as Due to Other Funds and funded by operating funds with positive cash balances.

#### **H. Loans Receivable**

For the purposes of the Fund Financial Statements, Special Revenue and Capital Projects Funds expenditures relating to long-term loans arising from loan subsidy programs are recorded as loans receivable net of an estimated allowance for potentially uncollectible loans. In some instances, amounts due from external participants are recorded with an offset to an allowance account. The balance of long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

The Financing Authorities and Corporations Debt Service Fund also reflects a note due from FBB Investment Fund, LLC in connection with the new market tax credit loans recorded by the City's discretely presented component unit, the COFCAP. The note is recorded for the full amount and the entire outstanding principal balance plus any unpaid interest is due on the maturity date: March 1, 2040. This note was paid off with the dissolution of the COFCAP in August 2017. Please see Note 13 (pages 170-171) for further detail.

#### **I. Inventories**

Inventories recorded in the Proprietary Funds primarily consist of construction materials and maintenance supplies. Generally, Proprietary Funds value inventory at cost or average cost. Inventory is expensed as it is consumed (the consumption method of inventory accounting). The City uses the purchases method of accounting for inventories in governmental fund types, whereby inventory items are considered expenditures when purchased and are not reported in the balance sheet.

#### **J. Former Redevelopment Agency Property Held for Resale**

Property of the former RDA, some of which was allocated to Low and Moderate Income Housing (LMIH - \$7,524,077) and some to the Successor Agency (\$3,059,771), is being held for resale per the law dissolving the RDA. The property is recorded at the current determination of the lower of estimated cost or market as documented in its approved Long-Range Property Management Plan (LRPMP). The LRPMP addresses the anticipated disposition and use of the real properties of the former RDA. At June 30, 2017, the adjusted value of the property was \$10,583,848.

Property held for sale may, during the period it is held by the City, generate rental income. This rental income is recognized as it becomes due and is considered collectible. The property held by the LMIH appears on the Nonmajor Governmental Fund Financial Statements and Government-Wide Financial Statements as Property Held for Resale. Property held for resale by the Successor Agency is included in the fiduciary funds.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### **K. Restricted Assets**

Restricted cash is classified as restricted assets on the Statement of Net Position because it is maintained in separate bank accounts or tracked separately in the City Treasury group of accounts. Use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds and amounts restricted for future capital projects. Restricted grants and interest receivable represent cash and receivables contributed for capital projects and the associated interest.

#### **L. Capital Assets**

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and intangible assets, are reported in the applicable Governmental Activities or Business-Type Activities columns in the Government-Wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land not included in property held for resale is defined as Capital Assets, regardless of the acquisition cost of the land. All other acquisitions or constructions (excluding Infrastructure) with an initial cost of \$15,000 or more (excluding bundled purchases) and having an estimated useful life in excess of two years are defined as Capital Assets. Computer purchases acquired through a capital lease are capitalized in bulk and not on an individual basis.

Infrastructure with an initial cost of more than \$50,000 is considered to be Capital Assets. Improvements that extend an asset's life or efficiency by over 25% are also capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed unless they fall below the initial cost threshold.

<b>Asset Category</b>	<b>Capitalization Threshold</b>
Land	All Land
Buildings, Building Improvements, Machinery & Equipment, and Other Improvements	More than \$15,000
Infrastructure	More than \$50,000

Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of Business-Type Activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled \$14,730,140 during fiscal year 2017. Amortization of assets acquired under capital lease is included in depreciation and amortization.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

Buildings and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated used lives:

<u>Asset Category</u>	<u>Useful Life (Years)</u>
Buildings and Improvements	20 to 40
Infrastructure	15 to 55
Machinery and Equipment	3 to 12

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Airports Department capitalizes noise mitigation costs consistent with GASB Statement No. 51 - *Intangible Assets*. Water Rights are also capitalized as Intangible Assets with indefinite useful lives and no amortization. The Airports noise mitigation program consists of improvements made to properties falling within Federal Aviation Administration (FAA) designated high noise impact areas. Although the properties do not belong to Airports, noise insulation windows are installed along with other devices to reduce the impact of sound decibels inside properties located within the flight path of the airport. In exchange, property owners grant aviation easements to the Airports Department with the easement having an indefinite life. Funding for the program is provided through federal grants. In fiscal year 2017, \$93,962 was capitalized as an intangible asset.

### **Capital Leases**

Property, plant and equipment include the following property held under lease obligation at June 30, 2017:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 33,444,475
Less: Accumulated Depreciation	(12,695,094)
Net Machinery and Equipment	<u>\$ 20,749,381</u>

### **M. Bond Prepaid Insurance, Bond Premiums and Discounts and Accreted Interest Payable**

In the Government-Wide Financial Statements, as well as in the Proprietary Fund type and the Fiduciary



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

Fund type in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund and Fiduciary Fund Statement of Net Position. Bond prepaid insurance is reported as other assets and amortized over the term of the related debt. Bond issuance premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond issuance premium or discount. Interest accreted on capital appreciation bonds is reported as accreted interest payable in the Proprietary Fund and as long-term liabilities, due in more than one year in the Government-Wide Statements.

#### **N. Deferred Outflows of Resources - Refunding of Debt**

The City records deferred outflows of resources in its Proprietary, Fiduciary, and Government-Wide Financial Statements for consumption of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets.

Unamortized losses occurring from advance refunding of debt are reported as deferred outflows of resources. As of June 30, 2017, the ending balance of refunding charges yet to be amortized into expense consists of the following:

# City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

## Note 1. Summary of Significant Accounting Policies (continued)

<b>Bonds</b>	<b>Charge on Refunding</b>
<b>Governmental Activities:</b>	
Lease Revenue Bonds 2008 A, NNLB	\$ 6,278
Lease Revenue Bonds 2017 A&B, NNLB	233,786
Lease Revenue Bonds 2017, CH/Garage/Met/Bee/Granite	51,495
Lease Revenue Bonds 2017, Parks Impact	1,130,479
Lease Revenue Bonds 2017, Various Capital Projects	23,571
Lease Revenue Bonds 2017, City Hall Chiller	130,457
Lease Revenue Bonds 2017, Public Safety	3,716,453
Total Governmental Activities	<u>5,292,519</u>
<b>Business-Type Activities:</b>	
Water System Revenue Refunding Bonds 2003	114,506
Water System Revenue Bonds 2010	520,308
Sewer System Revenue Bonds 2008 A	915,102
Airport Revenue Refunding Bonds 2013	21,104
Lease Revenue Bonds 2017, Convention Center	(14,300)
Convention Center Improvements 2008 E&F	164,159
Lease Revenue Bonds 2017, Stadium	42,693
Lease Revenue Bonds 2017, Exhibit Hall	141,480
Lease Revenue Bonds 2017, Golf Course	79,236
Total Business-Type Activities	<u>1,984,288</u>
<b>Fiduciary Funds:</b>	
<b>Successor Agency to the Fresno Redevelopment Agency:</b>	
Tax Allocation Bonds Series 2003, Mariposa Project Area	33,645
Total Charge on Refunding	<u>\$ 7,310,452</u>

In the Government-Wide Financial Statements, and the Proprietary Fund type in the Fund Financial Statements, deferred outflows of resources are recorded for the current year employer pension contributions to the retirement systems.

### **O. Unearned Revenues**

Unearned revenues arise when resources are received by the City before it has a legal claim to them (i.e., upfront grants or when the City bills certain fixed rate services in advance). Amounts billed but not yet earned are amortized over the service period.

### **P. Deferred Inflows of Resources**

The City records deferred inflows of resources in its Governmental, Proprietary, and Government-Wide Financial Statements for acquisition of net position that is applicable to a future reporting period. In the Government-Wide Financial Statements, and the Proprietary Fund type in the Fund Financial

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

Statements, deferred inflows of resources are recorded for unamortized pension revenue.

In the governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance as of June 30, 2017, consists of the following unavailable resources:

	Deferred Inflows of Resources			
	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	\$ 8,845,531	\$ —	\$ —	\$ 8,845,531
Sales Taxes	2,468,121	—	—	2,468,121
In Lieu Sales Tax	1,727,014	—	—	1,727,014
Franchise Taxes	2,427,992	—	—	2,427,992
Business Tax	3,732,590	—	—	3,732,590
Measure C and Other Tax	—	—	551,371	551,371
Code Enforcement Revenue	6,266,916	—	—	6,266,916
Grant Revenue	278,605	7,656,423	41,868	7,976,896
Parking Citations, Fines and Other Revenue	1,900,693	—	—	1,900,693
Total	<u>\$ 27,647,462</u>	<u>\$ 7,656,423</u>	<u>\$ 593,239</u>	<u>\$ 35,897,124</u>

### Interfund Transfers

Interfund transfers are generally recorded as transfers in (out), except for certain types of transactions that are described below:

1. Charges for services are recorded as both revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.
2. Reimbursements for expenditures initially made by one fund which are properly applicable to another fund are recorded both as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

### Q. Fund Balance (Deficit)

1. In the fund financial statements, fund balances of the governmental funds are reported in a hierarchy of classifications which are based on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in the funds can be spent. Governmental fund balance classifications consist of the following:
2. **Nonspendable** - Includes amounts that are either not in spendable form or are legally or

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash, such as inventories, prepaid items and certain long-term receivables.

3. **Restricted** - Includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, the legally enforceable laws or regulations of other governments, or by the legally enforceable laws or enabling legislation of the government itself.
4. **Committed** - Includes amounts that can only be used for specific purposes. Various reserves, including the City's Emergency Reserve, are included as a committed reserve.

Resolution No. 2011-64 established the Reserve Management Act which set forth policy with stringent limitations on the reserve funds. This Act increased the minimum reserve balance to 10% of the adopted budget for the next year's General Fund appropriations.

A November 16, 2012 ballot measure amended Section 1212 of the City Charter to require that the Council establish a policy for managing the City Reserves. The measure also defined several "qualifying events" under which the City's Emergency Reserve could be used. Qualifying events were deemed to be 1) Natural catastrophe; 2) An immediate threat to health and public safety; or 3) A significant decline in General Fund Revenues, which in the opinion of the City Manager, impairs his/her ability to administer the Council adopted budget. All qualifying events must be declared by the Mayor and ratified by a super majority Council vote.

The Reserve Management Act (the Act) was further amended through Resolution 2015-77, which was adopted on May 15, 2015. The amendment to the Act permitted the use of the Emergency Reserve for year-end cash balancing purposes, with the approval of the Council.

On June 30, 2017, the Reserve balance identified as Committed Fund Balance was at \$22,104,409. On August 3, 2017, Council authorized the use of \$20,481,579 of the Committed Fund Balance for temporary loans to cover negative cash balances resulting from timing differences in the receipt of reimbursements, primarily from Grants. From that balance, no portion was temporarily loaned at fiscal year-end.

With the Council's action, the Committed Fund Balance of \$1,622,830 as of June 30, 2017, is made up only of monies designated exclusively for use in a year when a 27<sup>th</sup> pay period occurs. Monies are set aside each year to fund the extra pay period that is a product of paying employees bi-weekly. The next fiscal year containing a 27<sup>th</sup> pay period is fiscal year 2028.

Over the course of the next several years, the Mayor has proposed that RDA loan debt repayments go exclusively toward replenishing the Emergency Reserve. If enacted as planned, these actions will result in an Emergency Reserve of \$34.2 million at the end of fiscal year 2020.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

1. **Assigned** - Includes amounts that are not classified as nonspendable, restricted, or committed, but which are intended by the City to be used for specific purposes. Intent is expressed by legislation or action of the City Council, the Mayor, or the City Manager which legislation has delegated the authority to assign amounts for specific purposes.
2. **Unassigned** - The residual classification for fund balance, which includes all amounts not reported as nonspendable, restricted, committed, or assigned. The General Fund may report either a positive or negative unassigned fund balance. Unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those purposes.

When multiple classifications of resources are available for use, it is the City's policy to use resources in the order of restricted, committed, assigned, and unassigned

Fund Balances of the governmental funds at June 30, 2017, consist of the following:

# City of Fresno, California

## Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
<b>Nonspendable:</b>				
Advances Receivable from Other Funds	\$ 18,416,581	\$ —	\$ —	\$ 18,416,581
<b>Restricted:</b>				
Debt Service	—	—	1,870,101	1,870,101
CDBG and Home Loans	—	60,227,003	—	60,227,003
Revitalization	—	—	167,990	167,990
Street Works	—	—	6,716,072	6,716,072
Transportation	—	—	13,741,117	13,741,117
Pedestrian and Bicycle Program	—	—	287,423	287,423
AD #131 UGM Reimbursement	—	—	1,667,859	1,667,859
Forfeitures	—	—	115,854	115,854
CASP Program Senate Bill 1186	—	—	163,673	163,673
Grants	—	105,899	—	105,899
Police and Fire Grants	—	3,805,146	—	3,805,146
Parks Grants-Senior Hot Meals	37,172	3,848,636	—	3,885,808
Streets and Traffic Grants	—	2,961,644	—	2,961,644
DARM Grants	—	486,940	—	486,940
Impact Fees	—	—	18,075,513	18,075,513
Special Assessment Projects	—	—	14,562,625	14,562,625
Low to Moderate Income Housing	—	—	34,998,692	34,998,692
<b>Committed:</b>				
27th Payperiod Reserve	1,622,830	—	—	1,622,830
Emergency Reserve General Fund	20,481,579	—	—	20,481,579
<b>Assigned:</b>				
Public Works Maintenance	107,232	—	—	107,232
Cable PEG, Nonprofit Media JPA	—	—	275	275
Median Island Maintenance	—	—	3,651	3,651
Parks Maintenance	1,064,036	—	670,563	1,734,599
Right of Ways Acquisition	—	—	1,228,534	1,228,534
Street Tree Fees	—	—	744,662	744,662
Public Works Projects	—	—	2,973,977	2,973,977
General Purpose	376,603	—	—	376,603
Enterprise Zone	—	—	9,022	9,022
City Hall Improvements	—	—	162,757	162,757
Various Capital Projects	—	—	2,312,494	2,312,494
Miscellaneous Paving	—	—	3,940,072	3,940,072
PD Capital Projects	—	—	327,434	327,434
Parking Garage 7	—	—	481,833	481,833
Parks Impact Fees	—	—	1,984	1,984
Local Agency Projects	—	—	4,884	4,884
Woodward & Japanese Garden Projects	—	—	49,756	49,756
Police Administration & Patrol	109,907	—	—	109,907
Planning & Community Revitalization	2,232,238	—	—	2,232,238
Current Planning Development	—	—	(740,436)	(740,436)
Housing	—	—	5,888	5,888
<b>Unassigned</b>	<b>26,748,852</b>	<b>(788,415)</b>	<b>—</b>	<b>25,960,437</b>
<b>Total Fund Balances</b>	<b>\$ 71,197,030</b>	<b>\$ 70,646,853</b>	<b>\$ 104,544,269</b>	<b>\$ 246,388,152</b>

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### **R. Net Position/(Deficit)**

Net position represents the difference between assets and liabilities in the Government-Wide and Proprietary Fund Statement of Net Position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the reported restricted assets. Unrestricted net position represents net position elements which are not restricted.

#### **S. Cash Flows**

The Statements of Cash Flows are presented for Proprietary Fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

#### **T. Regulatory Assets and Liabilities**

At June 30, 2017, the Statement of Net Position Business-Type Activities reflects approximately \$9.1 million in regulatory assets related to the Central Valley Project (CVP) Water Settlement. These assets will continue to have an impact on water rates which are to be charged to customers over approximately the next 20 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.

A portion of the CVP Settlement Liability was reduced due to early payment to the USBR. The corresponding asset was evaluated to determine whether the regulatory asset would require accelerated amortization or write-off, which it did not. Correspondingly, if the rate of recovery is over a period other than 20 years currently anticipated, the amortization period will also be adjusted.

#### **U. Pensions**

For purposes of measuring the net pension asset and deferred outflows/inflows of resources related to pensions and pension revenue/expense, information about the fiduciary net position of the City's two pension plans, City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans, which is the accrual basis of accounting. Employer and employee contributions are recognized as revenue when due. Contributions are recorded

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 1. Summary of Significant Accounting Policies (continued)**

in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the Plans is recorded as an increase to investment income based on the valuation of investments at fiscal year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the Plans.

**V. Estimates**

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**City of Fresno, California**

Notes to the Basic Financial Statements  
 Fiscal Year Ended June 30, 2017

**Note 2. Cash and Investments**

**A. City Cash and Investments**

**1. Sponsored Investment Pool**

As part of the City’s total cash and investment portfolio, the Treasury Officer and staff, under the supervision of the Controller, manage an investment pool that includes only internal investors and is available for use by all funds. The pool is not registered with the Securities and Exchange Commission as an investment company. Investment activity is reported monthly to the City Council by posting reports to the City’s webpage and annually through an investment policy submitted to the Council for review and approval. The investments are reported at fair value, which is determined monthly. Participants’ shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the various funds also on a monthly basis. The value of the pool shares is based upon amortized cost in day-to-day operations, but is adjusted to the fair value at year-end. The value of the shares is supported by the value of the underlying investments. Each fund type's portion of this pool is displayed on the financial statements as “Cash and Investments.” In addition, certain funds related to debt issues have investments with trustees.

The following is a summary of cash, deposits and investments at June 30, 2017:

Category	Primary Government			Total	Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds		
Cash and Investments	\$ 171,958,783	\$ 134,636,784	\$ 22,310,411	\$ 328,905,978	\$ 1,199,473
Restricted Cash and Investments	2,215,961	296,321,960	2,398,764	300,936,685	—
Pension Trust Investments at Fair Value	—	—	2,786,374,481	2,786,374,481	—
Collateral Held for Securities Lent	—	—	232,049,786	232,049,786	—
<b>Total</b>	<b>\$ 174,174,744</b>	<b>\$ 430,958,744</b>	<b>\$3,043,133,442</b>	<b>\$3,648,266,930</b>	<b>\$ 1,199,473</b>

**2. Cash and Deposits**

At year-end, the City's bank balance was \$38,474,442 inclusive of Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund and pension trust funds. The recorded balance reflected in the June 30, 2017, financial statements was \$35,965,001. The difference is due to deposits in transit and outstanding checks.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 2. Cash and Investments (continued)

#### 3. Fair Value Hierarchy

The City's investments are measured or reported within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets or liabilities. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs: quoted prices in an active market for identical assets.
- Level 2 inputs: significant other observable inputs.
- Level 3 inputs: significant unobservable inputs.

The following is a summary of the fair value of the City's investments using the hierarchy previously discussed:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Federal Farm Credit Bank Bonds	\$ 41,489,760	\$ —	\$ 41,489,760
Federal Home Loan Bank Bonds	37,902,040	—	37,902,040
Federal Home Loan Mortgage Corporation Bonds	102,472,624	—	102,472,624
Federal National Mortgage Association Bonds	54,149,731	—	54,149,731
U.S. Treasury Securities	15,014,950	15,014,950	—
Medium Term Corporate Notes	89,292,972	—	89,292,972
Time Deposits	5,805,705	—	5,805,705
Money Market Mutual Funds	77,427,935	—	77,427,935
Guaranteed Investment Contracts - Debt Service	13,747,344	—	13,747,344
Mutual Funds - Debt Service	10,024,390	—	10,024,390
Repurchase Agreement - Debt Service	899,228	—	899,228
U.S. Government & Agency Securities - Debt Service	138,273,845	138,273,845	—
<b>Total</b>	<b>\$ 586,500,524</b>	<b>\$ 153,288,795</b>	<b>\$ 433,211,729</b>

*Note: There are no Level 3 investments.*

#### 4. Cash, Deposits, and Investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, unrealized gains and losses, maturity, or sales of investments; property rentals and the sale of City owned property.

**City of Fresno, California**

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

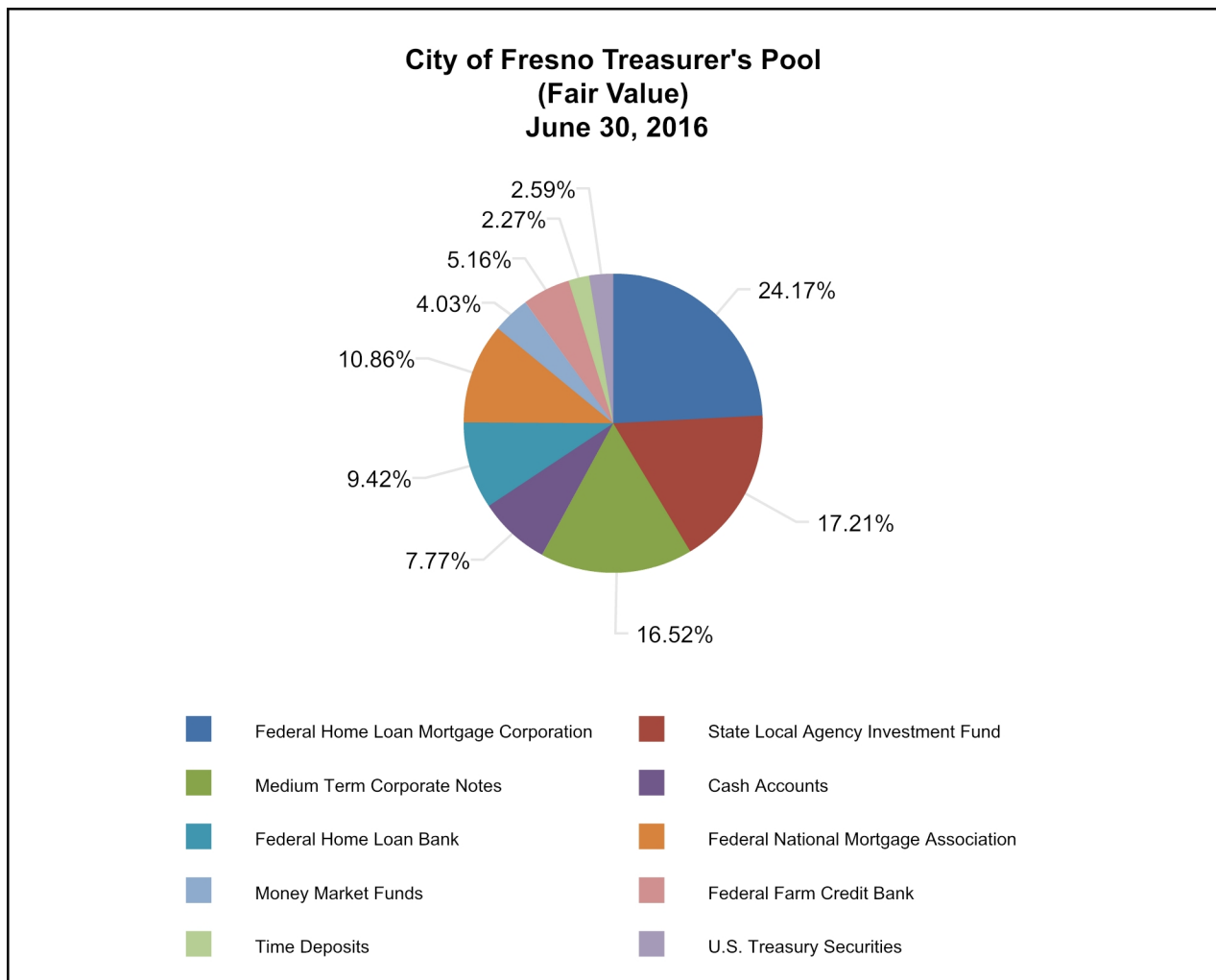
Note 2. Cash and Investments (continued)

**5. Investments Authorized by the California Government Code and the City’s Investment Policy**

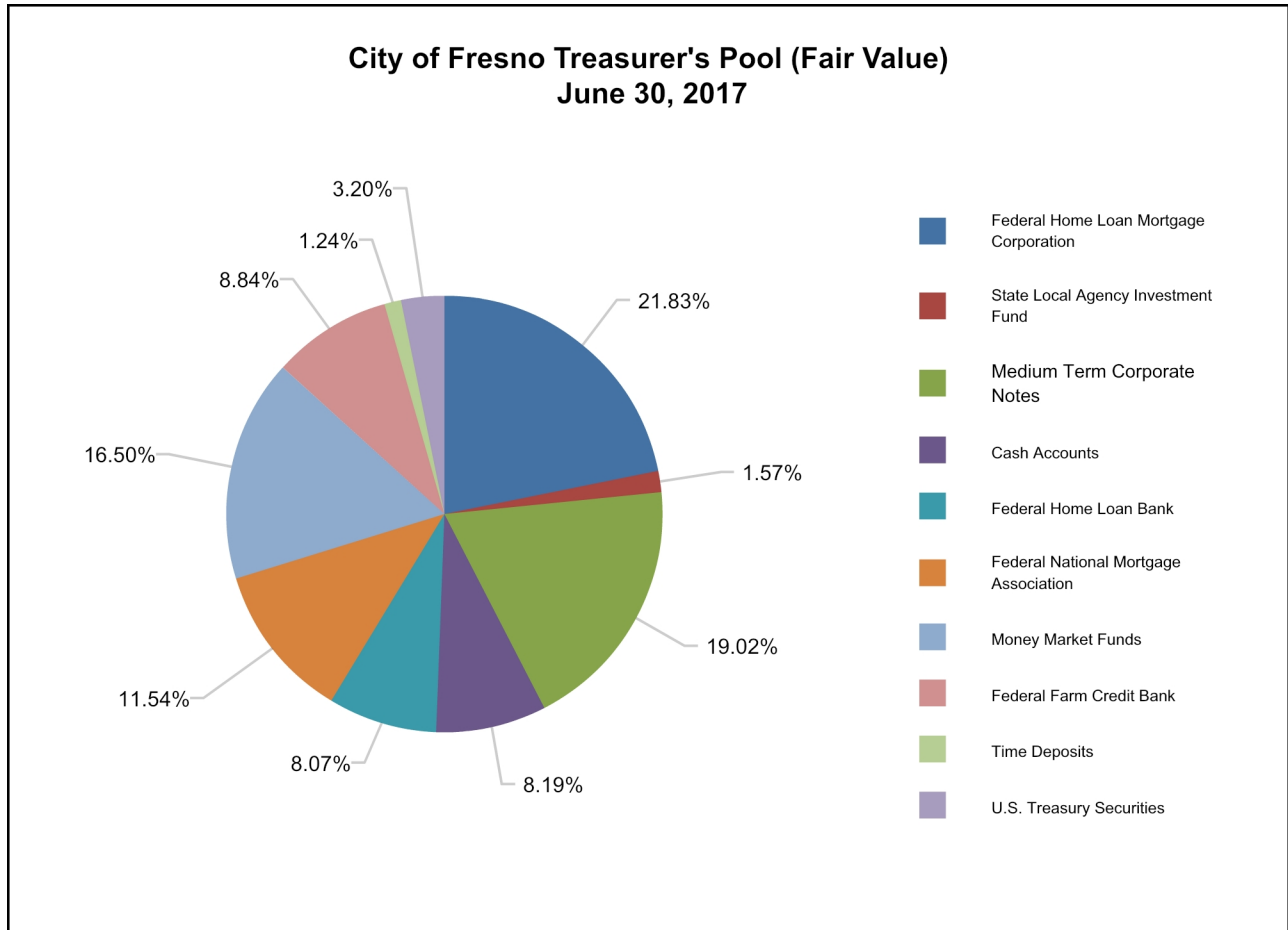
The City maintains a formal investment policy, which is adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of preservation of principal, adequacy of liquidity, and achievement of an average market rate of return.

The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. A copy of the City’s current investment policy can be found at [www.fresno.gov/finance/investmentpolicy.pdf](http://www.fresno.gov/finance/investmentpolicy.pdf).

The following graphs depict the allocation of the Treasury Pool’s assets among the various authorized investments, as well as maturity periods, as of June 30, 2016 and June 30, 2017:

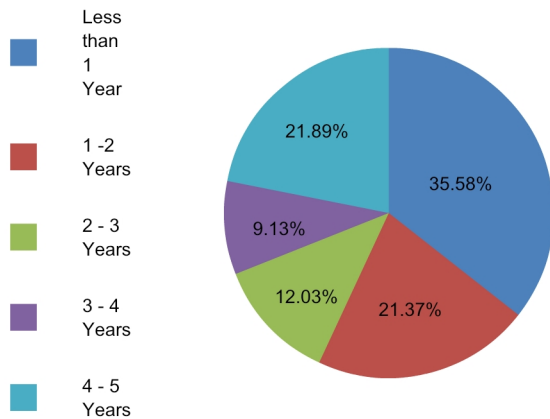


Note 2. Cash and Investments (continued)

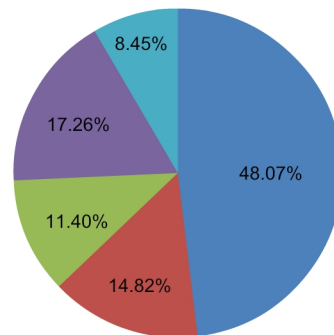


**City of Fresno  
Treasurer's Pool Maturity Schedule**

As of June 30, 2016



As of June 30, 2017



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 2. Cash and Investments (continued)

#### **6. Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

Investment agreements are used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures, which are prepared in accordance with numerous safeguards to reduce the risk associated with a provider's ability to meet its contractual obligations.

While bond funds are held in trust, the City is encouraged to invest them in a manner that is consistent with the permitted investments of the bond transaction and yields a favorable rate of return to maximize proceeds available to the City.

The City currently invested bond trust monies into securities with maturity periods of one to three years under a "ladder" approach to investing. Such a structure allows for reinvestment in the short-term until interest rates begin to rise. Staff believes that investing in the long-term at this time would commit the City into low earnings, instead of taking advantage of opportunities in case rates begin to rise. Interest earned on these investments totaled \$178,402 as of June 30, 2017.

The City also invested the \$116 million that has been placed in escrow for the upcoming defeasance of the 2008 Sewer Bonds (please see Note 8, page 136, for details). These funds were invested in Federal Housing securities that had a duration of 12 months. The investment of these escrowed monies had earned \$355,812 in interest as of June 30, 2017.

#### **B. Types of Risk Associated with the Treasury Pool's Investments**

##### **1. Investment Risk**

The City invests in no derivatives other than structured (step-up) notes, which guarantee coupon payments. These are minimal risk instruments. All investments are held by a third-party custodian in the City's name.

##### **2. Deposit and Investment Risk**

The risk disclosures below apply to the City's internal investment pool and deposits as well as investments held by trustees for debt service funds or bond proceeds. Portfolio investments are exposed to four main types of risk: concentration, interest rate, default, and custodial risk. Deposits are exposed primarily to custodial credit risk.

##### **3. Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer, which are more restrictive than those stipulated by the California Government Code.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 2. Cash and Investments (continued)

While the State has no limit on the percentage of the Portfolio that can be invested in a single U.S. Government Agency Security, the City's Investment Policy limits investment in any one issuer to 50% of the Portfolio. Also, while the State limits investments to 30% of the Portfolio for any single issuer of Medium Term Notes, the City's Investment Policy limits investments to 20% of the Portfolio invested in any single issuer.

Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of the total Treasurer's Pool investments or investments with trustees are as follows:

<b>Treasurer's Pool Investments</b>			
<b>Issuer</b>	<b>Investment Type</b>	<b>Amount</b>	<b>% of Total</b>
<b>Treasurer's Pool Investments:</b>			
Federal Farm Credit Bank	U.S. Government Agency	\$ 41,489,760	8.84%
Federal Home Loan Bank	U.S. Government Agency	37,902,040	8.07%
Federal Home Loan Mortgage Corp. (FHLMC)	U.S. Government Agency	102,472,624	21.83%
Federal National Mortgage Association (FNMA)	U.S. Government Agency	54,149,731	11.54%
		<u>\$ 236,014,155</u>	<u>50.28%</u>
<b>Investments with Trustees:</b>			
FSA Capital Management Services, LLC	Guaranteed Investment Contract	<u>\$ 13,747,344</u>	<u>8.44%</u>

#### 4. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater will be the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments. Another way the City mitigates this risk is by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Investment Policy limits the weighted average maturity of the Portfolio to three years, except for debt agreements held by trustees which are governed by the indentures and may be longer.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 2. Cash and Investments (continued)

Interest rate risk for the Treasurer’s Pool and for investments with trustees is disclosed in the following table. As of June 30, 2017, the City had the following cash and investments in its portfolio:

Treasurer's Pool	Fair Value	Investment Maturities			
		Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years
Cash Accounts	\$ 38,474,442				
<b>Treasurer's Pool Investments</b>					
U.S. Government Agencies:					
Federal Farm Credit Bank	41,489,760	\$ —	\$ 41,489,760	\$ —	\$ —
Federal Home Loan Bank	37,902,040	—	37,902,040	—	—
Federal Home Loan Mortgage Corp.	102,472,624	—	102,472,624	—	—
Federal National Mortgage Association	54,149,731	—	54,149,731	—	—
<b>Subtotal of U.S. Government Agencies</b>	<b>236,014,155</b>	<b>—</b>	<b>236,014,155</b>	<b>—</b>	<b>—</b>
U.S. Treasury Securities	15,014,950	—	15,014,950	—	—
Medium Term Corporate Notes	89,292,972	—	89,292,972	—	—
State Local Agency Investment Fund (CA LAIF)	7,377,138	7,377,138	—	—	—
Time Deposits	5,805,705	5,805,705	—	—	—
Money Market Deposit	—	—	—	—	—
Money Market Mutual Funds	77,427,935	77,427,935	—	—	—
<b>Total Treasurer's Pool</b>	<b>469,407,297</b>	<b>\$ 90,610,778</b>	<b>\$ 340,322,077</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Investments Held Outside the Treasurer's Pool</b>					
Debt Service Funds/Bond Proceeds:					
Guaranteed Investment Contracts	13,747,344	\$ —	\$ —	\$ —	\$ 13,747,344
Mutual Funds	10,024,390	10,024,390	—	—	—
Repurchase Agreement	899,228	—	—	899,228	—
U.S. Government & Agency Securities	138,273,845	138,273,845	—	—	—
		<b>\$ 148,298,235</b>	<b>\$ —</b>	<b>\$ 899,228</b>	<b>\$ 13,747,344</b>
Other Deposits	4,376,850				
Outstanding Checks	(8,473,128)				
Deposits in Transit	1,586,837				
Pension Trust Assets (See Separate CAFRs)	3,018,424,267				
<b>Total Primary Government</b>	<b>3,648,266,930</b>				
Component Unit Cash Accounts	1,199,473				
<b>Total Cash and Investments</b>	<b>\$ 3,649,466,403</b>				

# City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

## Note 2. Cash and Investments (continued)

### 5. Default Credit Risk

Generally, default credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table represents the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

Issuer	Amount	Minimum Legal Rating	Rating at Year End	Total Investment Portfolio
<b>Treasurer's Pool Investments:</b>				
U.S. Government Agency Securities:				
Federal Farm Credit Bank	\$ 41,489,760	A	AA+	8.84%
Federal Home Loan Bank	37,902,040	A	AA+	8.07%
Federal Home Loan Mortgage Corporation	102,472,624	A	AA+	21.83%
Federal National Mortgage Association	54,149,731	A	AA+	11.54%
U.S. Treasury Securities	15,014,950	A	AAA	3.20%
Medium Term Corporate Notes:				
Credit Suisse Ag/Nassau	4,930,350	A	A+	1.05%
Deutsche Bank	9,961,700	A	A-	2.12%
Goldman Sachs Group Incorporated	7,992,130	A	BBB+	1.70%
JPMorgan Chase & Company	15,474,112	A	A-	3.30%
Morgan Stanley	5,020,400	A	BBB+	1.07%
Royal Bank Canada Global	21,083,480	A	AA-	4.49%
Toyota Motor Credit Corp	19,827,400	A	AA-	4.22%
Wells Fargo Bank	5,003,400	A	AA-	1.07%
State Local Agency Investment Pool	7,377,138	NA	Unrated	1.57%
Time Deposits	5,805,705	NA	Unrated	1.24%
Money Market Mutual Funds	<b>77,427,935</b>	<b>NA</b>	<b>Unrated</b>	<b>16.50%</b>
<b>Total Treasurer's Pool Investments</b>	<b>\$ 430,932,855</b>			<b>91.81%</b>
<b>Investments with Trustees:</b>				
Guaranteed Investment Contracts	\$ 13,747,344	NA	Unrated	8.44%
Mutual Funds	10,024,390	NA	Unrated	6.15%
Repurchase Agreement	899,228	NA	Unrated	0.55%
U.S. Government & Agency Securities	138,273,845	NA	AA+	84.86%
<b>Total Investments with Trustees</b>	<b>\$ 162,944,807</b>			<b>100%</b>

The City of Fresno's Investment Policy requires that the City only invest in high quality obligations, which means only those with a rating category of "A" or better by a nationally recognized rating service.



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 2. Cash and Investments (continued)

#### **6. Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City maintains cash accounts at Bank of America (BoFA). The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of \$250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City's investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2017. As of June 30, 2017, the City's deposits with institutions in excess of federal depository insurance limits were \$38,656,033 held in accounts collateralized in accordance with California law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2017, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

#### **C. Investment in State Investment Pool**

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

The total amount invested by all public agencies in LAIF as of June 30, 2017, was \$22.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017, had a balance

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 2. Cash and Investments (continued)

of \$77.6 billion. Of that amount, 2.89% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 167 days as of June 30, 2017.

LAIF has the following restrictions on withdrawals:

- (a) For same day transactions, the requesting agency must contact LAIF by 10 a.m. PST.
- (b) Transaction calls received after 10 a.m. are processed the following business day.
- (c) A requesting agency can only conduct a maximum of 15 transactions (combination of deposits and withdrawals) per month.
- (d) 24-hour notice is needed for withdrawals of \$10 million or more.
- (e) The minimum transaction amount is \$5,000, with amounts above the minimum transacted in increments of \$1,000.
- (f) Prior to the funds transfer, an authorized person from the requesting agency must call LAIF to do a verbal transaction.

#### **D. Pension Trust “Retirement Systems” Deposits and Investments**

The investment guidelines for the City of Fresno’s Retirement Systems (Systems) reflect the duties imposed by an investment standard known as the “prudent expert rule.” The prudent expert rule includes anyone who has discretionary authority with respect to the Systems’ investments.

The Systems’ Investment Policy can be found at <http://www.cfrsca.org/Employee-/Investment/Policy.asp> or by contacting the Retirement Office at 2828 Fresno Street, Suite 201, Fresno, CA 93721.

Northern Trust serves as custodian of the Systems’ investments. The Systems’ asset classes include U.S. Equity, International Equity, U.S. Fixed Income, International Fixed Income, Direct Lending, and Real Estate. Any class may be held in direct form, pooled form, or both. The Systems have 15 external investment managers, managing 19 individual portfolios.

Investments at June 30, 2017 consist of the following:

<b>Investments at Fair Value</b>	
Domestic Equity	\$ 1,069,515,570
International Developed Market	486,586,285
International Emerging Market	94,457,979
Real Estate	371,443,258
Government Bonds	332,000,006
Corporate Bonds	281,921,472
Short-Term Investments	53,877,767
Direct Lending	96,572,144
Total Investments at Fair Value	<u>\$ 2,786,374,481</u>

Both Retirement Boards have established policies for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes:

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 2. Cash and Investments (continued)

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Domestic Large Cap Equities	13.0%	15.8%	27.0%
Domestic Small Cap Equities	2.0%	7.2%	9.0%
International Developed Market Equities	13.0%	19.0%	27.0%
International Emerging Market Equities	0.0%	6.0%	10.0%
Core Fixed Income	4.0%	10.0%	19.0%
High Yield Bonds	3.0%	5.0%	12.0%
Core Real Estate	5.0%	11.0%	20.0%
Value Add Real Estate/REITs	1.0%	4.0%	9.0%
Infrastructure	0.0%	4.0%	10.0%
MLPs	0.0%	5.0%	10.0%
Private Equity	0.0%	5.0%	10.0%
Direct Lending/Private Debt	0.0%	8.0%	10.0%
Cash & Equivalents	0.0%	0.0%	0.0%
		<u>100.0%</u>	

The Retirement Systems have investments in Tiers 1, 2, and 3 as defined under GASB Statement No. 72. For further information regarding the Retirement Systems' classification of investment, please see the Retirement Systems' Comprehensive Annual Financial Reports (CAFRs).

Investments of the Systems are exposed to custodial credit risk, credit and interest rate risk, concentration risk, and foreign currency risk. In addition to those risks, the Systems are also exposed to credit risk and market risk associated with their derivatives investments. For a detailed description of all of the risks associated with the Systems' investments, please see the Systems' CAFRs which can be found at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp> and <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp> or by contacting the Retirement Office at 2828 Fresno Street, Suite 201 Fresno, CA 93721.

#### **E. Stewardship, Compliance and Accountability**

There have been no material violations of finance-related legal or contractual provisions.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 2. Cash and Investments (continued)

**F. Restricted Assets**

Restricted assets are as follows at June 30, 2017:

	Cash and Investments Current and Noncurrent	Interest Receivable	Total
<b>Governmental Activities:</b>			
General Fund	\$ 1,622,830	\$ —	\$ 1,622,830
Nonmajor Governmental Funds	35,354	—	35,354
Internal Service Funds	557,777	—	557,777
<b>Subtotal</b>	<b>2,215,961</b>	<b>—</b>	<b>2,215,961</b>
<b>Business-Type Activities</b>			
Water System	48,570,201	74,384	48,644,585
Sewer System	188,138,249	274,405	188,412,654
Solid Waste Management	1,785,090	—	1,785,090
Transit	23,941,888	—	23,941,888
Airports	23,245,856	—	23,245,856
Convention Center	3,358,879	—	3,358,879
Stadium	2,393,142	—	2,393,142
Internal Service Funds	4,888,655	—	4,888,655
<b>Subtotal</b>	<b>296,321,960</b>	<b>348,789</b>	<b>296,670,749</b>
<b>Fiduciary:</b>			
Private-Purpose Trust Fund	1,833,558	—	1,833,558
Agency Funds	565,206	—	565,206
<b>Subtotal</b>	<b>2,398,764</b>	<b>—</b>	<b>2,398,764</b>
<b>Total</b>	<b>\$ 300,936,685</b>	<b>\$ 348,789</b>	<b>\$ 301,285,474</b>

Restricted cash includes funds held by trustees relating to bonds payable and those amounts held by each fund for which a specific, non-operating use has been determined. Restricted interest receivable represents interest associated with restricted cash.

## **City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### **Note 3. Property Taxes**

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to 1% of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/1976 assessed valuation as the base and limits annual increases to the cost-of-living adjustment, not to exceed 2% for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due on the January 1 (lien date) and become delinquent if unpaid on August 31. Property tax revenues are recognized in the governmental funds in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 4. Receivables

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2017, are \$2,362,062 for the General Fund, \$2,804,405 for Water System, \$2,886,960 for Sewer System, \$2,410,607 for Solid Waste Management, \$152,785 for Airports, and \$3,453,476 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2017, are \$10,922,451 for Grants Special Revenue Fund and \$2,700,000 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are \$90,239,749 for Governmental notes and loans and \$29,611,367 for Business-Type notes and loans.

The allowance for doubtful accounts is a Statement of Net Position and/or Balance Sheet account that reduces the reported amount of a receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash, particularly in the near term. The amount of the allowance for each fund is a determination made by management at the end of the fiscal year through a review of past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables.

Receivables, net of amounts uncollectible, as of June 30, 2017, were as follows:

	Interest	Receivables, Net	Grant Receivables	Inter- governmental Property Taxes	Inter- governmental Other	Notes, Loans, Other and CVP, Net	Total
<b>Governmental Activities</b>							
General Fund	\$ 85,547	\$ 19,703,695	\$ 315,777	\$ 9,959,770	\$ 25,191,531	\$ —	\$ 55,256,320
Grants Special Revenue Fund	—	19,928,140	8,835,221	—	—	57,897,448	86,660,809
Other Governmental Funds	306,582	206,553	41,868	—	5,586,359	33,405,181	39,546,543
Internal Service Funds	298,004	56,866	—	—	—	—	354,870
<b>Total</b>	<b>\$ 690,133</b>	<b>\$ 39,895,254</b>	<b>\$ 9,192,866</b>	<b>\$ 9,959,770</b>	<b>\$ 30,777,890</b>	<b>\$ 91,302,629</b>	<b>\$181,818,542</b>
<b>Business-Type Activities</b>							
Water System	\$ 436,257	\$ 16,256,008	\$ —	\$ —	\$ —	\$ 10,358,208	\$ 27,050,473
Sewer System	677,617	11,036,364	—	—	1,528,907	8,326,708	21,569,596
Solid Waste Management	155,067	4,507,431	—	—	—	14,860,375	19,522,873
Transit	118,824	642,479	9,278,079	—	2,549,894	—	12,589,276
Airports	167,231	1,488,304	264,935	—	139,870	—	2,060,340
Fresno Convention Center	2,881	341,300	—	—	—	—	344,181
Stadium	6,633	2,161,458	—	—	—	—	2,168,091
Other Enterprise Funds	39,214	1,343,286	—	—	—	—	1,382,500
Internal Service Funds	72,725	779,935	—	—	—	—	852,660
<b>Total</b>	<b>\$ 1,676,449</b>	<b>\$ 38,556,565</b>	<b>\$ 9,543,014</b>	<b>\$ —</b>	<b>\$ 4,218,671</b>	<b>\$ 33,545,291</b>	<b>\$ 87,539,990</b>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 4. Receivables (continued)

Receivables are presented on the Statement of Net Position as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
Receivables, Net	\$ 90,515,913	\$ 53,645,910	\$ 144,161,823	\$ 758,964
Restricted Interest Receivable	—	348,789	348,789	—
Loans, Notes, Leases and Other Receivables, Net	91,302,629	33,545,291	124,847,920	—
	<u>\$ 181,818,542</u>	<u>\$ 87,539,990</u>	<u>\$ 269,358,532</u>	<u>\$ 758,964</u>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 5. Property, Plant and Equipment - Capital Assets**

**A. Citywide Capital Assets**

The following is a summary of capital assets as of June 30, 2017:

	Primary Government			Total	Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds		City of Fresno Cultural Arts Properties Corp.
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 250,648,609	\$ 48,514,356	\$ —	\$ 299,162,965	\$ 424,766
Intangibles Indefinite Life	—	17,094,787	—	17,094,787	—
Construction in Progress	54,866,333	398,096,759	—	452,963,092	—
<b>Total Capital Assets Not Being Depreciated</b>	<b>305,514,942</b>	<b>463,705,902</b>	<b>—</b>	<b>769,220,844</b>	<b>424,766</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings and Improvements	279,320,198	922,548,070	—	1,201,868,268	13,360,594
Machinery and Equipment	157,750,936	100,401,402	2,924,201	261,076,539	—
Infrastructure	1,385,734,746	837,947,683	—	2,223,682,429	—
<b>Total Capital Assets Being Depreciated</b>	<b>1,822,805,880</b>	<b>1,860,897,155</b>	<b>2,924,201</b>	<b>3,686,627,236</b>	<b>13,360,594</b>
<b>Less: Accumulated Depreciation for:</b>					
Buildings and Improvements	(144,068,256)	(363,584,317)	—	(507,652,573)	(2,318,039)
Machinery and Equipment	(113,773,352)	(58,233,832)	(721,691)	(172,728,875)	—
Infrastructure	(920,287,433)	(299,435,555)	—	(1,219,722,988)	—
<b>Total Accumulated Depreciation</b>	<b>(1,178,129,041)</b>	<b>(721,253,704)</b>	<b>(721,691)</b>	<b>(1,900,104,436)</b>	<b>(2,318,039)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>644,676,839</b>	<b>1,139,643,451</b>	<b>2,202,510</b>	<b>1,786,522,800</b>	<b>11,042,555</b>
<b>Total Capital Assets, Net</b>	<b>\$ 950,191,781</b>	<b>\$ 1,603,349,353</b>	<b>\$ 2,202,510</b>	<b>\$ 2,555,743,644</b>	<b>\$ 11,467,321</b>



**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 5. Property, Plant and Equipment - Capital Assets (continued)

**B. Governmental Activities**

Capital asset activity related to governmental activities for the year ended June 30, 2017, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 252,060,858	\$ 422,068	\$ (1,834,317)	\$ 250,648,609
Construction in Progress	71,800,215	28,688,832	(45,622,714)	54,866,333
<b>Total Capital Assets Not Being Depreciated</b>	<u>323,861,073</u>	<u>29,110,900</u>	<u>(47,457,031)</u>	<u>305,514,942</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	276,881,633	2,438,565	—	279,320,198
Machinery and Equipment	143,535,109	18,740,096	(4,524,269)	157,750,936
Infrastructure	1,344,785,929	40,948,817	—	1,385,734,746
<b>Total Capital Assets Being Depreciated</b>	<u>1,765,202,671</u>	<u>62,127,478</u>	<u>(4,524,269)</u>	<u>1,822,805,880</u>
<b>Less: Accumulated Depreciation for:</b>				
Buildings and Improvements	(136,088,978)	(7,979,278)	—	(144,068,256)
Machinery and Equipment	(111,894,425)	(6,383,123)	4,504,196	(113,773,352)
Infrastructure	(884,765,503)	(35,521,930)	—	(920,287,433)
<b>Total Accumulated Depreciation</b>	<u>(1,132,748,906)</u>	<u>(49,884,331)</u>	<u>4,504,196</u>	<u>(1,178,129,041)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>632,453,765</u>	<u>12,243,147</u>	<u>(20,073)</u>	<u>644,676,839</u>
<b>Total Capital Assets, Net</b>	<u>\$ 956,314,838</u>	<u>\$ 41,354,047</u>	<u>\$ (47,477,104)</u>	<u>\$ 950,191,781</u>

<b>Depreciation Was Charged To Functions As Follows:</b>	
General Government	\$ 5,798,722
Public Protection	3,798,060
Public Ways and Facilities	36,627,365
Culture and Recreation	3,614,427
Community Development	45,757
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 49,884,331</u>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 5. Property, Plant and Equipment - Capital Assets (continued)

**C. Business-Type Activities**

Capital asset activity related to Business-Type Activities for the year ended June 30, 2017, was as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 48,556,044	\$ —	\$ (41,688)	\$ 48,514,356
Intangibles Indefinite Life	17,094,787	—	—	17,094,787
Construction in Progress	189,319,272	248,827,973	(40,050,486)	398,096,759
<b>Total Capital Assets Not Being Depreciated</b>	<b>254,970,103</b>	<b>248,827,973</b>	<b>(40,092,174)</b>	<b>463,705,902</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	917,907,033	4,641,037	—	922,548,070
Machinery and Equipment	84,200,743	20,203,135	(4,002,476)	100,401,402
Infrastructure	801,311,040	36,636,643	—	837,947,683
<b>Total Capital Assets Being Depreciated</b>	<b>1,803,418,816</b>	<b>61,480,815</b>	<b>(4,002,476)</b>	<b>1,860,897,155</b>
<b>Less: Accumulated Depreciation for:</b>				
Buildings and Improvements	(320,127,163)	(43,457,154)	—	(363,584,317)
Machinery and Equipment	(56,951,452)	(5,271,291)	3,988,911	(58,233,832)
Infrastructure	(288,251,850)	(11,183,705)	—	(299,435,555)
<b>Total Accumulated Depreciation</b>	<b>(665,330,465)</b>	<b>(59,912,150)</b>	<b>3,988,911</b>	<b>(721,253,704)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,138,088,351</b>	<b>1,568,665</b>	<b>(13,565)</b>	<b>1,139,643,451</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,393,058,454</b>	<b>\$ 250,396,638</b>	<b>\$ (40,105,739)</b>	<b>\$ 1,603,349,353</b>

<b>Depreciation Was Charged To Functions As Follows:</b>	
Water System	\$ 16,879,515
Sewer System	23,359,990
Solid Waste Management	611,406
Transit	4,037,979
Airports	10,249,952
Fresno Convention Center	3,509,723
Stadium	1,057,911
Other Enterprise Funds	190,193
Business-Type - Internal Service	15,481
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$ 59,912,150</b>

## City of Fresno, California

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

### Note 5. Property, Plant and Equipment - Capital Assets (continued)

#### D. Fiduciary Funds

Capital asset activity related to fiduciary funds for the year ended June 30, 2017, was as follows:

Fiduciary Funds	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Construction in Progress	\$ —	\$ —	\$ —	\$ —
<b>Capital Assets Being Depreciated:</b>				
Machinery and Equipment	2,924,201	—	—	2,924,201
<b>Less: Accumulated Depreciation for:</b>				
Machinery and Equipment	(454,111)	(267,580)	—	(721,691)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,470,090</b>	<b>(267,580)</b>	<b>—</b>	<b>2,202,510</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,470,090</b>	<b>\$ (267,580)</b>	<b>\$ —</b>	<b>\$ 2,202,510</b>

#### Depreciation Was Charged To Functions As Follows:

Fire & Police Retirement System Pension Trust Funds	\$ 133,790
Employee Retirement System Pension Trust Funds	133,790
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$ 267,580</b>

#### E. Component Unit - City of Fresno Cultural Arts Properties Corporation

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2017, was as follows:

City of Fresno Cultural Arts Properties Corp.	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 424,766	\$ —	\$ —	\$ 424,766
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	13,360,594	—	—	13,360,594
<b>Less: Accumulated Depreciation for:</b>				
Buildings and Improvements	(2,024,224)	(293,815)	—	(2,318,039)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>11,336,370</b>	<b>(293,815)</b>	<b>—</b>	<b>11,042,555</b>
<b>Total Capital Assets, Net</b>	<b>\$ 11,761,136</b>	<b>\$ (293,815)</b>	<b>\$ —</b>	<b>\$ 11,467,321</b>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 5. Property, Plant and Equipment - Capital Assets (continued)***F. Construction in Progress**

At June 30, 2017, Construction in Progress consisted of the following:

<b>Project Title</b>	<b>Construction Costs To Date</b>
<b>Governmental Activities:</b>	
General Street Projects	\$ 44,645,319
Regional Park Improvements	6,875,542
Other Miscellaneous Projects	3,345,472
Total Governmental Activities	<u>\$ 54,866,333</u>
<b>Business-Type Activities:</b>	
Water Capital Projects	\$ 249,042,150
Sewer/Wastewater Capital Projects	94,332,314
Airports Capital Projects	14,609,606
Transit Capital Projects	39,551,486
Miscellaneous Projects	561,203
Total Business-Type Activities	<u>\$ 398,096,759</u>
<b>Total Construction in Progress</b>	<u><u>\$ 452,963,092</u></u>

**City of Fresno, California**

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

**Note 6. Long-Term Liabilities**

**A. Summary of Long-Term Liabilities**

The following is a summary of the City's long-term liabilities as of June 30, 2017:

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	City of Fresno Cultural Arts Properties Corp.
<b>Long-term Debt</b>					
Revenue and Other Bonds	\$ 264,440,000	\$ 434,371,238	\$ —	\$ 698,811,238	\$ —
Tax Allocation Bonds	—	—	3,542,000	3,542,000	—
Accreted Interest	—	4,089,945	—	4,089,945	—
Issuance Premiums (Discounts)	12,097,403	8,242,232	(3,616)	20,336,019	—
Notes Payable	3,015,535	208,855,628	1,487,602	213,358,765	—
Capital Lease Obligations	20,884,029	—	—	20,884,029	—
Total Long-term Debt	<u>300,436,967</u>	<u>655,559,043</u>	<u>5,025,986</u>	<u>961,021,996</u>	<u>—</u>
<b>Other Long-term Liabilities</b>					
Compensated Absences and Health Retirement Arrangement (HRA)	55,279,732	11,330,810	78,825	66,689,367	—
Net OPEB Obligation	62,244,778	25,726,512	—	87,971,290	—
Liabilities for Self-Insurance	129,134,868	—	—	129,134,868	—
CVP Litigation Settlement	—	8,436,323	—	8,436,323	—
Accrued Closure Cost	—	15,438,053	—	15,438,053	—
Pollution Remediation	—	630,056	—	630,056	—
Total Other Long-term Liabilities	<u>246,659,378</u>	<u>61,561,754</u>	<u>78,825</u>	<u>308,299,957</u>	<u>—</u>
<b>Total Long-Term Liabilities Government-Wide Statement</b>	<b><u>\$ 547,096,345</u></b>	<b><u>\$ 717,120,797</u></b>	<b><u>\$ 5,104,811</u></b>	<b><u>\$ 1,269,321,953</u></b>	<b><u>\$ —</u></b>
Due Within One Year	\$ 56,892,566	\$ 26,449,030	\$ 1,215,351	\$ 84,556,947	\$ —
Due Within More Than One Year	490,203,779	690,671,767	3,889,460	1,184,765,006	—
<b>Total Long-Term Liabilities Government-Wide Statement of Net Position</b>	<b><u>\$ 547,096,345</u></b>	<b><u>\$ 717,120,797</u></b>	<b><u>\$ 5,104,811</u></b>	<b><u>\$ 1,269,321,953</u></b>	<b><u>\$ —</u></b>

Internal service funds (ISFs), except for Utility Billing and Collection, primarily serve the governmental funds. Accordingly, long-term liabilities for ISFs are included as part of the above totals for governmental activities, while the long-time liabilities for Utility Billing and Collection are included as part of the totals for Business-Type Activities. Governmental Activities also reflect compensated absences which are generally liquidated by the General Fund and claims/judgments which are liquidated by Risk Management and the Employees Healthcare Plan.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

<b>Activity of Long-Term Liabilities - Governmental</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
<b>Bonds Payable (Revenue and Other Bonds):</b>					
Lease Revenue Bonds, Series 2004	\$ 28,955,000	\$ —	\$ 15,075,000	\$ 13,880,000	\$ 745,000
Lease Revenue Bonds, Series 2008 A, NNLB	20,415,000	—	17,785,000	2,630,000	2,630,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	29,655,000	—	28,795,000	860,000	860,000
Lease Revenue Bonds, Series 2008 E, City Hall Chill	3,405,000	—	3,405,000	—	—
Lease Revenue Bonds, Series 2009 A, Police and Fire/Public Safety	36,710,000	—	36,710,000	—	—
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements	34,405,000	—	34,405,000	—	—
Taxable Pension Obligation Bonds Refunding Series 2002	138,975,000	—	7,135,000	131,840,000	7,595,000
Judgment Obligation Refunding Bonds 2002	1,025,000	—	1,025,000	—	—
Lease Revenue Bonds 2017A, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements	—	32,105,000	—	32,105,000	3,085,000
Lease Revenue Bonds, Series 2017A, City Hall Chill	—	2,710,000	—	2,710,000	—
Lease Revenue Bonds, Series 2017A Parks Projects	—	22,965,000	—	22,965,000	—
Lease Revenue Bonds, Series 2017A&B, NNLB	—	12,950,000	—	12,950,000	5,000
Lease Revenue Bonds, Series 2017A, Police and Fire/Public Safety	—	32,065,000	—	32,065,000	—
Lease Revenue Bonds, Series 2017A, Various	—	12,435,000	—	12,435,000	—
<b>Total Revenue and Other Bonds</b>	<b>293,545,000</b>	<b>115,230,000</b>	<b>144,335,000</b>	<b>264,440,000</b>	<b>14,920,000</b>
<b>Less: Unamortized Amounts:</b>					
For Issuance Premiums/(Discounts)	(267,230)	12,061,023	(303,610)	12,097,403	—
<b>Notes Payable:</b>					
California Infrastructure Bank - City	1,787,287	—	72,752	1,714,535	75,321
California Energy Commissions	276,441	—	276,441	—	—
HUD Sec 108 Note Reg. Med Center 1997-A	525,000	—	255,000	270,000	270,000
HUD Sec 108 Note FMAAA	470,000	—	105,000	365,000	110,000
HUD Sec 108 Note Neighborhood Streets/ Parks	754,000	—	88,000	666,000	94,000
<b>Total Notes Payable</b>	<b>3,812,728</b>	<b>—</b>	<b>797,193</b>	<b>3,015,535</b>	<b>549,321</b>
<b>Capital Leases</b>	<b>17,220,216</b>	<b>7,590,432</b>	<b>3,926,619</b>	<b>20,884,029</b>	<b>4,729,766</b>
<b>Total Long-term Debt</b>	<b>314,310,714</b>	<b>134,881,455</b>	<b>148,755,202</b>	<b>300,436,967</b>	<b>20,199,087</b>
<b>Other Liabilities:</b>					
Compensated Absences and Health Retirement Arrangement	52,957,286	10,598,737	8,276,291	55,279,732	8,079,663
Net OPEB Obligation	57,717,520	4,527,258	—	62,244,778	—
Liability for Self-Insurance	113,773,891	78,165,452	62,804,475	129,134,868	28,613,816
<b>Total Other Liabilities</b>	<b>224,448,697</b>	<b>93,291,447</b>	<b>71,080,766</b>	<b>246,659,378</b>	<b>36,693,479</b>
<b>Governmental Long-term Liabilities Total</b>	<b>\$ 538,759,411</b>	<b>\$ 228,172,902</b>	<b>\$ 219,835,968</b>	<b>\$ 547,096,345</b>	<b>\$ 56,892,566</b>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

**Activity of Long-Term Liabilities - Business-Type**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-Type Activities:</b>					
<b>Bonds Payable (Revenue and Other Bonds):</b>					
Water System Revenue Refunding Bonds 2003	\$ 4,860,000	\$ —	\$ 1,125,000	\$ 3,735,000	\$ 1,180,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1	136,535,000	—	4,080,000	132,455,000	4,285,000
Sewer System Revenue Bonds 1993 A	35,770,000	—	9,110,000	26,660,000	9,590,000
Sewer System Revenue Bonds 2008 A	159,845,000	—	—	159,845,000	—
Lease Revenue Bonds 1998 - Exhibit Hall Expansion	18,668,130	—	16,026,892	2,641,238	289,283
Airport Revenue Refunding Bonds 2013	30,910,000	—	1,370,000	29,540,000	1,420,000
Lease Revenue Bonds 2001 A and B - Stadium	33,090,000	—	17,210,000	15,880,000	705,000
Lease Revenue Bonds 2006 - Convention Center	5,155,000	—	5,155,000	—	—
Airport Revenue Bonds 2007 - Cons. Rental Car	21,720,000	—	170,000	21,550,000	215,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,090,000	—	2,030,000	60,000	60,000
Lease Revenue Bonds 2008 - Convention Center	12,535,000	—	1,580,000	10,955,000	1,675,000
Lease Revenue Bonds 2017A - Exhibit Hall Expansion	—	11,665,000	—	11,665,000	—
Lease Revenue Bonds 2017A - Convention Center	—	4,260,000	—	4,260,000	225,000
Lease Revenue Bonds 2017A - Stadium	—	13,510,000	—	13,510,000	650,000
Lease Revenue Bonds 2017A - Riverside Golf Course	—	1,615,000	—	1,615,000	—
<b>Total Revenue and Other Bonds</b>	<b>461,178,130</b>	<b>31,050,000</b>	<b>57,856,892</b>	<b>434,371,238</b>	<b>20,294,283</b>
<b>Plus Accreted Interest:</b>					
Accreted Interest on Capital Appreciation Bonds	4,181,182	351,870	443,107	4,089,945	—
<b>Less: Unamortized Amounts</b>					
For Issuance Premiums/(Discounts)	3,788,029	4,945,670	491,467	8,242,232	—
<b>Notes Payable:</b>					
Ground Water Recharge Construction Loan	—	—	—	—	—
Construction of Water Supply Disinfection Buildings	1,584,366	—	86,202	1,498,164	88,188
Improvements on the Enterprise and Jefferson Canals	1,012,546	—	55,090	957,456	56,360
Water Meter Project	46,264,888	—	2,570,271	43,694,617	2,570,272
Southeast Surface Water Treatment Facility	8,897,728	72,768,942	—	81,666,670	—
Tertiary Treatment Facility	24,686,282	8,526,308	962,666	32,249,924	—
Convention Center: Employee Benefits Cost Reimbursement Settlement	349,162	—	32,209	316,953	49,707
Friant-Kern Canal Raw Water Pipeline	—	15,398,386	—	15,398,386	—
Regional Transmission Mains	—	12,068,369	—	12,068,369	—
Kings River Pipeline	—	9,120,622	—	9,120,622	—
Southwest Quadrant Recycled Water Dist. System	—	11,884,466	—	11,884,466	—
<b>Total Notes Payable</b>	<b>82,794,972</b>	<b>129,767,093</b>	<b>3,706,438</b>	<b>208,855,627</b>	<b>2,764,527</b>
<b>Total Long-Term Debt</b>	<b>551,942,313</b>	<b>166,114,633</b>	<b>62,497,904</b>	<b>655,559,042</b>	<b>23,058,810</b>
<b>Other Long-Term Liabilities:</b>					
Compensated Absences & Health Retirement Arrangement	10,806,146	2,191,893	1,667,229	11,330,810	1,490,220
Net OPEB Obligation	23,559,165	2,167,347	—	25,726,512	—
CVP Litigation Settlement	11,367,222	—	2,930,899	8,436,323	1,000,000
Accrued Closure Cost	16,613,289	—	1,175,235	15,438,054	900,000
Pollution Remediation	704,801	—	74,745	630,056	—
<b>Total Other Long-Term Liabilities</b>	<b>63,050,623</b>	<b>4,359,240</b>	<b>5,848,108</b>	<b>61,561,755</b>	<b>3,390,220</b>
<b>Business-Type Long-Term Liabilities Total</b>	<b>\$614,992,936</b>	<b>\$170,473,873</b>	<b>\$ 68,346,012</b>	<b>\$717,120,797</b>	<b>\$ 26,449,030</b>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

**Activity of Long-Term Liabilities - Fiduciary**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Fiduciary Funds:</b>					
<b>Successor Agency to the Fresno Redevelopment Agency:</b>					
<b>Tax Allocation Bonds:</b>					
2001 Redevelopment Agency Merger 2	\$ 2,145,000	\$ —	\$ 785,000	\$ 1,360,000	\$ 825,000
Series 2003, Mariposa Project Area	2,478,000	—	296,000	2,182,000	313,000
<b>Total Tax Allocation Bonds</b>	<b>4,623,000</b>	<b>—</b>	<b>1,081,000</b>	<b>3,542,000</b>	<b>1,138,000</b>
<b>Less: Unamortized Amounts:</b>					
For Issuance Premiums/(Discounts)	(1,320)	—	2,296	(3,616)	—
<b>Total Unamortized Amounts</b>	<b>(1,320)</b>	<b>—</b>	<b>2,296</b>	<b>(3,616)</b>	<b>—</b>
<b>Notes Payable:</b>					
California Infrastructure Bank	1,550,725	—	63,123	1,487,602	65,351
<b>Total Notes Payable</b>	<b>1,550,725</b>	<b>—</b>	<b>63,123</b>	<b>1,487,602</b>	<b>65,351</b>
<b>Total Long-term Debt</b>	<b>6,172,405</b>	<b>—</b>	<b>1,146,419</b>	<b>5,025,986</b>	<b>1,203,351</b>
<b>Other Liabilities:</b>					
Compensated Absences	72,746	26,141	20,062	78,825	12,000
<b>Total Other Long-term Liabilities</b>	<b>72,746</b>	<b>26,141</b>	<b>20,062</b>	<b>78,825</b>	<b>12,000</b>
<b>Fiduciary Funds Long-term Liabilities Total</b>	<b>\$ 6,245,151</b>	<b>\$ 26,141</b>	<b>\$ 1,166,481</b>	<b>\$ 5,104,811</b>	<b>\$ 1,215,351</b>



**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 6. Long-Term Liabilities (continued)

The following is a description of long-term liabilities at June 30, 2017:

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Governmental												
Revenue and Other Bonds												
Judgment Obligation Refunding Bonds 2002	\$5,370,000 tax-exempt	Refund 1994 & 1998 Judgment Obligation Bonds (Blosser Settlement)		5/23/2002	8/15/2017	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. General Fund revenues of \$1,052,059 were equal to debt service in 2017. Paid bonds off on 10/02/2016.	\$0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,052,059
Taxable Pension Obligation Bonds 2002	\$205,335,000 taxable	Refund 2000 Taxable Pension Obligation Bonds	6.46% to 6.55%	2/21/2002	6/1/2029	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. City uses funds throughout the City based on full-time employees assigned to funds. For the General Fund, the City uses dedicated Property Tax Override (PTO) revenue first, and then other General Fund revenues to make its portion of the bond payment. Other citywide revenues make up the difference between total debt service and the General Fund portion. During 2017 \$11,750,157 of PTO revenue was used. In addition to PTO revenue, \$946,008 of General Fund and \$3,496,396 of Enterprise Fund/Internal Service Fund revenues were used to make the 2017 debt service payment of \$16,192,561.	\$7,595,000 to \$15,195,000	\$ 131,840,000	\$ 0	\$ 131,840,000	\$ 194,282,140	\$ 16,192,561
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A&B, No Neighborhood Left Behind (NNLB)	A = \$11,010,000 tax-exempt; B = \$1,940,000 taxable	Refinance No Neighborhood Left Behind Projects	1.95% to 5.00%	5/10/2017	4/1/2023	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$5,000 to \$2,830,000	\$ 14,312,009	\$ (1,362,009)	\$ 12,950,000	\$ 15,367,535	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2008 A, No Neighborhood Left Behind (NNLB)	A = \$38,210,000 tax-exempt	Refund 2005A Lease Revenue Bonds (No Neighborhood Left Behind Project)	5.250%	4/29/2008	4/1/2023	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$3,514,175 was equal to debt service in 2017. \$15,285,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$2,630,000	\$ 2,648,858	\$ (18,858)	\$ 2,630,000	\$ 2,768,075	\$ 3,514,175
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Chiller) 2017 A, City Hall Chiller	A = \$2,710,000 tax-exempt	Refinance City Hall Chiller	5.000%	5/10/2017	4/1/2024	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$610,000 to \$2,100,000	\$ 3,190,417	\$ (480,417)	\$ 2,710,000	\$ 3,613,321	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Chiller) 2008 E, City Hall	E = \$3,405,000 tax-exempt	Replace City Hall Chiller		8/14/2008	4/1/2024	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments under Facility Lease. Principal due annually, interest due semiannually. Lease revenue of \$155,680 was equal to debt service in 2017. \$3,405,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,680
Fresno Joint Powers Financing Authority: Lease Financing Refunding 2017 A&B, City Hall, Garage #7, Bee Bldg & Granite Park	A = \$10,125,000 tax-exempt; B = \$21,980,000 taxable	Refinance City Hall, Parking Garage #7, Fresno Bee Building and Granite Park	1.95% to 5.00%	5/10/2017	4/1/2031	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$1,645,000 to \$3,565,000	\$ 32,897,543	\$ (792,543)	\$ 32,105,000	\$ 40,693,400	\$ 0
Fresno Joint Powers Financing Authority: Lease Financing 2010, City Hall Refunding, Bee Building & Granite Park	A = \$25,450,000 tax-exempt; B = \$21,045,000 taxable	Refinance and Improvements to City Hall & Parking Garage #7 and to acquire the Fresno Bee Building and Granite Park		6/4/2010	2/1/2031	(Bank of America Public Capital Corp. - Private Placement) Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$4,633,379 was equal to debt service in 2017. \$32,105,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,633,379

City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 6. Long-Term Liabilities (continued)

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Various Capital Projects	A = \$12,435,000 tax-exempt	Refinance Various Capital Improvement Projects	5.000%	5/10/2017	4/1/2035	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$40,000 to \$1,785,000	\$ 14,303,909	\$ (1,868,909)	\$ 12,435,000	\$ 20,050,394	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2004 A,B,C, Various Capital Projects	A = \$15,810,000 tax-exempt; B = \$8,100,000 tax-exempt; C = \$28,870,000 taxable	Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area, other capital projects	5.900%	4/28/2004	10/1/2034	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$2,767,108 was equal to debt service in 2017. \$13,865,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$745,000 to \$1,400,000	\$ 13,898,044	\$ (18,044)	\$ 13,880,000	\$ 19,826,315	\$ 2,767,108
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Parks Projects) 2017 A, Parks Impact Fee Projects	A = \$22,965,000 tax-exempt	Refinance Improvements to Various Park Facilities	5.000%	5/10/2017	4/1/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$695,000 to \$1,755,000	\$ 26,282,005	\$ (3,317,005)	\$ 22,965,000	\$ 37,420,045	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Parks Projects) 2008 C & D, Parks Impact Fee Projects	C = \$33,675,000 tax-exempt; D = \$1,530,000 taxable	Improvements to various park facilities	4.000%	6/12/2008	4/1/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$2,191,150 was equal to debt service in 2017. \$27,965,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$860,000	\$ 859,478	\$ 522	\$ 860,000	\$ 894,400	\$ 2,191,150
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Police and Fire/Public Safety	A = \$32,065,000 tax-exempt	Refinance Public Safety Capital Improvement Projects (Police & Fire)	5.000%	5/10/2017	4/1/2039	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$1,015,000 to \$2,300,000	\$ 36,305,139	\$ (4,240,139)	\$ 32,065,000	\$ 52,371,685	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2009 A, Police and Fire/Public Safety	A = \$43,385,000 tax-exempt	Various police and fire capital improvement projects		4/9/2009	4/1/2039	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$3,434,681 was equal to debt service in 2017. \$35,500,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,434,681
Revenue and Other Bonds Total								\$ 276,537,402	\$ (12,097,402)	\$ 264,440,000	\$ 387,287,310	\$ 33,940,793
Notes Payable												
Energy Conservation Assistance Act	\$2,661,000 Loaned	Loaned from the California Energy Commission to be used for solar energy enhancements at the Municipal Service Yard		7/12/2004	6/22/2017	24 semiannual principal and interest installments of \$143,964. Repayment comes from actual savings in energy costs resulting from the project or other available Division funds.	\$0	0	0	0	0	\$ 284,633
HUD: Regional Medical Center (RMC)	\$3,000,000 Loaned	Section 108 Notes to be used for improvements to Regional Medical Center	2.910%	10/28/1997	8/1/2017	Annual principal payments, semiannual interest payments.	\$270,000	\$ 270,000	\$ 0	\$ 270,000	\$ 273,929	\$ 266,249
HUD: Fresno/Madera Area Agency on Aging (FMAAA)	\$1,500,000 Loaned	Section 108 Notes to be used to acquire and improve FMAAA facilities	2.910% to 3.300%	6/14/2000	8/1/2019	Annual principal payments, semiannual interest payments.	\$110,000 to \$135,000	\$ 365,000	\$ 0	\$ 365,000	\$ 83,354	\$ 117,797

City of Fresno, California  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
HUD: Neighborhood Streets/Parks	\$1,500,000 Loaned	Section 108 Note to be used for improvements to various neighborhood streets & parks	5.770% to 6.120%	8/8/2002	8/1/2022	Annual principal payments, semiannual interest payments.	\$94,000 to \$130,000	\$ 666,000	\$ 0	\$ 666,000	\$ 794,099	\$ 130,254
Roeding Business Park	\$2,441,000 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	3/18/2004	8/1/2033	Secured by Facility Lease on City Hall Annex. Annual principal payments, semiannual interest payments.	\$75,321 to \$131,212	\$ 1,714,535	\$ 0	\$ 1,714,535	\$ 2,279,081	\$ 134,560
Notes Payable Total								\$ 3,015,535	\$ 0	\$ 3,015,535	\$ 3,430,463	\$ 933,493
Governmental Total								\$ 279,552,937	\$ (12,097,402)	\$ 267,455,535	\$ 390,717,773	\$ 34,874,286
Business-Type												
Revenue and Other Bonds												
Water System Revenue Refunding Bonds 2003 A	A = \$16,155,000 tax-exempt	Refund 1993 Water Bonds & finance improvements to the Water System	5.250%	4/23/2003	6/1/2020	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged senior to the pledges securing the 2010 Bonds and State loans for Water. Principal paid annually, interest semiannually.	\$1,180,000 to \$1,310,000	\$ 3,775,084	\$ (40,084)	\$ 3,735,000	\$ 4,134,000	\$ 1,380,150
Water System Revenue Bonds (Non-Taxable) 2010 A-1, Water	A-1 = \$66,810,000 tax-exempt	Current Refund 1998 Water Bonds & improvements to the Water System	4.00% to 5.00%	2/3/2010	6/1/2024	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 2003 Bonds and in parity with the pledges securing State loans for Water. Principal payable annually, interest semiannually.	\$4,285,000 to \$7,455,000	\$ 42,905,584	\$ (1,790,584)	\$ 41,115,000	\$ 50,667,600	\$ 6,410,575
Water System Revenue Bonds (Taxable Build America Bonds) 2010 A-2, Water	A-2 = \$91,340,000 taxable	Improvements to the Water System	6.50% to 6.75%	2/3/2010	6/1/2040	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 2003 Bonds and in parity with the pledges securing State loans for Water. Principal payable annually, interest semiannually. During Fiscal Year 2017, a federal Build America Bonds subsidy of \$1,986,793 was received.	\$4,090,000 to \$7,715,000	\$ 89,888,550	\$ 1,451,450	\$ 91,340,000	\$ 191,699,075	\$ 6,097,263
Sewer System Revenue Bonds 1993 A	A = \$196,280,000 tax-exempt	Rehabilitation and expansion of the City's Wastewater Treatment Facility	4.50% to 5.25%	10/6/1993	9/1/2023	Repayment of bonds solely from revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged senior to the pledges of the 2008 Sewer Bonds and State loans for Sewer. Principal payable annually, interest semiannually.	\$45,000 to \$10,090,000	\$ 26,649,412	\$ 10,588	\$ 26,660,000	\$ 28,937,081	\$ 10,711,900
Sewer System Revenue Bonds 2008 A, Sewer	A = \$159,845,000 tax-exempt	Refund 1995 & 2000 Sewer Bonds; Improvements to the City's Wastewater Reclamation Facility	4.625% to 5.00%	7/24/2008	9/1/2037	Repayment of bonds solely from revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds and in parity with the pledges of State loans for Sewer. Principal payable annually, interest semiannually.	\$5,410,000 to \$13,090,000	\$ 162,485,042	\$ (2,640,042)	\$ 159,845,000	\$ 265,500,541	\$ 7,948,844

City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 - Convention Center	A = \$4,260,000 tax-exempt	Refinance Convention Center Improvement Projects (Phase I)	5.000%	5/10/2017	4/1/2027	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$225,000 to \$540,000	\$ 4,905,187	\$ (645,187)	\$ 4,260,000	\$ 5,523,675	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Conv. Ctr.) 2008 - Convention Center	F = \$21,410,000 taxable	Refund a portion of 2006 Convention Center Bonds & finance various Convention Center improvements	6.700%	8/14/2008	4/1/2023	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$2,413,525, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	\$1,370,000 to \$2,175,000	\$ 10,923,446	\$ 31,554	\$ 10,955,000	\$ 13,515,740	\$ 2,413,525
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2006 - Convention Center	A = \$15,420,000 tax-exempt; B = \$3,305,000 taxable	Acquisition & Improvements to the Convention Center facilities		6/28/2006	10/1/2026	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to the Facilities Sublease. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$5,366,053 which was equal to the debt service payment. \$4,780,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 586,053
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Exhibit Hall Expansion Project Refunding	A = \$11,665,000 tax-exempt	Refinance Exhibit Hall Expansion Project	5.000%	5/10/2017	4/1/2029	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$830,000 to \$1,330,000	\$ 13,584,438	\$ (1,919,438)	\$ 11,665,000	\$ 15,960,814	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	\$32,609,535 tax-exempt	Construction of an exhibit hall.		9/1/1998	9/1/2028	Current Interest Serial Bonds (\$25,395,000) and Capital Appreciation Serial Bonds (\$7,214,535). Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$2,375,325, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment. \$14,820,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$162,405 to \$289,283	\$ 6,609,896	\$ (3,968,658)	\$ 2,641,238	\$ 9,000,000	\$ 2,375,325
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Stadium Project	A = \$13,510,000 tax-exempt	Refinance MultiPurpose Stadium Project	5.000%	5/10/2017	4/1/2031	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$650,000 to \$1,300,000	\$ 15,657,779	\$ (2,147,779)	\$ 13,510,000	\$ 19,038,821	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2001 A & B, Stadium Project	A = \$23,615,000 tax-exempt; B = \$22,235,000 taxable	Acquire and construct a multipurpose outdoor stadium	6.93% to 7.03%	6/12/2001	6/1/2031	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, interest due semiannually. Lease revenue of \$2,257,184 recognized in 2017, equal to debt service in 2017. \$16,550,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$705,000 to \$1,700,000	\$ 15,902,994	\$ (22,994)	\$ 15,880,000	\$ 25,442,562	\$ 2,257,184

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Riverside Golf Course) 2017 A, Riverside Golf Course	A = \$1,615,000 tax-exempt	Refinance Improvements to Riverside Golf Course	5.000%	5/10/2017	4/1/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$50,000 to \$125,000	\$ 1,848,266	\$ (233,266)	\$ 1,615,000	\$ 2,626,109	\$ 0
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Riverside Golf Course) 2008 C & D, Riverside Golf Course	C = \$2,375,000 tax-exempt; D = \$105,000 taxable	Improvements to Riverside Golf Course	4.000%	6/12/2008	4/1/2038	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to the Facilities Sublease. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$158,313, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment. \$1,970,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$60,000	\$ 59,964	\$ 36	\$ 60,000	\$ 62,400	\$ 158,313
Airport Revenue Refunding Bonds 2013, Concourse Expansion	A = \$10,810,000 Non-AMT; B = \$22,820,000 AMT (Subject to Alternative Minimum Tax)	Refund 2000 Airport Revenue Bonds	4.00% to 5.125%	8/6/2013	7/1/2030	Repayment of bonds solely from operation of the City Airport System. Bond Indenture requires a minimum \$1,600,000 of PFC Contribution toward annual debt service from Passenger Facility Charges (PFC). During Fiscal Year 2017 \$1,600,000 of PFC and \$1,180,544 of eligible Airports operation revenues were used to make the debt service payment.	\$1,420,000 to \$5,335,000	\$ 29,957,774	\$ (417,774)	\$ 29,540,000	\$ 41,342,691	\$ 2,780,544
Airport Revenue Bonds 2007, Consolidated Rental Car Facility	\$22,000,000 taxable	Construction of a consolidated rental car facility and related improvements	5.833%	6/14/2007	7/1/2037	Repayment of bonds solely from operation of the City Airport System. While not required under the Bond Indenture, Airports uses Customer Facility Charge (CFC) revenues first to meet the debt payment, and then uses other permitted revenues to cover any difference between CFC's and the debt payment. Principal due annually, interest due semiannually. During Fiscal Year 2017 \$1,431,970 of CFC revenues was used to fully cover the debt service payment.	\$215,000 to \$2,265,000	\$ 21,550,000	\$ 0	\$ 21,550,000	\$ 39,249,655	\$ 1,431,970
Revenue and Other Bonds Total								\$ 446,703,416	\$ (12,332,178)	\$ 434,371,238	\$ 712,700,764	\$ 44,551,646
Notes Payable												
Water: Safe-Drinking Water Program	\$51,405,432 Loaned	Contract between the State Water Resources Control Board and the City for installation of water meters throughout the City of Fresno	0	4/10/2012	10/1/2022	No interest loan. Repayment of the loan is funded from revenues of the Water Fund. Pledged subordinate to the pledge securing the Water 2003 Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal due in semiannual installments of \$1,285,136.	\$1,285,136 to \$2,570,272	\$ 43,694,617	\$ 0	\$ 43,694,617	\$ 43,694,617	\$ 2,570,272
Water: Safe Drinking Water Program	\$1,946,686 Loaned	Contract between the State Water Resources Control Board and the City to protect the City's drinking water supplies from possible contaminating activities (PCA's)	2.292%	7/1/2009	7/1/2031	Repayment of loan is funded from revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of \$61,014.	\$86,201 to \$118,602	\$ 1,498,164	\$ 0	\$ 1,498,164	\$ 1,769,405	\$ 122,028

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

***Note 6. Long-Term Liabilities (continued)***

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Water: Safe Drinking Water Program	\$1,245,485 Loaned	Contract between the State Water Resources Control Board and the City for improvements on the Enterprise and Jefferson Canals	2.292%	7/1/2009	1/1/2032	Repayment of loan is funded from revenues of the Water Fund Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of \$38,993.	\$55,090 to \$75,797	\$ 957,456	\$ 0	\$ 957,456	\$ 1,169,796	\$ 1,170,070
Water: Drinking Water State Revolving Fund Project 1010007-029C	\$26,520,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Southeast Surface Water Treatment Facility	1.600%	4/5/2016	7/1/2048	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	\$ 15,398,386	\$ 0	\$ 15,398,386	\$ 15,398,386	\$ 78,064
Water: Drinking Water State Revolving Fund Project 1010007-028C	\$195,489,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Southeast Surface Water Treatment Facility	1.663%	7/15/2015	1/1/2049	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	\$ 81,666,670	\$ 0	\$ 81,666,670	\$ 81,666,670	\$ 645,905
Water: Drinking Water State Revolving Fund Project 1010007-030C	\$75,900,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of the Friant-Kern Canal Raw Water Pipeline	1.600%	8/23/2016	1/1/2049	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	\$ 12,068,369	\$ 0	\$ 12,068,369	\$ 12,068,369	\$ 0
Water: Drinking Water State Revolving Fund Project 1010007-031C	\$65,875,669 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Kings River Pipeline	1.600%	4/5/2016	7/1/2048	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	\$ 9,120,622	\$ 0	\$ 9,120,622	\$ 9,120,622	\$ 39,003
Sewer: Clean Water State Revolving Fund Project	\$33,138,638 Loaned	Contract between the State Water Resources Control Board and the City for construction of a tertiary treatment facility	1.000%	10/17/2015	7/12/2046	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with the pledge securing the 2008 Bonds and State loans for Sewer. Principal and interest due in semiannual installments of \$1,279,885.	\$959,072 to \$1,361,854	\$ 32,249,924	\$ 0	\$ 32,249,924	\$ 37,116,675	\$ 1,279,885
Sewer: Clean Water State Revolving Fund Project No. 8061-110	\$52,475,049 Loaned	Contract between the State Water Resources Control Board and the City for construction of a recycled water distribution system in the southwest quadrant of the City	1.000%	7/1/2016	5/30/2047	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with the pledge securing the 2008 Bonds and State loans for Sewer. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	\$ 11,884,466	\$ 0	\$ 11,884,466	\$ 11,884,466	\$ 0

City of Fresno, California  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

*Note 6. Long-Term Liabilities (continued)*

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Convention Center: Management Agreement	\$781,000 Loaned	Management Agreement between the City of Fresno and SMG to settle a conflict with employee benefits costs incurred by SMG	3.423%	1/1/2009	12/31/2018	Principal and interest due in monthly installments of \$4,167 through 12/31/2018 with an additional payment of \$250,000 to be paid no later than 12/31/2018. Repayment of the note is funded from revenues of the Convention Center operating fund.	\$39,995 to \$270,516	\$ 316,953	\$ 0	\$ 316,953	\$ 333,333	\$ 58,333
Notes Payable Total								\$ 208,855,627	\$ 0	\$ 208,855,627	\$ 214,222,339	\$ 5,963,560
Business-Type Total								\$ 655,559,043	\$ (12,332,178)	\$ 643,226,865	\$ 926,923,103	\$ 50,515,206
Fiduciary												
Tax Allocation Bonds												
Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds 2001, Redevelopment Agency Merger 2	\$10,000,000 tax-exempt	Redevelopment purposes within the Agency's Merger No. 2 Project Area	5.250%	2/1/2012	8/1/2018	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project area. All such revenues are pledged. Tax increment in Merger Area No. 2 of \$877,006 was equal to debt service in 2017.	\$535,000 to \$825,000	\$ 1,362,990	\$ (2,990)	\$ 1,360,000	\$ 1,423,788	\$ 877,006
Tax Allocation Refunding Bonds 2003, Mariposa Project Area	\$5,005,000 tax-exempt	Refund the Agency's 1993 Tax Allocation Bonds (Mariposa Project Area)	5.375% to 5.625%	2/1/2012	2/1/2023	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project area. All such revenues are pledged. Tax increment in Mariposa Project Area of \$433,338 was equal to debt service in 2017.	\$313,000 to \$418,000	\$ 2,175,394	\$ 6,606	\$ 2,182,000	\$ 2,633,406	\$ 433,338
Tax Allocation Bonds Total								\$ 3,538,384	\$ 3,616	\$ 3,542,000	\$ 4,057,194	\$ 1,310,344
Notes Payable												
RDA: Roeding Business Park	\$2,118,000 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	3/18/2004	8/1/2033	Principal and interest due in annual installments. Secured by Tax Increment revenue received into the Roeding Business Park Project area.	\$65,351 to \$113,845	\$ 1,487,602	\$ 0	\$ 1,487,602	\$ 1,977,426	\$ 116,750
Notes Payable Total								\$ 1,487,602	\$ 0	\$ 1,487,602	\$ 1,977,426	\$ 116,750
Fiduciary Total								\$ 5,025,986	\$ 3,616	\$ 5,029,602	\$ 6,034,620	\$ 1,427,094
Discretely Presented Component Unit												
Notes Payable												
Clearinghouse NMTC LLC	N/A	Proceeds used to purchase the Fresno Bee Building and associated properties; to be operated as a qualified active low-income community business in a manner consistent with the New Market Tax Credit requirements	1.000%	3/31/2010	3/1/2040	The COFCAP is required to make monthly interest payments to the lenders involved in the NMTC transaction. The funding source for the interest payments is the base rental payment made by the City of Fresno on a monthly basis in the amount of \$31,250 pursuant to Master Lease Agreement with the City of Fresno. Annual payments on the note reflect interest only. The COFCAP fulfilled the terms of the New Market Tax Credits (NMTC), and was fully dissolved on 8/29/2017. Assets were returned to the City of Fresno in lieu of payment of the principal amount of the note. See Note 13 for details on the COFCAP.	\$0	\$ 0	\$ 0	\$ 0	\$ 0	Interest Only \$107,869

**City of Fresno, California**  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

***Note 6. Long-Term Liabilities (continued)***

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Clearinghouse NMTC LLC	N/A	Proceeds used to purchase the Fresno Bee Building and associated properties; to be operated as a qualified active low-income community business in a manner consistent with the New Market Tax Credit requirements	2.420%	3/31/2010	3/1/2040	The COFCAP is required to make monthly interest payments to the lenders involved in the NMTC transaction. The funding source for the interest payments is the base rental payment made by the City of Fresno on a monthly basis in the amount of \$31,250 pursuant to Master Lease Agreement with the City of Fresno. Annual payments on the note reflect interest only. The COFCAP fulfilled the terms of the New Market Tax Credits (NMTC), and was fully dissolved on 8/29/2017. Assets were returned to the City of Fresno in lieu of payment of the principal amount of the note. See Note 13 for details on the COFCAP.	\$0	\$ 0	\$ 0	\$ 0	\$ 0	Interest Only \$81,849
Discretely Presented Component Unit Total								\$ 0	\$ 0	\$ 0	\$ 0	\$ 189,718
Grand Total								\$ 940,137,966	\$ (24,425,964)	\$ 915,712,002	\$ 1,323,675,496	\$ 87,006,304



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 6. Long-Term Liabilities (continued)

#### B. Debt Service Requirements - excluding capital leases

The annual debt service requirements excluding capital lease obligations for the City long-term debt outstanding as of June 30, 2017, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities			Fiduciary Funds	
	Principal	Interest	Principal	Interest Accretion	Interest	Principal	Interest
2018	\$ 15,469,321	\$ 14,430,871	\$ 23,058,810	\$ 460,718	\$ 23,842,990	\$ 1,203,351	\$ 222,203
2019	16,807,979	14,144,107	26,309,329	474,923	23,275,034	933,658	167,331
2020	17,752,732	13,197,883	22,071,617	488,438	22,236,944	423,047	132,652
2021	18,837,582	12,197,033	23,434,352	503,925	21,280,355	442,519	110,721
2022	17,827,532	11,153,843	24,175,550	516,127	20,249,603	472,079	87,303
2023-2027	92,665,695	39,919,261	115,067,855	2,747,961	85,233,791	835,071	188,399
2028-2032	59,251,743	13,820,120	120,962,508	1,166,670	56,239,005	496,068	84,494
2033-2037	22,567,951	4,367,498	189,818,747	—	27,383,811	223,809	7,969
2038-2042	6,275,000	321,563	43,604,817	—	3,921,961	—	—
2043-2047	—	—	30,204,274	—	188,958	—	—
2048-2052	—	—	24,519,006	—	—	—	—
<b>Subtotal</b>	<b>267,455,535</b>	<b>123,552,179</b>	<b>643,226,865</b>	<b>6,358,762</b>	<b>283,852,452</b>	<b>5,029,602</b>	<b>1,001,072</b>
<b>Issuance Premiums/ (Discounts)</b>	<b>12,097,403</b>	<b>—</b>	<b>8,242,232</b>	<b>—</b>	<b>—</b>	<b>(3,616)</b>	<b>—</b>
<b>Unaccreted Interest</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2,268,814)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 279,552,938</b>	<b>\$ 123,552,179</b>	<b>\$ 651,469,097</b>	<b>\$ 4,089,948</b>	<b>\$ 283,852,452</b>	<b>\$ 5,025,986</b>	<b>\$ 1,001,072</b>

#### C. Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various loan, note, and bond indentures. While the City believes that it is in compliance with all significant limitations, restrictions and covenants, the City missed the 270-day continuing disclosure filing deadline by several days with respect to its Airport 2007, Tax Allocation 2001 and Water 2003 bonds for fiscal year 2012. The Continuing Disclosure Certificate requires an Annual Report to be disseminated within 270 days after the end of the City's fiscal year on June 30. The City disseminated its Annual Report for fiscal year 2017 timely.

#### D. Debt Management Policy

The City maintains a Debt Management Policy (Policy) which sets forth certain debt management objectives, establishes overall parameters, and provides general direction in the planning, issuing, and administering of the City's debt. The purpose of the Policy is to assist in the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment which are beneficial to the City and necessary for providing essential services.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 6. Long-Term Liabilities (continued)

The Policy integrates the best practices of other debt management plans utilized by similar California cities and is consistent with the provisions of the City Charter, and any enabling legislation.

As part of the Lease Revenue Bond refinancing (see Note 8 for further detail), the City's Debt Management Policy was reviewed to insure compliance with Senate Bill 1029 (SB 1029). SB 1029, which was signed into law in September 2016, mandated certain requirements for debt management policies that are adopted by local governments and agencies. The SB 1029 review found that the City's existing Debt Management Policy met all of SB 1029's requirements, with one exception. That exception was the lack of language addressing internal controls on debt transactions. However, while the City's policy was generally in compliance with SB 1029, the review turned up some outdated language. That outdated language usually took the form of referencing an entity that no longer exists (e.g., the Redevelopment Agency) or a milestone that was to occur in a now previous year (e.g. "The City in Fiscal Year 2010..."). Given the change required under SB 1029, the outdated language in the current policy, and the fact that the policy has not been updated since 2010, the decision was made to perform a comprehensive update of the Debt Management Policy. That update was approved by Council on April 6, 2017.

#### **E. Legal Debt Limit and Legal Debt Margin**

Article XVI, Section 18 of the California Constitution, (the "debt limit") prohibits cities (including chartered cities), counties, and school districts from entering into indebtedness or liability in any year where that indebtedness/liability exceeds the income and revenue provided for such year, unless the local agency first obtains two-thirds voter approval for the obligation or unless the indebtedness/liability falls under several exemptions recognized by the California courts. This limitation applies not only to traditional bonds, but also to many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements, and other types of arrangements commonly seen in public finance transactions.

As of June 30, 2017, the City's debt limit (20% of valuation subject to taxation) was \$6.59 billion. This is in comparison with debt limits of \$6.31 billion in 2016. The City's legal debt margin is equal to the City's limit because it has no debt subject to the limitation.

#### **F. Arbitrage**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated all general obligation bond and lease revenue bond issuances subject to the arbitrage rebate requirements in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt they have issued that is subject to arbitrage rebate requirements. Any material arbitrage

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 6. Long-Term Liabilities (continued)

liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. Additionally, the Successor Agency to the Redevelopment Agency records any material arbitrage liability. At June 30, 2017, a \$69,792 arbitrage liability was accrued as other liabilities in the Sewer System. Also at June 30, 2017, the Successor Agency accrued an arbitrage liability in the amount of \$8,683 on its 2001 Fresno Joint Powers Financing Authority Tax Allocation Bonds.

#### **G. State Loan Program**

On October 17, 2014, the City entered into a loan program with the California State Water Resources Control Board's Clean Water State Revolving Fund to borrow funds for the purpose of building a tertiary treatment facility and related projects. The loan was amended on March 16, 2015 from \$49,043,336 to \$33,138,638 as a result of the restructuring of the project into component parts. This restructuring was based upon construction timing as well as the ineligibility of portions of the project which did not qualify for the lowest interest rate under the State program. The term of the amended loan will be 30 years at an interest rate of 1%. Interest charged during construction of \$73,952 was deferred and added to the principal balance, which increased the loan to \$33,212,590. In fiscal year 2017, the City prepaid the first payment of \$1,279,885 which was due in fiscal year 2018. Starting in fiscal year 2019, the annual debt service payment will be \$1,286,353 payable from Public Utilities (DPU) revenues, consisting of sewer rates, fees and charges.

On July 15, 2015, the City entered into a 30-year agreement to borrow \$195,489,000 from the California State Water Resources Control Board for construction of a new surface water treatment facility in southeast Fresno. The interest rate is fixed at 1.663% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$81,666,670 in proceeds. The note will be funded from revenues of the Water Enterprise. Once construction is completed, annual debt services are estimated to be \$8,190,836.

On September 14, 2015, the City entered into a 30-year agreement to borrow \$52,475,049 from the California State Water Resources Control Board's Clean Water State Revolving Fund for construction of a recycled water distribution system in the southwest quadrant of the City. The interest rate is fixed at 1.0% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$11,884,466 in proceeds. The note will be funded from revenues of the Sewer Enterprise.

On June 8, 2016, the City entered into a 30-year agreement to borrow \$26,520,000 from the California State Water Resources Control Board for construction of a raw water pipeline to replace the Enterprise Canal as a primary conveyance system for the Northeast Surface Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30,

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 6. Long-Term Liabilities (continued)

2017, the City has received \$15,398,386 in proceeds. The note will be funded from revenues of the Water Enterprise.

On July 19, 2016, the City entered into a 30-year agreement to borrow \$65,875,669 from the California State Water Resources Control Board for construction of a pipeline from Kings River to the Southeast Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$9,120,622 in proceeds. The note will be funded from revenues of the Water Enterprise.

On August 23, 2016, the City entered into a 30-year agreement to borrow \$75,900,000 from the California State Water Resources Control Board for construction of regional transmission mains to transport water from facilities throughout the City. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$12,068,369 in proceeds. The note will be funded from revenues of the Water Enterprise.

## **H. Capital Lease Obligations**

The City has entered into several Master Lease Agreements that allowed for a set amount of financing over the term of the Master Lease. Several financings took place under these Master Leases whose maturities exceeded the term of the Master Lease. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of their future minimum lease payments as of the inception date.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 6. Long-Term Liabilities (continued)

The following table lists the City's Capital Lease Obligations by lender as of June 30, 2017:

<b>Lender</b>	<b>Date of Loan</b>	<b>Term (Years)</b>	<b>Purchased</b>	<b>Interest Rate</b>	<b>Annual (P&amp;I Payment)</b>
All Points Capital Corp	11/14/2006	10	Heavy Rescue Vehicle & Pumper Trucks (2)	4.19%	\$ 87,533
All Points Capital Corp	1/15/2007	10	Smeal Aerial Ladder Truck	4.15%	44,845
All Points Capital Corp	2/26/2008	10	Triple Combination Fire Trucks (3)	3.29%	167,610
All Points Capital Corp	6/11/2008	10	105' Smeal Aerial Ladder Fire Truck	3.61%	93,752
Community First National Bank	6/12/2015	5	Various Equipment	2.31%	205,653
Community First National Bank	7/13/2015	10	2015 Smeal Engines on Spartan Metrostar Chassis (4)	2.92%	210,413
Community First National Bank	9/22/2015	10	2015 Smeal Engines on Metrostar (3) & Aerial on Gladiator (1)	2.69%	339,846
Community First National Bank	2/22/2016	10	2012 Smeal Engine & 2016 Water Tender on Kenworth	2.09%	156,795
Community First National Bank	4/13/2016	5	2016 Toyota Camrys (2)	1.75%	9,538
Community First National Bank	6/2/2016	5	2016 Light Vehicles & Upfitting	1.87%	231,735
De Lage Landen Public Finance	12/1/2010	10	2009 Spartan 1500 Fire Trucks (3)	3.07%	199,579
De Lage Landen Public Finance	7/1/2011	5	Undercover Vehicles (Part 2)	2.08%	26,141
De Lage Landen Public Finance	8/19/2011	5	Police Cruisers (16) & Trucks (4)	1.99%	88,671
De Lage Landen Public Finance	9/30/2011	5	F-350 Pickups	1.80%	13,171
Dell Financial Services	12/1/2013	5	Computers (17) Optiplex 7010 Mini	4.99%	5,035
Dell Financial Services	8/1/2014	3	Computers (30)	5.63%	8,705
Dell Financial Services	8/1/2014	3	Computers (34) & Monitors (53)	5.63%	17,652
Dell Financial Services	8/1/2014	4	Computers (400)	5.17%	88,829
Dell Financial Services	8/13/2014	3	Computers (80)	6.36%	23,368
Dell Financial Services	1/30/2015	3	Computer (1)	6.33%	839
Dell Financial Services	10/20/2015	3	Computers	10.15%	16,197
Dell Financial Services	1/15/2016	3	Microsoft Surface Laptops (50)	5.52%	31,392
Dell Financial Services	1/25/2016	3	Computers	5.71%	524
Dell Financial Services	7/1/2016	4	Dell Optiplex 7040 SFF Computers (3)	5.01%	908
Dell Financial Services	9/1/2016	4	Optiplex 7040 Computers (7) & 19" Monitors (10)	5.01%	2,344
Dell Financial Services	9/1/2016	4	Optiplex 7040 SFF Computers (16)	7.59%	5,860
Dell Financial Services	9/1/2016	3	Cisco Equipment	6.27%	17,698
Dell Financial Services	1/1/2017	3	Dell Latitude Laptop & Docking Station	5.63%	3,343
Dell Financial Services	1/1/2017	3	Dell OptiPlex 7040 Computers (1)	5.63%	1,445
Dell Financial Services	1/1/2017	3	Dell OptiPlex 7040 Computers (10)	5.63%	3,520
Dell Financial Services	1/1/2017	3	Dell OptiPlex 7040 Computers (7)	5.63%	2,498
Dell Financial Services	2/1/2017	3	Dell OptiPlex 7040 Computers (11)	5.63%	4,003
Dell Financial Services	2/1/2017	3	Dell OptiPlex 7040 Computers (2)	5.63%	2,188
Dell Financial Services	2/1/2017	3	Dell OptiPlex 7040 Computers (3)	5.63%	3,277
Dell Financial Services	2/1/2017	3	Dell OptiPlex 7040 Computers (4)	6.61%	5,742
Dell Financial Services	2/1/2017	3	Dell OptiPlex 7040 Computers (8)	5.63%	5,758
Dell Financial Services	4/1/2017	3	Dell OptiPlex 7040 Computers (5)	5.63%	5,466
Kansas State Bank Public Finance	10/10/2013	5	Patrol Cars (50 Replacement Vehicles)	3.39%	514,906
Kansas State Bank Public Finance	5/23/2014	4	Motorola APX6000 Digital Portable Radios (275 Units)	3.27%	166,884
Kansas State Bank Public Finance	9/26/2014	5	Police & Parks Vehicles	3.39%	796,593
Kansas State Bank Public Finance	9/10/2015	5	Police Vehicles	3.39%	647,920
PNC Equipment Finance, LLC	10/4/2012	8	Self-Contained Breathing Apparatus	3.30%	154,138
<b>Total</b>					<b>\$ 4,412,314</b>

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 6. Long-Term Liabilities (continued)**

Debt service requirements are presented below. Interest rates range from 1.75% to 10.15%.

<b>Year Ended June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 4,729,766	\$ 534,371
2019	4,059,612	395,104
2020	3,441,123	281,962
2021	2,340,216	197,781
2022	1,724,954	148,022
2023-2027	4,588,358	284,252
<b>Total</b>	<b>\$ 20,884,029</b>	<b>\$ 1,841,492</b>

**I. General Fund Obligations — Short-Term Borrowing**

The City did not issue Tax and Revenue Anticipation Notes (TRANs) in fiscal year 2017 and did not have any short-term debt outstanding during the fiscal year.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 7. Interfund Activity**

**A. Due to/from Other Funds**

Due to/from Other Funds represents short-term borrowings resulting from a fund’s temporary need for additional cash. Primarily, these amounts have been recorded when timing differences between when the services are provided and when they are paid for/reimbursed causes the funds to temporarily overdraw their share of pooled cash. These balances are generally expected to be repaid within the next few months and not longer than a 12-month fiscal operating cycle.

The composition of interfund balances as June 30, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 5,765,141
	Nonmajor Governmental Funds	1,560,717
	Internal Service Funds	302,431
		<u>7,628,289</u>
Grants Special Revenue Fund	Nonmajor Governmental Funds	264
	Internal Service Funds	775,907
		<u>776,171</u>
Nonmajor Governmental Funds	Grants Special Revenue Fund	33,147
	Internal Service Funds	1,151,483
	Fiduciary Funds	1,054
		<u>1,185,684</u>
Water System	Internal Service Funds	<u>9,042</u>
Sewer System	Water System	<u>61,828</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>14,550</u>
Internal Service Funds	General Fund	1,390,649
	Grants Special Revenue Fund	2,787
	Nonmajor Government Funds	196,029
	Water System	134,731
	Sewer System	202,256
	Solid Waste Management	455,066
	Transit	72,392
	Airports	23,218
	Fresno Convention Center	440
	Nonmajor Enterprise Funds	206,617
	Internal Service Funds	19,293
	<u>2,703,478</u>	
<b>Total Due to/from Other Funds</b>		<u><u>\$ 12,379,042</u></u>

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 7. Interfund Activity (continued)

#### **B. Advances**

Advances represent long-term borrowing between funds. The City did not have any advances in fiscal year 2017.

#### **Redevelopment Agency**

Advances over the years between the City and the former Redevelopment Agency (RDA) were made to provide funds to eliminate blight and to develop, construct, rehabilitate and revitalize Fresno's inner city neighborhoods, downtown and industrial areas. The advances had all been secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates varied between 5% and 9% with payments on the advances and related interest based upon budgetary priority as approved by the former RDA.

In June 2011, all California RDAs were required to dissolve effective February 1, 2012. The law dissolving the RDAs called for the creation of a Successor Agency (SA) to wind down RDA business.

The initial dissolution law provided that the SA would pay "enforceable obligations" of the former RDA. However, the law initially excluded debt a former agency owed to the city that created it from the definition of enforceable obligations, unless the debt was created in the first two years following the agency's creation or was debt that represented third party obligations. Subsequent legislation allowed limited, conditional repayment of loans by the SA to the community that created it.

When the RDA dissolution process began, City staff considered it to be premature to consider the debt owed by the former RDA to the City as being current. Thus, an allowance for doubtful accounts was created by the City which at June 30, 2011 totaled \$80,113,531. This amount, which was equal to the calculated amount of the debt, was reflective primarily of principal and interest accrued over the years on the advances. As payments on the debt have been received and legal decisions have been rendered which further defined an "enforceable obligation", staff revisited that initial allowance for doubtful accounts amount and refined it. At the end of fiscal year 2017, the allowance for doubtful account stands at \$5,968,139.

As the funds are received, twenty percent of any loan repayment received by the City must be deducted from the loan repayment amount and be transferred to the Low and Moderate Income Housing Fund. In fiscal year 2017, this amount totaled \$992,235. The repayment is reflected on the CAFR on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds, under the Special Revenue-Low and Moderate Income Housing Fund.

On June 23, 2016, the City Council approved a resolution requiring any amount of the annual repayments of RDA debt that are received and not related to Enterprise Funds related loans would go toward the rebuilding of the City's Emergency Reserve Fund. Through June 30, 2017, the City had received \$12,620,710 in loan repayments from the SA. While the SA is receiving tax increments that has been approved to reimburse the City for prior loans, full repayment of the loans is not anticipated for several years.



**City of Fresno, California**  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

*Note 7. Interfund Activity (continued)*

<b>City of Fresno Advances to Former Redevelopment Agency</b>											
Receivable Fund	Principal Cumulative				Interest Cumulative				Total		
	Beginning Balance	Advances	Payments/ Write-offs	Ending Balance	Beginning Balance	Accruals	Payments/ Write-offs	Ending Balance	Total Receivable	Allowance for Doubtful	Receivable (Net of Allowance)
General Fund:											
General Fund	\$ 4,269,579	\$ —	\$ (559,167)	\$ 3,710,412	\$ 5,340,159	\$ (6,146)	\$ (1,705,819)	\$ 3,628,194	\$ 7,338,606	\$ (2,133,797)	\$ 5,204,809
General Revenue Sharing	144,296	—	—	144,296	132,640	736	—	133,376	277,672	—	277,672
General Fund Stadium	—	—	—	—	—	—	—	—	—	—	—
Parking Trust	150,000	—	—	150,000	89,100	4,500	—	93,600	243,600	—	243,600
	<u>4,563,875</u>	<u>—</u>	<u>(559,167)</u>	<u>4,004,708</u>	<u>5,561,899</u>	<u>(910)</u>	<u>(1,705,819)</u>	<u>3,855,170</u>	<u>7,859,878</u>	<u>(2,133,797)</u>	<u>5,726,081</u>
Grants Special Revenue Fund	11,769,400	—	(1,332,149)	10,437,251	10,537,309	317,619	(1,364,039)	9,490,889	19,928,140	—	19,928,140
Nonmajor Governmental Funds:											
Gas Tax	1,376,142	—	—	1,376,142	837,250	41,284	—	878,534	2,254,676	(2,254,676)	—
Measure C	—	—	—	—	63,280	—	—	63,280	63,280	(63,280)	—
	<u>1,376,142</u>	<u>—</u>	<u>—</u>	<u>1,376,142</u>	<u>900,530</u>	<u>41,284</u>	<u>—</u>	<u>941,814</u>	<u>2,317,956</u>	<u>(2,317,956)</u>	<u>—</u>
Water System	93,876	—	—	93,876	43,552	2,816	—	46,368	140,244	(140,244)	—
Sewer System	592,971	—	—	592,971	279,450	16,948	—	296,398	889,369	(889,369)	—
Fresno Convention Center	304,233	—	—	304,233	173,413	9,126	—	182,539	486,772	(486,772)	—
	<u>991,080</u>	<u>—</u>	<u>—</u>	<u>991,080</u>	<u>496,415</u>	<u>28,890</u>	<u>—</u>	<u>525,305</u>	<u>1,516,385</u>	<u>(1,516,385)</u>	<u>—</u>
<b>Total</b>	<u>\$18,700,497</u>	<u>\$ —</u>	<u>\$ (1,891,316)</u>	<u>\$16,809,181</u>	<u>\$17,496,153</u>	<u>\$ 386,883</u>	<u>\$ (3,069,858)</u>	<u>\$14,813,178</u>	<u>\$31,622,359</u>	<u>\$ (5,968,138)</u>	<u>\$ 25,654,221</u>

Subsequent to year-end, the City received a reimbursement on loans made to the former RDA. The amount received was \$4,003,621, of which \$3,202,897 was paid to the City and \$800,724 was paid to the Housing Successor.

**Redevelopment Agency - Housing Assets**

The City became the “Housing Successor” of the former RDA’s Housing Assets. These assets were transferred to the City, who has sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This allows the City to complete projects under contract, liquidate surplus real estate and distribute proceeds to taxing entities, pursue repayment of RDA obligations to the City, and administer housing assets.

**Other Advances**

The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. Interest for the advance is equal to two percent (2%) above the City’s monthly Pooled Investment Rate. The first interest only payment was due July 31, 2008. Principal, at not less than 1/29<sup>th</sup> of the original principal, and interest payments are due annually thereafter.

The advance between the General Fund and Nonmajor Governmental Funds provided \$12.7 million for Financing Authorities to loan in connection with the New Market Tax Credit transaction associated with the acquisition and sale of the Fresno Metropolitan Museum. This advance was repaid on August 29, 2017. For further detail, please see Note 13 on pages 170-171.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 7. Interfund Activity (continued)

The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances (advances from/to other funds) as of June 30, 2017, is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Nonmajor Governmental Funds	\$ 12,690,500
	Fiduciary Funds	5,726,081
		<u>18,416,581</u>
Grants Special Revenue Fund	Fiduciary Funds	<u>19,928,140</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>62,208</u>
Sewer System	General Fund	<u>317,174</u>
<b>Total Advances</b>		<u><u>\$ 38,724,103</u></u>

**C. Transfers**

Transfers represent subsidies by one fund to another in accordance with the budget and provide for various City programs and provide resources for the payment of debt service.

The following is a summary of interfund transfers for the year ended June 30, 2017:

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 7. Interfund Activity (continued)*

Receiving Fund	Paying Fund	Amount
General Fund	Grants Special Revenue Fund	\$ 2,165,347
	Nonmajor Governmental Funds	4,304,598
	Water System	286
	Sewer System	2,197
	Solid Waste Management	708,183
	Transit	600,811
	Stadium	5,740
	Nonmajor Enterprise Funds	260,001
	Internal Service Funds	191,594
		<u>8,238,757</u>
Grants Special Revenue Fund	General Fund	2,920
	Nonmajor Governmental Funds	1,873,282
		<u>1,876,202</u>
Nonmajor Governmental Funds	General Fund	26,145,950
	Grants Special Revenue Fund	1,226,312
	Nonmajor Governmental Funds	14,390,236
	Water System	480,304
	Sewer System	419,604
	Solid Waste Management	388,039
	Transit	825,766
	Airports	281,097
	Nonmajor Enterprise Funds	133,735
	Internal Service Funds	1,523,900
	<u>45,814,943</u>	
Solid Waste Management	Nonmajor Enterprise Funds	1,203,933
	Internal Service Funds	451,638
		<u>1,655,571</u>
Airports	General Fund	<u>9</u>
Fresno Convention Center	General Fund	6,233,608
	Nonmajor Governmental Funds	133
		<u>6,233,741</u>
Stadium	General Fund	<u>2,245,422</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	27,287
	Internal Service Funds	29,959
		<u>57,246</u>
Internal Service Funds	General Fund	<u>440,000</u>
<b>Total Transfers</b>		<u>\$ 66,561,891</u>

The General Fund transferred \$26.1 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; \$6.2 million to the Convention Center for debt service as well as general operating support; and \$2.2 million to the Stadium Fund for debt service payments.

The Grants Special Revenue Fund transferred \$2.2 million to the General Fund for an RDA Advance and \$1.2 million to Nonmajor Governmental Funds.

Nonmajor Governmental Funds transferred \$20.6 million for debt service and miscellaneous purposes.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 7. Interfund Activity (continued)

Internal Service Funds transferred \$1.5 million to Nonmajor Governmental Funds for debt service payments.

**D. Recap of Interfund Activity**

The following schedule recaps Interfund Activity at June 30, 2017:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>	<b>Advances Receivable from Other Funds</b>	<b>Advances Payable to Other Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental Funds:</b>						
General Fund	\$ 7,628,289	\$ 1,390,649	\$ 18,416,581	\$ 317,174	\$ 8,238,757	\$ 35,067,909
Grants Special Revenue Fund	776,171	5,801,075	19,928,140	—	1,876,202	3,391,659
Nonmajor Governmental Funds	1,185,684	1,757,010	62,208	12,752,708	45,814,943	20,595,536
<b>Total Governmental Funds</b>	<b>9,590,144</b>	<b>8,948,734</b>	<b>38,406,929</b>	<b>13,069,882</b>	<b>55,929,902</b>	<b>59,055,104</b>
<b>Proprietary Funds:</b>						
Water System	9,042	196,559	—	—	—	480,590
Sewer System	61,828	202,256	317,174	—	—	421,801
Solid Waste Management	—	455,066	—	—	1,655,571	1,096,222
Transit	—	72,392	—	—	—	1,426,577
Airports	—	23,218	—	—	9	281,097
Fresno Convention Center	—	440	—	—	6,233,741	—
Stadium	—	—	—	—	2,245,422	5,740
Nonmajor Enterprise Funds	14,550	206,617	—	—	57,246	1,597,669
Internal Service Funds	2,703,478	2,272,706	—	—	440,000	2,197,091
<b>Total Proprietary Funds</b>	<b>2,788,898</b>	<b>3,429,254</b>	<b>317,174</b>	<b>—</b>	<b>10,631,989</b>	<b>7,506,787</b>
<b>Fiduciary Funds:</b>						
Major Governmental Funds	—	—	—	25,654,221	—	—
Nonmajor Governmental Funds	—	1,054	—	—	—	—
<b>Total Fiduciary Funds</b>	<b>—</b>	<b>1,054</b>	<b>—</b>	<b>25,654,221</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 12,379,042</b>	<b>\$ 12,379,042</b>	<b>\$ 38,724,103</b>	<b>\$ 38,724,103</b>	<b>\$ 66,561,891</b>	<b>\$ 66,561,891</b>

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 8. Defeasance and Refunding of Long-Term Debt

At a meeting of the Fresno Joint Powers Financing Authority (JPFA) on April 6, 2017, Resolution JPFA-41 was approved by the JPFA Board authorizing the issuance of lease-revenue bonds to refinance any bonds that were callable or advance-refundable and produced savings, even if it meant redeeming one project in part because there was a non-callable portion that could not be redeemed. The Resolution authorized the officers and directors to take all necessary and convenient actions in connection with the refinancing including escrowing funds until the next redemption date. On May 10, 2017, the City issued \$146.28 million in lease-revenue bonds to refinance several existing lease-revenue bonds for economic savings. \$165.87 million in lease-revenue bonds were refunded through this transaction, with \$17 million in premiums used to pay down some of the retired bonds. In addition, bond reserves from the refunded bonds were applied to redeeming bonds and a surety policy was issued on the new bonds in lieu of a funded reserve. The 2008 and 2009 Lease Revenue Bonds were advance-refunded due to having call dates more than 90 days after the refunding. By taking these measures, the City was able to reduce debt service by an average \$1.9 million per year over the next 22 years with direct savings to the General Fund averaging \$1.2 million per year. The transaction resulted in an economic gain of \$21.87 million and a reduction of \$41.95 million in future debt service.

The City Council authorized the early repayment of the Series 2002 Judgment Obligation Bonds on August 25, 2016. Proceeds from the sale of a portion of the Blosser property were used for the bonds' final annual payment one year before it was scheduled to be made. The bonds were officially defeased on October 1, 2016.

The City Council authorized the transfer of \$116 million to an escrow account on November 3, 2016. The authorized transfer was executed in March 2017. The proceeds in the escrow account are to be used to defease a portion of the \$159.8 million outstanding principal on the Series 2008 Sewer bonds. The defeasance will occur when the bonds become callable on September 1, 2018. The partial defeasance is anticipated to decrease the Series 2008 Sewer Bonds' annual debt service payment by approximately \$10 million annually for the remaining 20 year life of the bonds.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 9. Risk Management Fund

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property, liability, or workers' compensation risks. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing/preparing insurance and indemnification portions of contractual documents, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City maintains General Liability insurance, with limits of liability of \$25 million. There is a \$3 million self-insured retention (SIR). The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability) insurance, with limits of liability of \$60 million and \$25 million per occurrence, respectively. There is no deductible or SIR.

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of \$1,447,496,510 and limits of liability of \$1 billion and \$100 million per occurrence, respectively. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with combined passengers and property damage, single limit of liability of \$25 million and Total Hull Value for all aircrafts of \$3,180,508.

The City's Workers' Compensation Program consists of \$2 million SIR, with purchased excess insurance layers up to the statutory limits. Settled claims have not exceeded the SIR in any of the last four fiscal years. The claims liabilities and workers' compensation liabilities reported on the Statement of Net Position have been actuarially determined and include an estimate of incurred but not reported losses.

The estimated liabilities of the Risk Management ISF as of June 30, 2017 are determined by the City based on recommendations from an independent actuarial evaluation. The liabilities are based on estimates of the ultimate cost of claims (including future claim adjustments expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). The claims liability of \$124,534,868 reported in the Risk Management Internal Service Fund at June 30, 2017 is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 9. Risk Management Fund (continued)

The recorded liabilities for each program at June 30, 2017 are as follows:

Workers' Compensation *	\$	93,287,980
Liability and Property Damage *		31,246,888
Total	\$	<u>124,534,868</u>

\* The liabilities for workers' compensation and general liability are presented at present value, using a discount rate of 3%.

Changes in the funds claims liability amount for the last two fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2016	\$ 105,602,082	\$ 23,340,909	\$ 19,169,100	\$ 109,773,891
2017	109,773,891	35,864,021	21,103,044	124,534,868

See Note 10 (G.) on page 160 for changes in funds claims liability related to Employees Healthcare Plan.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs

#### A. Retirement Plans

The City sponsors two single-employer, contributory, defined benefit pension plans. The City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Systems) were established under Charter Section 910 and are governed by Article 5 Chapter 3 (Employees) and Articles 3 and 4 Chapter 3 (Fire and Police) of the City of Fresno Municipal Code, respectively. The Systems provide lifetime retirement, disability, and death benefits to its members.

The Systems are administered by their respective Retirement Boards (Boards) which operate in compliance with the City of Fresno Municipal Code, and also in accordance with the California Pension Protection Act of 1992. The Boards do not operate under the control of the City Council. Rather, the Boards have the sole and exclusive responsibility to administer the respective Systems in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries.

#### Membership and Benefit Eligibility

All permanent full-time employees of the City, except sworn Fire and Police personnel, are eligible to participate in the Employees' plan. The Fire and Police is one System with two tiers. Effective August 28, 2008, the City of Fresno added the Fire and Police Tier 2 for all full-time sworn Fire, Police and Airport safety personnel hired on or after that date (and closed the Fire and Police Tier 1 to new entrants). Employees become eligible for membership on their first day of full-time regular employment, and become fully vested after earning 5 years of service credit. Employees working in limited, interim, provisional, temporary, seasonal or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible, except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants who may negotiate other retirement benefits if such an agreement is established by resolution of the Council as provided for in the Fresno Municipal Code (FMC) Section 5-318.



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

Total participants in each System were comprised of the following, as of June 30, 2017:

	<u>Employees</u>	<u>Fire &amp; Police</u>	<u>Total</u>
<b>Active Members</b>			
Vested	1,405	863	2,268
Non-vested	674	221	895
Total Active Members	<u>2,079</u>	<u>1,084</u>	<u>3,163</u>
<b>Retirees and Beneficiaries of Deceased Retirees</b>			
Retirees, Currently Receiving Benefits	1,916	1,042	2,958
Inactive Vested Members	251	90	341
Total Retirees and Inactive Members	<u>2,167</u>	<u>1,132</u>	<u>3,299</u>
<b>Grand Total</b>	<u>4,246</u>	<u>2,216</u>	<u>6,462</u>

#### Benefit Provisions

The retirement (pension) benefits that Employees members receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant. For Fire and Police, the benefits are further based upon the tier and option selected by the participant. Members' contributions, including interest, are 100% vested at all times. Employer contributions do not become vested until completion of five years of credited service, and are not payable until the member attains the age of 55. Effective January 28, 2008, members may retire between ages 50-55 with an actuarially equivalent service retirement benefit. For Fire and Police, the employer contributions do not become vested until completion of ten years of credited service under Tier 1 and five years of credited service under Tier 2. Those benefits are not payable until the member attains the age of 50 under both tiers. Contributions are made by the members and the employer at rates recommended by the Systems' actuary and adopted by the Boards.

#### Member Retirement Benefits

Employee members are eligible for service retirement benefits upon completion of at least five years of service upon termination of service (if they have left their contributions and interest with the System) and are at least age 55. They are also eligible if their permanent termination from City service was caused by a layoff. In those cases, they can retire at age 50 at a reduced benefit. They may also be eligible for service retirement benefit if they have less than five years of service with the City, have established reciprocity with a prior employer, and are eligible to retire from that agency.

The service retirement monthly benefit calculated pursuant to the provisions of the Fresno Municipal Code is equal to 2% of final compensation times each of the first 25 years of accrued retirement service credit plus 1% of final compensation times any years of accrued retirement service credit in excess of 25 years, multiplied by the age factor at retirement age. Final average compensation consists of the highest average consecutive 36 months of earnable compensation calculated using the rate of pay in effect at

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

the time of retirement.

Fire and Police members of Tier 1 are eligible to retire once they attain the age of 65 regardless of service, or at age 50 and have acquired ten or more years of retirement service credit. The Tier 1 monthly benefit for a member with at least 20 years of service who retires from active status is equal to 55% of final compensation plus 2% of final compensation for each year of service in excess of 20 years completed after age 50. For Tier 1, final average compensation consists of the final highest consecutive 36 months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement. Some members can elect to have their final compensation based on a rank average. Members of Tier 2 are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 5 or more years of retirement service credit. The Tier 2 monthly benefit for a member who is age 55 or older is equal to 2.70% of final compensation times years of accrued retirement service credit. The maximum monthly retirement allowance is 75% of final compensation. Tier 2 final average compensation consists of the highest consecutive 36 months of compensation earnable before the date of retirement.

The members of each System may elect an unmodified retirement allowance, or choose one of four optional retirement allowances. Each of the optional retirement allowances require a reduction in the unmodified retirement allowance in order to allow the members the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member. For Employees members, the unmodified retirement allowance provides the highest monthly benefit and 50% continuance to an eligible surviving spouse or domestic partner. For Fire and Police members, the unmodified retirement allowance also provides the highest monthly benefit and a 66 2/3% continuance to an eligible surviving spouse or domestic partner.

The Municipal Code provides that the Retirement staff must research the percentage change in the Consumer Price Index (CPI) (US city-average for urban wage earners and clerical workers - all items) and propose that percentage to the appropriate Boards as the cost-of-living adjustments (COLA) to be adopted for the following year. This procedure must be completed by the end of April of each year for implementation in July (employees) or January (public safety). The COLA is limited to a 5% maximum change per year (employee) or 3% maximum change (public safety). Any excess over the maximum change is “banked” for use in a year where the percent of CPI change is less than the maximum.

The Fire and Police Tier 1 COLA depends on the type of method chosen by the employee at retirement. If the employee chose the Career Rank method, the COLA is a recalculation of his/her retirement based on the new salaries adopted for the current year. If the method chosen by the retiree is the final 3-year method, the COLA is based on the change in the weighted mean average compensation attached to all ranks in the department, with a cap of 5% per year. Any excess over the 5% is “banked” for use in years when the COLA calculated is less than 5%.

Each System also has a Deferred Retirement Option (DROP), which is an optional voluntary program that allows the member to have his or her retirement benefits deposited in a special account within the Systems while the member continues to work in his or her current position. It is a voluntary method of receiving a distribution of their retirement benefits; it is not an additional retirement benefit. Additional

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

information may be found in the CAFR for each respective System.

#### Terminated Member Benefits

If a member terminates before earning five years of credited service, the member forfeits the right to receive his or her service retirement benefit and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days (6 months) of terminating employment with the City and elects to leave their accumulated contributions on deposit with the System, then the member will receive a deferred retirement allowance when eligible.

#### Death and Disability Benefits

Death benefits are based upon whether the death occurred before or after retirement. Disability benefits are based upon whether the member has at least ten years of credited service, over or under age 55 and whether the permanent incapacity is found to be service or non-service connected.

#### Basis of Accounting

The Systems' financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Securities lending transactions are accounted for in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

#### Valuation of Investments

For financial reporting purposes, the Systems' investments are reported at fair value. Fair value for investments of publicly traded securities is based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis. Dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage backed pass-through certificates are carried at fair value. Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

For asset/liability calculation purposes and for actuarial purposes, asset valuation is based on market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2012 have been combined and

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

will be recognized in equal amounts over a period of four years from that date.

#### Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 14.35%, for the Employees and Fire and Police. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Reporting

The following data is for employer reporting as required by GASB Statement No. 68 as of June 30, 2017. The results used in preparing the GASB Statement No. 68 report are comparable to those used in preparing the GASB Statement No. 67 report for the plan based on a reporting date and measurement date as of June 30, 2016. The valuation is based upon:

- The benefit provisions of the Systems as administered by the Boards;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2016;
- The assets of each Plan as of June 30, 2016;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee termination, retirement, death, etc.

The Total Pension Liability (TPL) and the Plans' Fiduciary Net Positions include liabilities and assets held for DROP, Post-Retirement Supplemental Benefits (PRSB) and City Surplus reserves. The Net Pension Liability (NPL) is equal to the difference between the TPL and the each Plan's Net Position. Each Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded/(Prefunded) Actuarial Accrued Liability calculated on a market value basis. The NPL was measured as of June 30, 2016 and determined from the actuarial valuations as of June 30, 2016. The Plans' Fiduciary Net Positions (Plan Assets) were valued as of the measurement dates. Consistent with the provisions of GASB Statement No. 68, the assets and liabilities measured as of June 30, 2016 were not adjusted or rolled forward to the June 30, 2017 reporting date. The discount rates used for each Plan to determine the TPL and NPL as of June 30, 2016 was 7.25%, following the same assumptions used by the Retirement Systems in the funding valuations as of the same dates.

#### Funding Policy

The City contributes to the retirement plans based upon actuarially determined contribution rates adopted by the Boards. Employer contribution rates are adopted annually based upon recommendations received from the Retirement Systems actuary after the completion of the annual actuarial valuation.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

For the Employees System, the average employer contribution rate as of June 30, 2017, for 2016-2017 (based on the June 30, 2015 valuation) was 12.78% of compensation. The average employee member contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2014 valuation) was 8.55% of compensation.

For the Fire and Police System the average employer contribution rate as of June 30, 2017, for 2016-2017 (based on the June 30, 2015 valuation) was 19.04% of compensation. The average employee member contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2014 valuation) was 8.39% of compensation.

All active Fire and Police members are required to make contributions to the System. Employee contribution rates vary in the First Tier according to entry age. The Tier 1 average member contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2015 valuation) was 5.25% of compensation. Employee contribution rates in the Second Tier are established at 9% of pensionable base pay.

The aggregate employer contribution rate for the Fire and Police System as of June 30, 2017 for 2016-2017 (based on the June 30, 2015 valuation) was 19.02% of compensation.

### Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes

The City currently funds, at a minimum, the amounts recommended by the actuary and approved by the Boards. These minimum contributions are recognized currently in each System's statement of changes in fiduciary net position. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

### Funding Status and Method

The Employees System Board adopted a Comprehensive Actuarial Funding Policy on November 7, 2012. For the Employees Retirement System, this policy included a change in actuarial cost methodology from the Projected Unit Credit (PUC) method previously used for funding purposes to the Entry Age Normal (EAN) method.

On the same date, the Fire and Police Board adopted a Comprehensive Actuarial Funding Policy. For the Fire and Police Retirement System, this policy included a change in actuarial cost methodology from the aggregate EAN funding method to the individual EAN method. The Boards made the change due to the adoption of GASB Statement No. 67 in fiscal year 2014.

### Funding Requirements and Policy Components

The Systems' annual funding requirements are comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL), if applicable. The Normal Cost and the amount of the payment on UAAL are determined by three components of the respective Board's funding policy: 1) Actuarial Cost Method - the techniques used to allocate the cost/liability of retirement benefits

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

to a given period; 2) Asset Smoothing Method - the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and 3) Amortization Policy - the decisions on how, in terms of duration and pattern, to fund the difference between the AAL and the Actuarial Value of Assets in a systematic manner.

As of June 30, 2017, the Systems did not have UAAL.

The Boards adopted an Amortization Policy, which sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available Surplus in the Systems. A detailed description of the policy can be found in the Notes to the Financial Statements for the Retirement Systems, which are located at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp> for the Employees System or at <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp> for the Fire and Police System.

The Systems use a 5-year smoothing of market gains and losses above and below the assumed actuarial rate of return to derive the actuarial value of assets. As of the fiscal year ended June 30, 2017, the actuarial valuation value of the Employees' System assets was \$1.145 billion with a funded percentage of 113.0% on a valuation value of assets, whereas the actuarial value of Fire and Police assets was \$1.355 billion with a funded percentage of 119.8% on a valuation value of assets.

### Contributions Required and Contributions Made

The employer's required normal contributions to the Systems have two components: basic and COLA. For fiscal year 2017, the City's required normal contributions (basic and COLA) to the Systems were as follows:

	<b>Normal Cost Employees System FY 2017</b>
Member Contributions	\$ 10,180,589
Employer Contribution Rate	12.26%
Employer Contributions	\$ 14,590,248
Prior Year Contribution (Surplus)/ Shortfall	615,112
Net Employer Contributions	<u>\$ 15,205,360</u>
Pensionable Payroll	\$ 119,006,918

Employer and employee contributions represented 12.78% and 8.55% respectively, of the fiscal year 2017 covered payroll for the Employees System.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 10. Employee Benefit Programs (continued)

	<b>Normal Cost Fire and Police System FY 2017</b>		
	<b>Tier 1</b>	<b>Tier 2</b>	<b>Total</b>
Member Contributions	\$ 218,101	\$ 7,950,918	\$ 8,169,019
Employer Contribution Rate	29.59%	22.24%	
Employer Contributions	\$ 2,295,561	\$ 19,929,424	\$ 22,224,985
Prior Year Contribution (Surplus)/ Shortfall	(819,901)	(2,861,776)	(3,681,677)
Net Employer Contributions	\$ 1,475,660	\$ 17,067,648	\$ 18,543,308
Pensionable Payroll	\$ 7,757,895	\$ 89,610,723	\$ 97,368,618

Employer and employee contributions represented 19.02% and 12.77%, respectively, of the fiscal year 2017 covered payroll for the Fire and Police System.

Net Pension Liability

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, and determined based upon the total pension liability (on GASB Statement No. 68 basis) from actuarial valuations as of June 30, 2016.

The City's total pension liability, plan fiduciary net position, and net pension liability for each System as of June 30, 2017, were as follows:

	<b>Employees System</b>	<b>Fire and Police System</b>
Total Pension Liability	\$ 1,102,212,920	\$ 1,244,721,462
Plan Fiduciary Net Position	(1,143,299,019)	(1,351,288,640)
Net Pension Liability (Asset)	\$ (41,086,099)	\$ (106,567,178)
Plan Fiduciary Net Position as a percentage of the total pension liability	103.73%	108.56%

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 10. Employee Benefit Programs (continued)

Changes in Net Pension Liability

The components of the net pension liability for each System as of June 30, 2017 and a measurement date of June 30, 2016, were as follows:

	<u>Employees System</u>	<u>Fire and Police System</u>
<b>Total Pension Liability (Asset)</b>		
Beginning Balance	\$ 1,071,074,387	\$ 1,179,896,152
Service Cost	18,686,964	26,568,600
Interest	79,762,271	88,363,076
Differences between expected & actual experience	(24,394,004)	(42,952,624)
Benefit payments, including refunds	(52,528,821)	(56,580,813)
Changes of Assumption	9,612,123	49,427,071
Net Change in Total Pension Liability	<u>31,138,533</u>	<u>64,825,310</u>
Ending Balance	<u>\$ 1,102,212,920</u>	<u>\$ 1,244,721,462</u>
<b>Plan Fiduciary Net Position</b>		
Beginning Balance	\$ 1,169,926,556	\$ 1,376,717,663
Contributions - employer	13,060,088	18,737,948
Contributions - employee	9,098,286	7,747,808
Net Investment Income	5,089,099	6,063,102
Benefit payments (including refunds, PRSB)	(52,528,821)	(56,580,813)
Administrative & professional expense	(1,346,189)	(1,397,068)
Net Change in Plan Fiduciary Net Position	<u>(26,627,537)</u>	<u>(25,429,023)</u>
Ending Balance	<u>1,143,299,019</u>	<u>1,351,288,640</u>
Net Pension Liability (Asset)	<u>\$ (41,086,099)</u>	<u>\$ (106,567,178)</u>

Discount Rate and Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the TPL was 7.25% as of June 30, 2016. The following presents the NPL of the Employees and Fire and Police Retirement Systems as of June 30, 2016. The Systems use the current discount rate to measure the TPL for the measurement date of June 30, 2016, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
<b>Employees System</b>	\$ 85,612,056	\$ (41,086,099)	\$ (145,896,455)
<b>Fire and Police System</b>	55,509,730	(106,567,178)	(238,072,410)



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

#### Long-Term Expected Real Rate of Return

The long-term expected rate of return on the Systems' investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, are summarized in the following table:

#### **Asset Class/Target Allocation/Long-Term Expected Rate Return Table**

**As of June 30, 2017**

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Weighted Average Long-Term Expected Rate of Return (Arithmetic)</b>
Large Cap U.S. Equity	22.5%	5.8%
Small Cap U.S. Equity	7.5%	6.47%
Developed International Equity	22.0%	6.98%
Emerging Market Equity	8.0%	8.99%
Domestic Fixed Income	15.0%	0.83%
High Yield Fixed Income	6.0%	3.44%
Real Estate	15.0%	4.45%
Private Debt/Direct Lending	4.0%	5.73%
<b>Total</b>	<b>100.0%</b>	

#### Mortality Rates

For the Employees System, the mortality rates used in the latest actuarial valuation are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) for healthy members, projected 20 years with the two-dimensional scale MP-2015, set forward one year. For disabled members, the ages are set forward four years. For beneficiaries, ages are set forward one year, weighted 35% male and 65% female.

For the Fire and Police System the mortality rates used in the latest actuarial valuation are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) for healthy members, projected 20 years with the two-dimensional scale MP-2015, with no setback for healthy males and set forward one year for healthy females. For disabled members, the ages are set forward four years. For beneficiaries, there is no setback for males and set forward one year for females, weighted 80% male and 20% female.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

#### Actuarial assumptions

The TPL as of June 30, 2016 was determined by an actuarial valuation of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of an experience study for the period from July 1, 2012 through June 30, 2015. These assumptions have been applied since the June 30, 2013 valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% to 11.50%, varying by service, including inflation (Employees).
	4.00% to 12.00%, varying by service, including inflation (Fire and Police).
Investment rate of return	7.25%, net of pension plan investment expense, including inflation.
Other assumptions	See Appendix A in the CAFR for the Employees' Plan and the Fire and Police Plan for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.

#### Net Position Restricted for Pension Benefits

Net position restricted for pension benefits is segregated into Active Members Reserve (members' accumulated contributions) and reserves established by the Boards for various benefit payments. Reserves are established by the Systems from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

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

For the fiscal year ending June 30, 2017, the City incurred a pension expense of \$10,118,119 for the Employees Plan and \$2,124,847 for the Fire and Police Plan.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 10. Employee Benefit Programs (continued)

As of June 30, 2017, the City has deferred outflows and deferred inflows of resources related to the pensions as follows:

**Pension Expense and Deferred Outflows and Inflows of Reserves**

Components of Pension Expense	Employees System	Fire and Police System
Service cost	\$ 18,686,964	\$ 26,568,600
Interest on the total pension liability	79,762,271	88,363,076
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(7,623,126)	(10,035,660)
Actual member contributions	(9,098,286)	(7,747,808)
Projected earnings on plan investments	(86,555,118)	(102,072,870)
Expensed portion of current-period differences between actual and projected earnings on plan investments	16,293,204	19,201,954
Expensed portion of current-period effects of Assumption Changes	3,003,788	11,548,381
Administrative expense	1,346,189	1,397,068
Recognition of beginning of year deferred outflows of resources as pension expense	10,616,429	12,450,845
Recognition of beginning of year deferred inflows of resources as pension expense	(36,550,434)	(41,798,433)
<b>Pension Expense</b>	<b>\$ (10,118,119)</b>	<b>\$ (2,124,847)</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred Outflows of Resources		
Contributions subsequent to Measurement Date	\$ 15,464,976	\$ 18,274,865
Changes of assumptions or other outputs	6,608,335	37,878,690
Net difference between projected and actual earnings on pension plan investments	58,198,762	68,797,212
<b>Deferred Outflows of Resources</b>	<b>\$ 80,272,073</b>	<b>\$ 124,950,767</b>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ —
Difference between expected and actual experience in the Total Pension Liability	27,848,372	70,409,978
<b>Deferred Inflows of Resources</b>	<b>\$ 27,848,372</b>	<b>\$ 70,409,978</b>

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

2017	N/A	N/A
2018	\$ (7,249,208)	\$ (8,632,913)
2019	1,928,962	(5,108,272)
2020	25,985,768	30,381,594
2021	16,293,203	19,625,515
Thereafter	—	—

Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur. Differences between expected and actual experiences are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Retirement Systems determined as

## City of Fresno, California

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

of June 30, 2015 (the beginning of the measurement period ending June 30, 2016) and is 3.20 years for the Employees System and 4.28 years for the Fire & Police System.

#### Administrative Expenses

The Fresno Municipal Code (FMC) provides that all administrative costs of the Systems shall be a charge against the assets of the Systems. Per the FMC, the Administrative expenses are a component of the City's contribution calculation.

The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California 93721, or by visiting <http://www.cfrs-ca.org/Employee/Communications/Reports.asp> for the Employee System or <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp> for the Police and Fire System.

#### Successor Agency Retirement Plan

The Successor Agency participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). Employer contribution rates are determined on an annual basis by an actuary and are effective on the July 1 following notice of a change in the rate.

The Plan fiduciary net position disclosed in the Successor Agency's accounting valuation may differ from the Plan assets reported in the Successor Agency's funding actuarial valuation report due to CalPERS keeping various items included in its fiduciary net position which are excluded for rate setting purposes in the Successor Agency's funding actuarial valuation. Differences may also result from timing of financial reporting by CalPERS and final reconciled reserves.

As of the beginning of the measurement period (July 1, 2015), the net pension liability for the Plan is \$302,845. For the measurement period ended June 30, 2016 (the measurement date), the net pension liability for the Plan is \$400,742 and the Successor Agency incurred pension expense of \$67,922 for the Plan.

As of June 30, 2017, the Successor Agency reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after the measurement date	\$ 30,464	\$ —
Difference between expected and actual experience	943	216
Changes in assumptions	—	8,921
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	46,430	—
Changes in employer's proportions	—	37,242
Difference between the employer's contributions and the employer's proportionate share of contributions	—	38,632
Total	<u>\$ 77,837</u>	<u>\$ 85,011</u>

For more detailed information related to the Successor Agency's retirement plan, refer to the Agency's separate audited financial statements which can be obtained by contacting the Agency at 2344 Tulare Street, Suite 200, Fresno, CA 92721.

#### **B. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The deferred compensation plan (the Plan), available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The deferred compensation is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, or unforeseeable emergency, or loan program. Upon separation from employment with the City, an individual may roll over their deferred account into another IRS Allowable Plan or, upon receipt, the distribution will become taxable.

The Deferred Compensation Board contracted with Fidelity Management Trust Company (Fidelity) as the trustee and plan administrator. The City's Retirement System Administration assists Fidelity in the administration of the the Plan. In addition to the Retirement Office, City staff in the Payroll section of the Finance Department, the City Attorney's Office and Information Services Department all assist in the administration of the Plan. The City has no fiduciary accountability for the Plan. Accordingly, the Plan assets and related liabilities to Plan participants are not included in the basic financial statements.

#### **C. Compensated Absences**

Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. If eligible, most bargaining units receive a portion of the value of their sick leave balance at termination in their Health Reimbursement Account (HRA). Otherwise, employees do not receive any value from their sick leave balances at termination.

Annual leave, which may be accumulated up to 1,200 hours, depending upon bargaining unit and length of service, is payable upon termination or retirement. Holiday leave may be accumulated indefinitely

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the higher of 25% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various Memoranda of Understanding (MOU's) or the current Salary Resolution. The balance is payable at termination/retirement or is accounted for as part of an HRA which is unfunded and expended on a pay-as-you-go basis.

Starting in fiscal year 2006, some bargaining units selected to account for some or all of their sick leave and supplemental sick leave balances as an HRA. The book value of these balances is accounted for (by employee) in off-line spreadsheets, administered by HealthComp, is given credit for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents until their individual balance is exhausted. The HRA is not held in a trust, but is funded on a pay-as-you-go-basis.

The portion of the City's obligation relating to employees' rights to receive compensation for leave balances attributable to services already rendered is accrued when incurred in the Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. Compensated absences upon termination are funded through a cost allocation formula which is based upon a citywide history of payouts (approximately \$2 million per year). Accruals are reviewed by bargaining unit and the \$2 million base is allocated in proportion to each unit's current liability for a contribution per unit cost. This unit cost is then converted to a cost per employee and becomes part of the budgeted employee service cost in each department's annual base budget.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 10. Employee Benefit Programs (continued)**

Accrued Employee Leave balances as of June 30, 2017, are as follows:

<b>Department/Activity</b>	<b>Total Accrued Vacation, Sick Leave, and HRA</b>	<b>Current Portion</b>
<b>Governmental Activities:</b>		
General Fund	\$ 49,274,232	\$ 7,134,138
Grants Special Revenue Fund	913,952	155,360
High Speed Rail	1,754	7
Special Gas Tax	595,391	36,021
Measure C	1,545,488	294,109
Community Services	155,334	40,221
Special Assessment	170,721	26,742
General Services	2,534,674	368,716
Risk Management	88,186	24,349
Total Governmental Activities	<u>\$ 55,279,732</u>	<u>\$ 8,079,663</u>
<b>Business-Type Activities:</b>		
Water System	2,360,861	237,594
Sewer System	1,766,969	262,290
Solid Waste Management	1,356,128	242,226
Transit	2,783,780	428,363
Airports	1,357,841	201,306
Convention Center	100,315	17,017
Community Sanitation	485,394	32,793
Billing and Collection	1,119,522	68,631
Total Business-Type Activities	<u>\$ 11,330,810</u>	<u>\$ 1,490,220</u>
<b>Fiduciary Funds:</b>		
Private-Purpose Trust Fund	78,825	12,000
Total	<u>\$ 66,689,367</u>	<u>\$ 9,581,883</u>

Accrued employee leave balances related to governmental activities are recorded in the Government-Wide Financial Statements.

**D. Termination Benefits**

During fiscal year 2017, there were no employees who received severance pay.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

#### **E. Health Benefit Plan**

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan (Trust). The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The Trust also provides dental, vision, pharmacy, mental health and chiropractic coverage.

There are two medical plan options available to employees. Employees have the opportunity, on an annual basis, to elect either a higher benefit level Preferred Provider Organization (PPO) option or a reduced benefit level PPO option. Employees electing to receive the higher benefit level option pay a percentage of the monthly premium through payroll deductions. Employees electing the lower benefit level pay nothing for their coverage.

The first option is a higher benefit level PPO plan which has a \$200 individual annual deductible and a \$600 family maximum annual deductible. Under this option, the plan pays 80% of covered charges and the employee is responsible for 20% of the covered charges. Once a covered member incurs \$15,000 in covered charges, the plan then pays 100% until the end of the plan year.

The second option is a reduced benefit level PPO plan which has a \$1,300 individual annual deductible with a \$2,600 family maximum annual deductible. The benefit reduction amount is set by the Board of Trustees for the plan and depends on the amount of contributions received by the Trust on behalf of the employee.

The percentage of the premium the employee is required to pay to receive the higher benefit level is negotiated by each bargaining unit.

During fiscal year 2014, a number of units negotiated a 75% - 25% contribution split. For these units, the City contributes 75% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 25% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 30%. This reduction results in the plan paying 56% of covered charges and the employee is responsible for 44% of covered charges.

Only one bargaining unit continues to have a different contribution amount than the balance of the Unions. For Fresno City Employees Association, Inc. (FCEA) employees hired after July 11, 2011, the City contributes 70% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 30% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 35%. This reduction results in the plan paying 52% of covered charges and the employee is responsible for 48% of covered charges. Employees in the FCEA hired before July 11, 2011, continue to have an 80% - 20% contribution split as described above.

City retirees are also eligible for participation in the plans by paying the full blended premium cost. The City continues to assess the impact of the federal healthcare reform legislation on the City's liabilities.

The Health and Welfare Trust Board approved the purchase of a \$500,000 stop-loss insurance policy on



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

May 11, 2016. The policy was purchased in fiscal year 2017. The purpose of the policy was to protect the trust from having to pay any claim or series of claims associated with one case that totaled more than \$500,000. In addition to the stop-loss insurance, the Health and Welfare Trust Board also approved a policy of setting aside a portion of the Health and Welfare Trust Fund's fund balance for the payment of catastrophic health claims.

#### **F. Other Postemployment Benefits**

##### Plan Description

The City of Fresno Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by HealthComp and funded through the City of Fresno Health and Welfare Trust. It is reported as an Internal Service Fund of the City and provides Other Postemployment Benefits (OPEB) to eligible retirees and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the City, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. The trust does not issue separate publicly available financial statements.

##### Funding Policy

The establishment and amendment of contribution requirements are negotiated between employee bargaining units and the City and are recommended by the City Manager subject to the approval of the Mayor and City Council. The contribution requirement of plan members and the City are funded on a pay-as-you-go basis. While participant retirees pay 100% of their premium costs, they are allowed to purchase insurance at blended premium rates. Thus, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. In fiscal year 2017, the City's contribution, or implicit rate subsidy, was deemed to be \$3,439,676.

##### Actuarial Methods and Assumptions

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan are designed to reflect a long-term perspective and include certain techniques used to reduce short-term volatility in the actuarial accrued liabilities and actuarial value of assets.

The most recent actuarial valuation date was June 30, 2017. The actuarial cost method used for determining benefit obligations is the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). Amortization of the Unfunded Actuarial Accrued Liability (UAAL) and the Net OPEB Obligation uses the level percent of payroll over the maximum allowed period of 30 years

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 10. Employee Benefit Programs (continued)

which re-amortizes the entire UAAL over 30 years with each valuation. The investment rate of return utilized was reduced from 4% down to 3% to reflect updated expectations regarding the long-term expected rate of return on the City's general assets. Projected salary increases are 3% per year based upon an assumed general inflation rate of 2.75%. Annual increases in healthcare costs and premiums are based on the trend developed using the Society of Actuaries "Getzen" model, which assumes that healthcare costs will increase until the Gross Domestic Product can no longer support the excess growth. At the point where GDP can no longer support the excess growth, the rate projected to be a rate which is supported by GDP growth. The resulting rates are as follows:

#### As of June 30, 2017

<u>Fiscal Year Ending</u>	<u>Medical</u>
2017 <sup>(1)</sup>	7.25%
2018	6.75%
2019	6%
2020-2052	5.3%
2053-2075	Transition to ultimate rate
2076+	4.4%

<sup>(1)</sup> Fiscal year ending (FYE) 2017 trend rate is assumed to be for 0% medical premiums. There was a significant drop in medical claims experience for FYE 2016 and it was assumed that premiums would remain level for FYE 2017 to reflect that the low claims experience should keep premiums stable.

### Funded Status and Funding Progress

The most recent valuation date was June 30, 2017. The funded status of the plan is 0%. The actuarial value of plan assets is \$0. At this time, the City is not contemplating making contributions to fund the OPEB based on Actuarial Accrued Liability (AAL). The schedule of funding progress, presented in the Required Supplementary Information, presents multi-year trend information.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 10. Employee Benefit Programs (continued)

Actuarial Valuation as of June 30, 2017, is as follows:

**Summary of Valuation Results (based on 3.0% discount rate)**

	<b>Retirees Healthcare Plan</b>			
	<b>General Employees</b>	<b>Safety</b>	<b>Local 39</b>	<b>Total</b>
<b>Participant Count</b>				
Active - Eligible	1,431	952	582	2,965
Active - Not Eligible or without coverage				2
Retiree	186	229	33	448
Retirees - without coverage				150
Total Count				3,565
<b>Actuarial Present Value of Future Benefits (APVFB) at June 30, 2016</b>				
Active -	\$5,783,247	\$17,452,719	\$3,321,415	\$26,557,381
Active - Not Eligible	\$12,885,127	\$100,466,999	\$7,046,103	\$120,398,229
Retiree	\$9,224,316	\$19,416,62	\$1,453,818	\$30,094,762
Total APVFB	\$27,892,69	\$137,336,3	\$11,821,336	\$177,050,372
<b>AAL at June</b>				
Active -	\$5,783,247	\$17,452,719	\$3,321,415	\$26,557,381
Active - Not Eligible	\$3,848,824	\$44,728,135	\$2,166,949	\$50,743,908
Retiree	\$9,224,316	\$19,416,62	\$1,453,818	\$30,094,762
Total AAL	\$18,856,38	\$81,597,48	\$6,942,182	\$107,396,051
<b>Funded Status as of June 30, 2016</b>				
Actuarial Value of Assets	\$ —	\$ —	\$ —	\$ —
Unfunded Actuarial Accrued	\$18,856,38	\$81,597,48	\$6,942,182	\$107,396,051
Funded Ratio	0%	0%	0%	0%
Covered Payroll	\$91,018,26	\$108,034,5	\$32,028,74	\$231,081,547
UAAL as a % of Covered Payroll	21%	76%	22%	46%
<b>Annual Required Contribution</b>				
Total ARC for 2016/2017	\$1,840,570	\$8,867,287	\$830,852	\$11,538,709

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 10. Employee Benefit Programs (continued)****Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two prior years are as follows:

**General Employees**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 2,623,100	52.73%	\$ 10,796,542
6/30/2016	1,613,634	12.96%	12,201,018
6/30/2017	1,611,435	57.95%	12,878,573

**Safety**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 8,265,282	25.14%	\$ 58,973,320
6/30/2016	7,627,712	6.65%	66,093,758
6/30/2017	7,731,618	29.29%	71,560,414

**Local 39**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 969,451	21.53%	\$ 2,252,339
6/30/2016	783,509	6.88%	2,981,909
6/30/2017	791,227	30.43%	3,532,302

**Total**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 11,857,833	30.95%	\$ 72,022,201
6/30/2016	10,024,855	7.68%	81,276,685
6/30/2017	10,134,280	33.94%	87,971,289

The Annual Required Contribution for the current year was determined as part of the June 30, 2017 actuarial valuation. The City's annual OPEB cost and net OPEB obligation for the Retirees Healthcare Plan were as follows:

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

*Note 10. Employee Benefit Programs (continued)*

	<b>Retirees Healthcare Plan</b>			
	<b>General Employees</b>	<b>Safety</b>	<b>Local 39</b>	<b>Total</b>
Annual required contribution (ARC)	\$ 1,867,891	\$ 9,120,859	\$ 853,905	\$ 11,842,655
Interest charged on net OPEB	366,031	1,982,813	89,457	2,438,301
Adjustment to annual required	(622,487)	(3,372,054)	(152,135)	(4,146,676)
Annual OPEB cost	1,611,435	7,731,618	791,227	10,134,280
Contributions made	(933,880)	(2,264,962)	(240,834)	(3,439,676)
Increase in net OPEB obligation	677,555	5,466,656	550,393	6,694,604
Net OPEB obligation beginning of Fiscal year	12,201,018	66,093,758	2,981,909	81,276,685
Net OPEB obligation end of year	<u>\$ 12,878,573</u>	<u>\$ 71,560,414</u>	<u>\$ 3,532,302</u>	<u>\$ 87,971,289</u>

**G. Healthcare Plan Claims Liability**

The recorded liability for the Employees Healthcare Plan at June 30, 2017 for employee health benefit claim payments for direct provider care is \$4,600,000.

Changes in the funds claims liability amount for the last two fiscal years are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>End of Fiscal Year Liability</b>
2016	\$ 3,900,000	\$ 38,927,348	\$ 38,827,348	\$ 4,000,000
2017	4,000,000	42,301,431	41,701,431	4,600,000

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 11. No-Commitment Debt**

The City is not liable for repayment of any of the following bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

**A. Multifamily Housing Revenue Bonds**

The City has outstanding multifamily housing revenue bonds totaling \$20.595 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

**B. Special District Debt**

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes/assessments, forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was \$3,610,429 at June 30, 2017, as compared to \$3,777,145 at June 30, 2016.

## City of Fresno, California

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies

#### A. Closure and Postclosure Care Cost

The City continues to monitor a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates the remaining monitoring costs as of June 30, 2017 to be \$15,438,054. A liability in this amount has been recorded in the Solid Waste Management Fund. It is anticipated that approximately \$900,000 in monitoring costs and landfill site closure costs will be paid in fiscal year 2018. The former landfill site has not received solid waste since 1987. It was redesigned as part of a 350-acre "green" facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining post-closure care costs are based on the equipment, facilities, and services required to monitor/maintain the closed landfill. The liability for postclosure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.

Fees paid by utility users will be used to cover the remaining monitoring costs. A receivable totaling \$14,860,375 has been recorded in the Solid Waste Management Fund.

#### B. CVP Water Contract

The City's 60,000 acre-foot water supply entitlement from the United States Bureau of Reclamation (USBR, or the Bureau) is equivalent to approximately 40% of the City's annual water demand. This supply, derived from the Friant Dam on the San Joaquin River, is the primary resource for the operation of the City's current and future surface water treatment facilities.

The City and the Bureau have what is known as a Repayment Contract. While most traditional federal Reclamation Law provisions continue to apply, the City receives some important benefits by utilizing the Repayment Contract, including:

1. Permanent water supply - The Repayment Contract provides for an ongoing, permanent annual supply of up to 60,000 acre-feet of water from the Friant Division of the CVP. No further periodic renewal negotiations are required.
2. Pricing benefits - Certain components of the Bureau water rate structure, such as tiered pricing, are eliminated.
3. Financing cost savings - Under the previous Bureau rate structure, the City paid certain financing costs and interest on the outstanding capital and operation and maintenance obligations that the Bureau attributed to the City. Under a Repayment Contract, those costs are not passed on to the City.

Because repayment contracts do not require periodic renewal, compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) need not be repeated. This obligation is amortized and included in the volumetric water rates the City pays the

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies (continued)

USBR. The present value of the City's debt obligation to the Bureau has been fully capitalized in the Water Fund under the caption "Unamortized CVP Water Settlement", and is being amortized against expected future revenues generated through water rates. The "Unamortized CVP Water Settlement" totaled \$9,131,216 on June 30, 2017, while the related liability reported as "CVP Litigation Settlement" totaled \$8,436,323 on June 30, 2017.

#### **C. FAA Audit of the Fresno Yosemite International Airport**

In August 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration (FAA) issued a report regarding possible grant assurance violations at the Fresno Yosemite International Airport (Airport). The FAA determined that the City had violated grant assurances by enacting a transfer of Airport property in the late 1990's to a private corporation without fair value compensation being paid to the Airport. The FAA mandated that the City's General Fund transfer certain sums to the Airports Enterprise Fund as compensation for the violations. The City negotiated with the FAA and reached an agreement which was subsequently approved by the City Council on July 24, 2007.

The agreement reached with the FAA consisted of the City (General Fund) repaying the Airports Enterprise Fund over a period of ten years. The final payment was made to the Airports Enterprise Fund in June 2017. The final total repaid to the Airports was \$7,180,921 (\$5,846,711 of principal and \$1,334,210 of interest).

#### **D. Other Litigation**

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2017.

#### **E. Toxics Mitigation**

##### *Old Hammer Field*

Contamination, primarily from the common solvent trichloroethylene (TCE) was discovered and identified in 1989 in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field (OHF), a prior Army military base in the 1940's, was the subject of investigation and cleanup efforts which had previously been jointly funded by the Boeing Company, the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The California Department of Toxic Substances Control (DTSC) was the lead regulatory agency overseeing site cleanup.

After years of legal negotiations, a settlement agreement between the U.S. Army Corps of Engineers, the Boeing Company, and the City was reached. The settlement called for the Airports Department to



## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies (continued)

be responsible, going forward, for 10% of the cleanup costs. The settlement also called for the U.S. Army Corps of Engineers and Boeing to make a joint one-time payment of \$1,350,000 for past costs. This payment was made in fiscal year 2011.

The Court approved the settlement agreement which included the one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case.

A liability for future cleanup costs on the Old Hammer Field site is recorded on the fiscal year 2017 CAFR in the amount of \$630,056. Total costs have been estimated to range between \$10 and \$20 million, with the City's share of cleanup costs to be 10%. The cleanup time frame has also been estimated and is expected to continue for 20 to 40 years. Cleanup costs totaled \$74,745 in fiscal year 2017.

The City will re-evaluate this accrual annually and make adjustments as necessary.

#### DBCP Groundwater Contamination

The occurrence of DBCP, an agricultural pesticide, in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites, DBCP exceeds drinking water limits and is removed by Granular Activated Carbon (GAC) treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a litigation settlement in an original amount of approximately \$21 million. \$10 million was stipulated to be used toward past costs, and \$11 million was to be applied toward the installation of additional GAC treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of GAC treatments at wells exceeding maximum contaminant levels, with reimbursements ranging from \$337,500 to \$540,000 depending on the well site. Funding also is provided for the ongoing operation and maintenance cleanup costs of approximately \$27,900 to \$31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June 26, 2035. The City is not responsible for "cleanup" in the context common to hazardous material remediation.

The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are eligible for reimbursement under the settlement agreement through June 26, 2035.

An obligating event as defined by GASB Statement No. 49 has not occurred during the fiscal year; therefore, no liability exists.

## City of Fresno, California

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies (continued)

#### Pollution Remediation

Although the Successor Agency is generally not involved with operations that pose a high risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain hazardous substances, such as petroleum products, lead, and/or asbestos. The former RDA's due diligence property acquisition policies required that the RDA obtain a Phase I Environmental Site Assessment (ESA) report on all properties to be acquired by the RDA to minimize or avoid potential environmental liabilities. If the Phase I ESA findings and conclusions indicate the need for further environmental investigation, a Phase II ESA is commissioned. In the event of an acquisition leading to demolition, the former RDA obtained a Phase I and/or Phase II report and, if necessary, remediated the property according to state and federal laws prior to demolition. In instances where hazardous substances or petroleum products were detected by the Phase II ESA, environmental remediation (cleanup) is subsequently planned and executed. The Phase II ESA and cleanup work are normally supervised and sanctioned by local environmental agencies such as the California Regional Water Quality Control Board (RWQCB). This agency accepts the completion of the cleanup work by issuing a "Case Closure" letter that officially declares the property free of hazardous substances or petroleum products.

During fiscal year 2016, the Successor Agency held one parcel subject to environmental investigation at 655 "G" Street - Chinatown. In February 2009, the City transferred title to four parcels in the Chinatown project area to the RDA. In October 1995, a Phase II ESA was completed for the four parcels. The parcel at 718 "F" Street and two parcels at 705 "G" Street were free of hazardous substances or petroleum products. The fourth parcel at 655 "G" Street was found to be in need of further assessment (Phase II ESA) because suspected leaking gasoline tanks had been removed from the site. The RWQCB advised the City that additional assessment was necessary to further evaluate impacted soils and groundwater and required a work plan outlining the assessment. Recently, the Successor Agency obtained an EPA grant to assess 655 "G" Street, as required by the RWQCB. The work plan and field work have been completed and test results have been received. Monitoring wells have been installed at the site and water samples are to be tested quarterly. RWQCB will review the results and advise if further action is needed. At this time, any potential costs cannot be estimated with any degree of certainty. Until such time as the costs can be estimated with more certainty, no liability will be accrued.

#### **F. Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation**

In accordance with an agreement between the City and the Fresno Chaffee Zoo Corporation (FCZC), a California benefit corporation, a non-profit board operates the Chaffee Zoo (Zoo). The City and the FCZC also negotiated a lease and a financing arrangement.

The lease agreement, dated January 1, 2006, was negotiated for a 30-year period. There is also a 25-year renewal of the term if the Zoo Tax was reinstated after its initial 10-year term, or two additional 10-year renewal options if the tax was not renewed. On November 4, 2014, a new incarnation of Measure Z which extends the tax for another 10 years was passed triggering the 25-year lease renewal. The lease rate is at \$1.00 per year.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies (continued)

The lease agreement sets forth the terms and conditions between the City and FCZC with respect to the Zoo premises and any expansion that might occur in a designated expansion area. The City is responsible for all maintenance and operation costs in the expansion area until such time as the FCZC takes possession of the expansion area by exercising its rights in accordance with lease provisions.

The City retained ownership of the land, buildings, structures, permanent fixtures, and improvements in existence at the commencement date of the lease, while the FCZC is the owner of all buildings, structures and improvements constructed thereafter until the end of the lease term.

The Financing Agreement conveyed the Zoo animals and Zoo personal property to the FCZC, along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the lease or the end of the lease term, should the City decide not to continue operations of the Zoo, the FCZC has the right to sell or dispose of the Zoo animals and keep the proceeds of any sale or disposition at its sole cost or expense. The FCZC also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.

The FCZC must maintain Association of Zoo & Aquariums (AZA) accreditation of the Chaffee Zoo.

#### **G. Granite Park**

In 2005, the City entered into a Contingent Debt Purchase Agreement guaranteeing a loan regarding a 20-acre sports-related complex under development and adjacent to office and commercial retail amenities, known as Granite Park.

On June 30, 2009, a formal demand was made on the City to purchase the Loan Package for a stipulated purchase price. On September 17, 2009, the City deposited \$5,105,271 in a loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City proceeded to purchase the Granite Park property at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to a Trustee's Deed recorded in Fresno County on March 16, 2010. The City paid \$5,105,218 and holds the property for possible use, development and/or disposition.

The City entered into a 25-year ground lease and 10-year service contract with Central Valley Community Sports Foundation (CVCSF) on September 24, 2015. The ground lease calls for the CVCSF to make rent payments of \$62,500/year, which are increased annually by 2.75%/year. The CVCSF is responsible for maintenance of Granite Park's sports-related complex, as well as the financing of various capital improvements. Under the service contract, the City pays the CVCSF \$150,000/year to provide a variety of sports and recreational programming.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

Note 12. Commitments and Contingencies (continued)

**H. Operating Leases**

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments:

Governmental Activities

<b>Fiscal Years</b>	<b>Police</b>	<b>Fire</b>	<b>Public Works</b>	<b>Other Departments</b>	<b>Total</b>
2018	\$ 1,002,725	\$ 634,020	\$ 144,270	\$ 298,946	\$ 2,079,961
2019	327,823	13,200	147,420	250,386	738,829
2020	258,806	13,200	149,940	256,445	678,391
2021	259,367	13,200	153,090	262,652	688,309
2022	24,518	13,200	156,240	269,013	462,971
2023 - 2027	—	82,500	—	132,371	214,871
<b>Total</b>	<b>\$ 1,873,239</b>	<b>\$ 769,320</b>	<b>\$ 750,960</b>	<b>\$ 1,469,813</b>	<b>\$ 4,863,332</b>

Operating lease expense incurred for fiscal year 2017 was approximately \$1 million for governmental activities.

Business-Type Activities

<b>Fiscal Years</b>	<b>Airports</b>	<b>Water</b>	<b>Other Departments</b>	<b>Total</b>
2018	\$ 356,148	\$ 498,542	\$ 44,257	\$ 898,947
2019	362,148	498,542	75,896	936,586
2020	368,148	498,542	13,149	879,839
2021	374,148	498,542	13,546	886,236
2022	380,148	498,542	13,955	892,645
2023-2027	779,296	2,492,712	—	3,272,008
2028-2032	—	2,492,712	—	2,492,712
<b>Total</b>	<b>\$ 2,620,036</b>	<b>\$ 7,478,134</b>	<b>\$ 160,803</b>	<b>\$ 10,258,973</b>

Operating lease expense incurred for fiscal year 2017 was approximately \$16.2 million for Business-Type Activities.

The City has various other operating leases (both Governmental and Business-Type) that have either expired and are now functioning on a month-to-month basis, or were written on a month-to-month or some other basis, or which state no specified expiration date. The City also leases property to others outside of the City. All of these leases generally operate on a month-to-month basis. The combined current annual income from these leases total approximately \$17.2 million.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies (continued)

#### I. Construction and Other Significant Commitments

At June 30, 2017, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
<b>Governmental</b>	
Fulton Mall Improvements	\$ 111,406
Veterans Boulevard at Highway 99 & Union Pacific Railroad	2,564,130
Wireless Information Technology Projects	654,154
Total Governmental	<u>3,329,690</u>
<b>Proprietary:</b>	
Airport West Comm Ramps	362,262
Boarding Bridges Modifications	184,475
BRT-Bus Rapid Transit	19,988,282
Church Avenue Sewer	423,827
Transit Facility Station	1,236,496
Odor Control Units Headworks	7,959,888
South East Fresno Transmission Pipeline	25,998,114
South East Fresno Surface Water Treatment	104,158,447
South West Treatment Facility Friant/Kern	3,143,292
South West Recycled Water Distribution System	4,987,767
Tertiary Treatment at Regional Reclamation Facility	234,523
Water Main Renewal and Extensions	2,119,999
North East Recycled Water District System	2,310,918
North West Recycled Water District System	5,811,938
Water Well Construction & Rehab	3,515,807
Total Proprietary	<u>182,436,035</u>
Total Major Construction Projects	<u>\$ 185,765,725</u>

#### J. Discolored Water

In February 2016, the City undertook a broad investigation into reports of discolored water and the presence of lead in drinking water in certain homes located in Northeast Fresno. The City conducted the investigation with oversight from the State Water Resources Control Board - Division of Drinking Water (DDW), Fresno County Department of Public Health, and the U.S. Environmental Protection Agency (EPA). The investigation has included, for example, water quality sampling, soil sampling, pipe testing, field investigations and home inspections, consultations with national corrosion experts, multiple community meetings and presentations, and public distribution of information and education materials.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 12. Commitments and Contingencies (continued)

In early 2017, the EPA conducted a comprehensive review of the City and the State of California's oversight of the City's drinking water treatment and testing program. The EPA concluded that the City has historically complied with the regulatory action level for lead, and that the City's water system has been optimized for corrosion control since 1996.

In September 2016 and May 2017, groups of residents filed two lawsuits against the City and other parties seeking damages for harm allegedly caused by the City's water supply. Litigation is currently ongoing. The City will continue to vigorously defend itself in these matters.

The City continues to work with residents by regularly monitoring their water. For more information regarding the City's continued efforts to resolve discolored water issues, please see <https://www.fresno.gov/publicutilities/water-quality-delivery-testing/>.

The City has spent \$3,243,083 through June 30, 2017 to investigate and address the discolored water complaints. All of these costs have been and will continue to be recorded in the Water Fund.

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### **NOTE 13. City of Fresno Cultural Arts Properties Corporation**

In July 2007, the City Council approved a Contingent Debt Purchase Agreement, by which the City guaranteed a proposed interim, commercial, draw loan on behalf of the Fresno Metropolitan Museum of Art & Science (Met).

As a condition precedent to the City entering into the Purchase Agreement, the Met entered into a Performance Guaranty with the City, which was secured by a Deed of Trust that gave the City a lien on certain real property owned by the Met.

The City was required on July 14, 2009 to purchase the loan for the Met in the amount of \$15,111,940. The City utilized funds from its cash pool to fund the payoff of the bank loan, with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City used New Market Tax Credits (NMTC) to lessen the debt burden of the Met. Through conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI), negotiations were finalized, and City Council approval was given for the establishment of a Qualified Active Low Income Community Business (QALICB) and a Community Development Entity (CDE). Once those entities were established, the City took title to the Met real estate.

At the same time as the Met NMTC transaction was being finalized, the City worked on financing to reimburse itself for the borrowings from the Treasurer's Investment Pool that had been undertaken in order to pay off the debt for the Met. Bank of America, the City's banking services provider, partnered with the City for a Private Placement transaction for both Granite Park and the Met. The deal included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall that could then be pledged as security for the new City Hall financing and serve as collateral for the Met portion of the deal. The bond deal was concluded on June 4, 2010.

The NMTC were designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated CDE. The investor in the Met transaction was CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.

To complete the transaction, several new structures were created, one of which was a non-profit entity created for purposes of holding title to the property involved in the NMTC deal. The City created a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the City was not eligible to be the QALICB. The QALICB, known as the City of Fresno Cultural Arts Properties Corporation (COFCAP), was formed on March 15, 2010. The Mayor, Council President and the Chairperson of the Successor Agency to the Former RDA served as the members of the board of COFCAP. A Master Capital Lease exists between COFCAP and the City, with the City being the Master Lessee.

Beginning in late 2012, COFCAP and the City agreed to sell several parcels of the Met properties to an investor for the development of mixed used developments. All those parcels were sold with the approval of CDFI. The remaining Met properties under the NMTC arrangement were the Met Building itself, a

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 13. City of Fresno Cultural Arts Properties Corporation (continued)

small attached green space and a parking lot.

The NMTC transaction was active for seven years. As the seven-year tax period came to a close, the City was notified by the other parties in the transaction that they would be exercising the option to exit the NTMC arrangement. The City Council voted on March 23, 2017 to begin the City's extrication from the NTMC transaction. With all parties expressing their intent to exit, the NTMC unwound on March 31, 2017. On May 25, 2017, the City Council voted to dissolve the COFCAP and transfer the Met Building and any other COFCAP assets back to the City. This transfer of assets was completed on August 29, 2017.

The City adjusted depreciation reported by the COFCAP as of June 30, 2017 to account for timing differences in reporting periods of the two entities. This adjustment in depreciation resulted in a related adjustment to the balance in the note payable due to the City.

COFCAP has been presented as a component unit in the CAFR since the COFCAP's inception because it was a legally separate entity for which the City was financially accountable through the appointment of COFCAP's board and the ability to approve COFCAP's budget. COFCAP has also been discretely presented because it did not provide services exclusively or almost exclusively to the City of Fresno. The COFCAP's financial information was kept and presented on a calendar year basis. For purposes of the fiscal year 2017 CAFR, COFCAP information is presented as of June 30, 2017. Transactions associated with the COFCAP's closeout will be shown in the fiscal year 2018 CAFR.



**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 14. Securities Lending**

The City does not engage in securities lending with any investment instruments that it holds. The City's Retirement Systems are permitted under the City's Municipal Code and Retirement Boards' policies to enter into securities lending transactions. For a detailed description of the Retirement Systems' security lending policies and the financial effect of such lending, please see the Retirement Systems' CAFRS, which can be found at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp>.

**City of Fresno, California**

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

**Note 15. Other Information**Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, called retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2017, the City had made payments into various contract escrow accounts in the amount of \$8,918,237.

## City of Fresno, California

Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2017

### Note 16. Deficit Fund Equity

The Convention Center Fund, Stadium Fund, Risk Management Internal Service Fund, and High Speed Rail Fund all had deficit net position balances as of June 30, 2017.

The deficit net position in the Convention Center Fund \$(5,378,470) is a continuation of many years of annual operating deficits. The 2017 fiscal year saw a \$0.8 million increase in the deficit net position, from \$4.6 million to \$5.4 million. The main driver of the increase in the deficit net position was a \$0.9 million increase in Operating Expenses, primarily Repairs and Maintenance Expenses. The increase in Operating Expenses was partially offset by a \$0.6 million decrease in Interest Expense that resulted from the refinancing of the Convention Center's bonds in May 2017.

The deficit net position in the Stadium Fund of \$(532,341) at June 30, 2017 increased from the 2016 deficit net position of \$(316,264). The increase in the deficit is primarily the result of a \$1.4 million reduction in Restricted Cash that was used to pay debt as part of the Lease Revenue Bond refinancing which was completed in May 2017.

The deficit net position in the Risk Management Fund at June 30, 2017 was \$(114,224,464): an increase of \$13.6 million. The increase was due to the City reflecting a Liability for Self-Insurance on its Combining Statement of Net Position in the amount of \$124,534,868. This liability is not required to be prefunded. The liability grew by \$13.9 million between fiscal years 2016 and 2017, explaining the overall growth in the deficit net position.

The deficit net position in the High Speed Rail Fund at June 30, 2017 was \$(740,436). The net position of this fund at the end of fiscal year 2016 was \$362,987. The move from a positive net position to a negative net position was caused by a \$1.4 million decrease in revenue from High Speed Rail Development Fees between the fiscal years.

The City management continues to evaluate strategies for reducing and eliminating these deficit fund equity balances.

**City of Fresno, California**

Notes to the Basic Financial Statements  
 Fiscal Year Ended June 30, 2017

**Note 17. Subsequent Events**

**A. Bond Ratings**

Fitch upgraded the Airports’ rating from BBB to BBB+ on October 12, 2017. The outlook was revised from Positive to Stable.

The prior and most current City ratings are as follows:

Rating Agency	Effective Date	Prior Rating	Prior Outlook	Effective Date	New Rating	New Outlook
<u>Lease Revenue Bonds</u>						
Fitch	6/2016	A-/A-	Stable	6/2016	A-	Stable
Standard & Poor’s	2/2015	BB+	Stable	3/2017	A	Stable
Moody’s	8/2016	Baa2/Baa3	Positive	3/2017	Baa1/Baa2	Stable
<u>General Obligation (GO)</u>						
Fitch	6/2016	A	Stable	6/2016	A	Stable
Standard & Poor’s	2/2015	BBB-	Stable	3/2017	A+	Stable
Moody’s	8/2016	A3	Stable	3/2017	A3	Stable

**B. Tax and Revenue Anticipation Bonds**

The City chose to once again not issue Tax and Revenue Anticipation Notes subsequent to the end of fiscal year 2017.

**C. North Central Fire District Contract**

The North Central Fire District (NCFD) entered into an agreement with the City to provide fire protection services in August 2007. The agreement called for the City to assume the NCFD's sworn staff in exchange for the City providing staffing at NCFD's station. NCFD agreed to provide annual compensation to the City for the service. Both revenues and expenditures associated with this contract were recorded in a special revenue fund.

After several years of the contract being in place, it became apparent that the compensation from the NCFD was not keeping pace with the expenditures the City was incurring to provide the service. This disparity was primarily caused by contract language which limited the increase in the City's compensation to the growth rate of property tax assessments within the NCFD's boundaries. As a result of this difference, a negative fund balance began to grow in the special revenue fund that was being used to track NCFD service revenues and expenses.

The City initiated discussions with NCFD to resolve the growing negative fund balance. When those

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 17. Subsequent Events (continued)

discussions did not produce a resolution acceptable to both parties, the City Council gave notice on March 10, 2017 that the City would be terminating the contract with NCFD. Appropriations were included in the City's fiscal year 2018 Adopted Budget to cover the cost of services to the NCFD through December 15, 2017.

After the notice was provided, the City and the NCFD resumed negotiations to resolve the situation. The negotiations produced an agreement which was approved by the Council on December 4, 2017. The agreement (effective January 1, 2018) called for payments of \$600,000/month during the 18 month term of the contract as compensation for costs the City incurs in providing fire protection services to the NCFD. While both the NCFD and the City continue to negotiate in good faith on a longer term successor agreement, the NCFD is not obligated to continue with the agreement after June 30, 2019.

The special revenue fund which is being used to track NCFD related revenues and expenses had a cash balance in the amount of \$(4,368,005) as of October 31, 2017. City staff is currently studying alternatives for addressing the remaining negative cash balance in this fund. However, it is likely that the General Fund will fund a significant portion of the negative cash balance.

#### **D. COFCAP**

Transactions to close the COFCAP were made in July and August 2017. For further details, please see Note 13 - City of Fresno Cultural Arts Properties Corporation (pages 170-171).

#### **E. Housing and Urban Development Department Audit of Community Development Block Grant Monies Utilized By The City**

The Office of Inspector General (OIG) of the Housing and Urban Development Department (HUD) began an audit of the City's Community Development Block Grant (CDBG) expenditures on August 25, 2016. The audit, which covered expenditures made between July 1, 2014 and September 30, 2016, was in response to two HUD monitoring visits that were conducted in 2012 and 2015. Both of those visits had turned up eligibility issues with the City's CDBG expenditures.

The OIG's fieldwork was completed on April 28, 2017. The OIG issued its audit report on August 9, 2017. In the report, the OIG concluded that the City still had eligibility issues with its CDBG expenditures. Specifically, the report stated that the City did not:

- meet requirements for the expenditure of CDBG monies on code enforcement activities,
- ensure that CDBG funds were spent on non-general government expenditures for its anti-graffiti program,
- ensure that one program met a CDBG national objective,
- properly monitor its sub-recipient or City departments,
- use its program income before its entitlement funds, and
- report program income to HUD in a timely manner.

The OIG attributed these errors to a lack of experience and capacity to administer and implement the

## City of Fresno, California

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

### Note 17. Subsequent Events (continued)

program on the City's part, the lack of adequate procedures and controls in place, and a disregard for HUD requirements.

The OIG recommended the payback of \$163,555 that were identified as being spent on ineligible costs. The OIG noted that \$428,373 would be deemed ineligible expenditures in the upcoming program year if the City did not develop proper code enforcement policies and procedures. Finally, the OIG identified approximately \$7.9 million in CDBG funded expenditures whose eligibility was questionable. The OIG requested additional supporting documentation for the \$7.9 million of expenditures to make a final determination on eligibility.

The City has repaid the \$163,555 that the OIG recommended be paid back. The City also ceased funding its code enforcement program with CDBG funds, thus preserving the \$428,373 that was noted for possible disallowance. Finally, the City continues to work with HUD to provide documentation to support the questioned \$7.9 million of expenditures.

The date to which events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosures is January 18, 2018, which is the date that the financial statements were available to be issued.

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## REQUIRED SUPPLEMENTARY INFORMATION

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# CITY OF FRESNO, CALIFORNIA

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget
	Original	Final		
<b>Budgetary Fund Balance, July 1</b>	\$ 21,965,600	\$ 27,745,200	\$ 29,141,480	\$ 1,396,280
<b>Resources (inflows):</b>				
Taxes:				
Property Taxes	116,401,700	120,767,700	122,072,236	1,304,536
Sales Taxes	96,632,600	96,632,600	96,384,774	(247,826)
Other Taxes	32,754,200	32,754,200	34,025,314	1,271,114
Franchise Taxes	12,515,800	12,515,800	12,759,007	243,207
Licenses and Permits	6,926,000	6,926,000	7,971,487	1,045,487
Intergovernmental:				
State Motor Vehicle In-Lieu	255,000	255,000	233,155	(21,845)
Other State Revenue	1,681,600	1,707,500	1,738,794	31,294
Other Intergovernmental	1,897,400	1,897,400	1,879,862	(17,538)
Charges for Services:				
Charges for Services	25,852,100	25,852,100	27,520,451	1,668,351
Fines and Violations	3,736,400	3,736,400	3,537,059	(199,341)
Use of Money and Property	1,359,700	1,359,700	836,721	(522,979)
Miscellaneous	21,833,100	23,335,100	24,160,798	825,698
Other Financing Sources:				
Transfers from Other Funds	6,783,300	8,044,900	5,161,106	(2,883,794)
<b>Total Available for Appropriations</b>	<b>350,594,500</b>	<b>363,529,600</b>	<b>367,422,244</b>	<b>3,892,644</b>
<b>Charges to Appropriations (outflows):</b>				
General Government:				
Mayor and City Council	5,975,600	6,040,600	5,088,209	(952,391)
Other General Government	26,385,200	30,842,600	28,947,181	(1,895,419)
Public Protection:				
Police Department	157,698,100	157,438,700	152,944,086	(4,494,614)
Fire Department	55,790,700	56,505,700	56,890,592	384,892
Public Ways & Facilities	15,904,600	17,044,900	15,698,201	(1,346,699)
Culture and Recreation	13,686,900	13,750,900	13,954,077	203,177
Community Development	22,987,000	24,039,000	22,827,148	(1,211,852)
Attrition Savings	(2,206,000)	(2,206,000)	—	2,206,000
Capital Outlay	7,381,200	11,706,800	6,820,378	(4,886,422)
Debt Service	375,000	345,000	216,750	(128,250)
Other Financing Uses:				
Transfers to Other Funds	23,232,900	24,487,300	20,657,750	(3,829,550)
<b>Total Charges to Appropriations</b>	<b>327,211,200</b>	<b>339,995,500</b>	<b>324,044,372</b>	<b>(15,951,128)</b>
<b>Excess Resources Over Appropriations</b>	<b>\$ 23,383,300</b>	<b>\$ 23,534,100</b>	<b>\$ 43,377,872</b>	<b>\$ 19,843,772</b>

See accompanying notes to the required supplementary information.

## CITY OF FRESNO, CALIFORNIA

### Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund Year Ended June 30, 2017 (Continued)

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#### Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

##### Sources/Inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	\$ 367,422,244
Differences - Budget to GAAP: The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis of accounting, rather than on the modified accrual basis of accounting.	9,318,659
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(16,869,846)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	(29,141,480)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(5,161,106)
Nonreciprocal interfund activity is not revenue and is a transfer for financial reporting.	(6,608,482)
The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(1,438,708)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u><u>317,521,281</u></u>

##### Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	\$ 324,044,372
Differences--budget to GAAP: The City budgets for expenditures on the cash basis of accounting, rather than on the modified accrual basis of accounting.	(5,588,483)
Interfund reimbursements are a reduction of expenditures for financial reporting.	(16,869,846)
Pension Obligation bond debt payments and City Hall rent are recognized as transfers out to other funds.	(14,949,166)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes.	(20,657,750)
Capital Lease additions are expenditures for financial reporting purposes.	<u>8,467,232</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u><u>\$ 274,446,359</u></u>

See accompanying notes to the required supplementary information

# CITY OF FRESNO, CALIFORNIA

## Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP Budgetary Basis) - Grants Special Revenue Fund Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Over (Under)
	Original	Final	Budgetary Basis	Final Budget
<b>Budgetary Fund Balance, July 1</b>	\$ (28,711,100)	\$ (28,711,100)	\$ (31,864,051)	\$ (3,152,951)
<b>Resources (inflows):</b>				
Intergovernmental:				
Federal Grants	47,480,300	55,277,300	28,308,261	(26,969,039)
State Grants	7,483,500	8,172,500	7,419,115	(753,385)
Local Support	2,775,300	2,797,700	178,190	(2,619,510)
Charges for Services	1,012,000	1,012,000	1,011,313	(687)
Use of Money and Property	238,100	238,100	781,621	543,521
Miscellaneous	400,100	400,100	2,661,314	2,261,214
Other Financing Sources:				
Transfers from Other Funds	111,600	1,566,200	1,867,957	301,757
<b>Total Available for Appropriations</b>	<u>30,789,800</u>	<u>40,752,800</u>	<u>10,363,720</u>	<u>(30,389,080)</u>
<b>Charges to Appropriations (outflows):</b>				
General Government	—	—	—	—
Public Protection	5,244,400	5,830,300	5,044,664	(785,636)
Public Ways & Facilities	6,818,000	9,189,200	5,988,910	(3,200,290)
Culture and Recreation	1,807,800	2,490,500	1,703,516	(786,984)
Community Development	16,997,300	17,147,300	9,461,810	(7,685,490)
Capital Outlay	17,476,800	23,719,200	13,671,043	(10,048,157)
Other Financing Uses:				
Transfers to Other Funds	—	—	151	151
<b>Total Charges to Appropriations</b>	<u>48,344,300</u>	<u>58,376,500</u>	<u>35,870,094</u>	<u>(22,506,406)</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (17,554,500)</u>	<u>\$ (17,623,700)</u>	<u>\$ (25,506,374)</u>	<u>\$ (7,882,674)</u>

See accompanying notes to the required supplementary information.

# CITY OF FRESNO, CALIFORNIA

## Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP Budgetary Basis) - Grants Special Revenue Fund YEAR ENDED JUNE 30, 2017 (Continued)

### Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

#### Sources/Inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	\$ 10,363,720
Differences - Budget to GAAP: Grant reimbursements are budgeted on the cash basis of accounting rather than on the modified accrual basis of accounting.	(3,863,809)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,867,957)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(1,010,700)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	31,864,051
Payments from the Successor Agency to the Fresno Redevelopment Agency on advances with full allowance are revenues.	22,624,328
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	(781,621)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u>\$ 57,328,012</u>

#### Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	\$ 35,870,094
Differences - budget to GAAP: The City budgets for expenditures on the cash basis of accounting rather than on the modified accrual basis of accounting.	114,883
Interfund reimbursements are a reduction of expenditures for financial reporting.	(1,010,700)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as transfers out to other funds.	(687,075)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(713,313)
Changes in allowance for doubtful accounts on notes receivable, notes that should become grants, and adjustments are expenditures for financial reporting purposes.	(87,592)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(151)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u>\$ 33,486,146</u>

See accompanying notes to the required supplementary information.

## **City of Fresno, California**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

### **A. Budgetary Data**

The City of Fresno (the City) operates under the Strong-Mayor form of government. Under the Strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter (the Charter) prohibits expending funds for which there is no legal appropriation.

The budget of the City of Fresno, within the meaning and context of Section No. 1205 of the Charter, must be adopted by resolution of the City Council by June 30 of a given year. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

As provided by Section No. 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

### **B. Original Budget**

Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.

Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

### **C. Final Budget**

Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriations of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations

## **City of Fresno, California**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

at the department level within a fund.

The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Fund. No budgets are legally adopted for Fresno Revitalization Corporation, Financing Authorities and Corporations, and City Debt. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations.

### **D. Budget Development**

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and City Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.

Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a series of review meetings comprised of the Mayor, Mayor's Chief of Staff, City Manager, Assistant City Manager, Budget Manager, Department Directors and representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to the City Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the City Council.

### **E. Budgetary Results Reconciliation**

#### **1. Basis Differences**

The City's budgetary process is based upon an accounting basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily cause the basis differences.

#### **2. Timing Differences**

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for the Budget basis as opposed to the GAAP basis of reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis are unavailable for GAAP reporting, while various expenditures not recognized on a cash basis have been accrued for GAAP reporting.



## City of Fresno, California

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

As provided by Section No. 1206 of the Charter, any amendments to the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

Administrative amendments within the same department/fund level may be made without approval of the City Council within written guidelines established by the Chief Administrative Officer/City Manager.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital projects. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as restricted, committed, or assigned fund balance in the governmental funds balance sheet.

During fiscal year 2017, the Fire Department's General Fund expenditures exceeded budget by \$384,892. The overage was due primarily to overtime costs associated with maintaining minimum staffing levels. Much of the difficulty in maintaining minimum staffing levels occurred early in the fiscal year, when Fresno Fire crews were dispatched to assist Cal Fire in fighting various wildfires around the state. Although most of the mutual aid costs related to assisting Cal Fire are reimbursed, the reimbursements are recorded as revenue and not a direct offset to expenditures.

The City assumed an Attrition Savings amount of \$2,206,000 in its fiscal year 2017 budget. The amount was in recognition of the fact that not all positions budgeted in the General Fund are filled during the entire fiscal year. The Attrition Savings was established as a negative appropriation in each General Fund department's Personnel Services budget. However, no actual savings accrued against the Attrition Savings account. For purposes of the Budget-to-Actual report in the Required Supplementary Information, the difference between the negative appropriation and the actual lack of activity results in the account appearing to be over-budget.

Actual Transfers from Other Funds were \$(2,883,794) lower than budgeted levels in fiscal year 2017. The reduction was entirely due to transfers for debt service payments being lower than budgeted, which was the result of the Lease Revenue bond refinancing completed in April 2017.

## City of Fresno, California

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

### Schedule of Investment Returns

**PENSION TRUST FUNDS**  
**EMPLOYEES, FIRE AND POLICE RETIREMENT SYSTEMS**  
Last Ten Fiscal Years

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2017	14.73%	14.35%
2016	0.82%	0.53%
2015	3.32%	2.93%
2014	17.61%	17.16%
2013	13.65%	13.20%
2012	(0.20)%	(0.57)%
2011	24.42%	23.88%
2010	15.13%	14.55%
2009	(20.14)%	(20.50)%
2008	(6.00)%	(6.44)%

The time-weighted return method is a measure of the compound rate of return of a portfolio over a stated period of time. It requires a set of sub-period returns to be calculated whenever there is an external cash flow, such as a deposit or withdrawal from the portfolio. In essence, it calculates the geometric total and mean return as opposed to the arithmetic total and mean return. This method does not include or have any distortions created when money is deposited or withdrawn from a portfolio. This is in contrast to money-weighted returns.

**City of Fresno, California**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

**Schedule of Changes in the Net Pension Liability and Related Ratios**

**PENSION TRUST FUNDS**  
**EMPLOYEES, POLICE AND FIRE RETIREMENT SYSTEMS**  
Schedule of Changes in the Net Pension Liability and Related Ratios  
For the Year Ended June 30, 2017

Reporting Date: **6/30/2017**

Measurement Date: **6/30/2016**

<b>Change in Net Pension Liability</b>	<b>Employees</b>	<b>Police &amp; Fire</b>
<b>Total Pension Liability</b>		
Service Cost	\$ 18,686,964	\$ 26,568,600
Interest	79,762,271	88,363,076
Change of benefit terms	—	—
Differences between expected & actual experience	(24,394,004)	(42,952,624)
Changes of assumptions	9,612,123	49,427,071
Benefit payments, including refunds	(52,528,821)	(56,580,813)
<b>Net Change in Total Pension Liability</b>	<b>31,138,533</b>	<b>64,825,310</b>
Total Pension Liability - Beginning	1,071,074,387	1,179,896,152
Total Pension Liability - Ending (a)*	\$ 1,102,212,920	\$ 1,244,721,462
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 13,060,088	\$ 18,737,948
Contributions - employee	9,098,286	7,747,808
Net Investment Income	5,089,099	6,063,102
Benefit Payments including Refunds, PRSB	(52,528,821)	(56,580,813)
Administrative & Professional Expense	(1,346,189)	(1,397,068)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(26,627,537)</b>	<b>(25,429,023)</b>
Plan Fiduciary Net Position - Beginning	1,169,926,556	1,376,717,663
Plan Fiduciary Net Position - Ending (b)	\$ 1,143,299,019	\$ 1,351,288,640
System Net Pension Liability (Surplus) - Ending (a) - (b)	\$ (41,086,099)	\$ (106,567,178)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	103.73 %	108.56 %
Covered-Employee Payroll(1)	\$ 108,541,068	\$ 94,266,174
Plan Net Pension Liability as a percentage of covered-employee payroll	(37.85)%	(113.05)%

\* Data above, as of June 30, 2017 is provided in accordance with provisions of GASB Statement No. 68 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

(1) Covered-employee payroll represents pensionable compensation. Only pensionable compensation that would possibly go into the determination of retirement benefits is included.

**City of Fresno, California**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

**Pension Trust Funds**

**EMPLOYEES RETIREMENT SYSTEM**

Schedule of Employer Contributions  
Last Ten Fiscal Years

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 15,205,360	\$ 15,205,360	\$ —	\$ 119,006,918	12.78%
2016	13,060,088	13,060,088	—	108,541,068	12.03%
2015	12,326,570	12,326,570	—	105,820,382	11.65%
2014	11,439,981	11,439,981	—	103,596,902	11.04%
2013	13,329,655	13,329,655	—	105,508,591	12.63%
2012	11,373,870	11,373,870	—	110,492,026	10.29%
2011	8,214,569	8,214,569	—	119,260,220	6.89%
2010	3,267,115	3,267,115	—	129,258,191	2.53%
2009	1,345,274	1,345,274	—	132,511,895	1.02%
2008	354,894	354,894	—	129,440,108	0.27%

**FIRE AND POLICE RETIREMENT SYSTEM**

Schedule of Employer Contributions  
Last Ten Fiscal Years

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 18,543,308	\$ 18,543,308	\$ —	\$ 97,368,618	19.04%
2016	18,737,948	18,737,948	—	94,266,174	19.88%
2015	18,966,930	18,966,930	—	91,075,093	20.83%
2014	18,574,840	18,574,840	—	91,720,968	20.25%
2013	18,724,714	18,724,714	—	94,368,329	19.84%
2012	22,875,005	22,875,005	—	96,194,537	23.78%
2011	19,397,178	19,397,178	—	96,757,692	20.05%
2010	12,094,355	12,094,355	—	99,166,002	12.20%
2009	8,938,488	8,938,488	—	99,327,134	9.00%
2008	9,363,476	9,363,476	—	99,076,279	9.45%

**RETIREES HEALTHCARE PLAN - Other Postemployment Benefits**

Schedule of Funding Progress

(Dollars in Thousands)

**General Employees**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ —	\$ 29,372	\$ 29,372	0.00%	\$ 81,282	36.0%
6/30/2014	—	32,084	32,084	0.00%	87,165	37.0%
6/30/2016	—	18,856	18,856	0.00%	91,018	21.0%

**Safety**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ —	\$ 84,987	\$ 84,987	0.00%	\$ 96,194	88.0%
6/30/2014	—	90,225	90,225	0.00%	102,351	88.0%
6/30/2016	—	81,598	81,598	0.00%	108,035	76.0%

**Local 39**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ —	\$ —	\$ —	—	\$ —	—
6/30/2014	—	9,291	9,291	0.00%	31,804	29.0%
6/30/2016	—	6,942	6,942	0.00%	32,029	22.0%

**Blue Collar**

Actuarial Valuation Date <sup>(2)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ —	\$ 1,128	\$ 1,128	0.00%	\$ 29,211	4.0%
6/30/2014	—	—	—	—	—	—
6/30/2016	—	—	—	—	—	—

**Total**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ —	\$ 115,487	\$ 115,487	0.00%	\$ 206,687	56.0%
6/30/2014	—	131,600	131,600	0.00%	221,320	59.0%
6/30/2016	—	107,396	107,396	0.00%	231,082	46.0%

<sup>(1)</sup>The actuarial valuation report is prepared biennially.

<sup>(2)</sup> Blue Collar Employees Healthcare Plan was eliminated when Blue Collar joined the Employees Healthcare Plan.



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## NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements.

**SPECIAL REVENUE FUNDS** are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes.

**High Speed Rail Fund** accounts for the revenue sources and costs associated with planning, designing, building and operation of the City of Fresno's portion of the California High Speed Rail, the first high-speed rail system in the nation.

**Fresno Revitalization Corporation** accounts for its investment in FRC Canyon Crest, LLC, which accounts for the revenues and expenditures related to the ownership and sale of Canyon Crest affordable housing.

**Special Gas Tax Fund** accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California including federal and state grants. Expenditures may be made for street-related purposes of the City's system of streets, including maintenance thereof.

**Measure C Fund** accounts for the funds received from a one-half percent sales tax approved by voters for transportation-related expenditures.

**Community Services Fund** accounts for various proceeds restricted for parks, recreation, streets maintenance and specific fire and police services.

**Urban Growth Management (UGM Impact Fees) Fund** accounts for funds provided by developers to pay for certain construction activity.

**Low and Moderate Income Housing** accounts for the former Redevelopment Agency's affordable housing assets following its dissolution on January 31, 2012.

**Special Assessments Fund** accounts for the proceeds and costs of special assessment district improvements.

**DEBT SERVICE FUNDS** are used to account for the accumulation of resources for and payment of, principal and interest of the City's bonded debt and other long-term obligations.

**City Debt Fund** is used to account for the debt service activity related to obligations of the General Fund that have been financed by bond issues.

**Financing Authorities and Corporations Fund** is used to account for the debt service activities related to various bond issues that provide funds for the purpose of acquiring and constructing various capital assets.

**CAPITAL PROJECTS FUNDS** are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary and trust funds.

**City Combined Fund** is used to account for capital projects for general City functions and services.



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**CITY OF FRESNO, CALIFORNIA**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
<b>Assets</b>					
Cash and Investments	\$ 869,783	\$ 241,726	\$ 6,657,922	\$ 11,656,790	\$ 7,037,128
Receivables, Net	—	—	36,636	44,810	243,234
Grants Receivable	41,868	—	—	—	—
Intergovernmental Receivables	—	—	853,917	4,180,036	507,980
Due From Other Funds	—	—	—	33,147	453,839
Advances to Other Funds	—	—	—	—	—
Property Held for Resale	—	—	—	—	—
Restricted Cash	—	—	—	—	—
Loans, Notes, Leases, Other Receivables, Net	—	—	—	—	—
<b>Total Assets</b>	<b>911,651</b>	<b>241,726</b>	<b>7,548,475</b>	<b>15,914,783</b>	<b>8,242,181</b>
<b>Liabilities</b>					
Accrued Liabilities	\$ 49,502	\$ 11,528	\$ 744,795	\$ 1,280,740	\$ 338,421
Unearned Revenue	—	—	—	250,277	28,115
Due to Other Funds	1,560,717	—	87,608	91,278	264
Advances From Other Funds	—	62,208	—	—	—
Deposits From Others	—	—	—	—	4,000
<b>Total Liabilities</b>	<b>1,610,219</b>	<b>73,736</b>	<b>832,403</b>	<b>1,622,295</b>	<b>370,800</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue-Other	41,868	—	—	551,371	—
<b>Total Deferred Inflows of Resources</b>	<b>41,868</b>	<b>—</b>	<b>—</b>	<b>551,371</b>	<b>—</b>
<b>Fund Balances</b>					
Restricted	—	167,990	6,716,072	13,741,117	2,234,809
Assigned	(740,436)	—	—	—	5,636,572
<b>Total Fund Balances</b>	<b>(740,436)</b>	<b>167,990</b>	<b>6,716,072</b>	<b>13,741,117</b>	<b>7,871,381</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 911,651</b>	<b>\$ 241,726</b>	<b>\$ 7,548,475</b>	<b>\$ 15,914,783</b>	<b>\$ 8,242,181</b>

Special Revenue			Debt Service		Capital Projects	Total Nonmajor Governmental Funds
UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	
\$ 17,504,370	\$ 6,697,726	\$ 14,519,582	\$ 3,841	\$ 1,825,871	\$ 7,231,651	\$ 74,246,390
82,720	—	73,630	1,497	3,553	26,001	512,081
—	—	—	—	—	—	41,868
—	—	44,426	—	—	—	5,586,359
664,083	—	4,800	—	—	29,815	1,185,684
—	62,208	—	—	—	—	62,208
—	7,524,077	—	—	—	—	7,524,077
—	—	—	243	35,096	15	35,354
—	20,714,681	—	—	12,690,500	—	33,405,181
<u>18,251,173</u>	<u>34,998,692</u>	<u>14,642,438</u>	<u>5,581</u>	<u>14,555,020</u>	<u>7,287,482</u>	<u>122,599,202</u>
175,660	—	62,670	—	—	6,268	2,669,584
—	—	—	—	—	—	278,392
—	—	17,143	—	—	—	1,757,010
—	—	—	—	12,690,500	—	12,752,708
—	—	—	—	—	—	4,000
<u>175,660</u>	<u>—</u>	<u>79,813</u>	<u>—</u>	<u>12,690,500</u>	<u>6,268</u>	<u>17,461,694</u>
—	—	—	—	—	—	593,239
—	—	—	—	—	—	593,239
18,075,513	34,998,692	14,562,625	5,581	1,864,520	—	92,366,919
—	—	—	—	—	7,281,214	12,177,350
<u>18,075,513</u>	<u>34,998,692</u>	<u>14,562,625</u>	<u>5,581</u>	<u>1,864,520</u>	<u>7,281,214</u>	<u>104,544,269</u>
<u>\$ 18,251,173</u>	<u>\$ 34,998,692</u>	<u>\$ 14,642,438</u>	<u>\$ 5,581</u>	<u>\$ 14,555,020</u>	<u>\$ 7,287,482</u>	<u>\$ 122,599,202</u>

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
<b>Revenues</b>					
Taxes	\$ —	\$ —	\$ 9,617,374	\$ 21,202,191	\$ 794,362
Intergovernmental	676,592	—	—	—	1,983,416
Charges for Services	23	159,626	—	—	8,800,284
Use of Money and Property	14	—	16,727	94,498	339,730
Miscellaneous	211	—	411,330	84,866	305,607
Total Revenues	<u>676,840</u>	<u>159,626</u>	<u>10,045,431</u>	<u>21,381,555</u>	<u>12,223,399</u>
<b>Expenditures</b>					
Current:					
General Government	—	—	—	—	900,734
Public Protection	—	—	—	—	7,260,846
Public Ways and Facilities	877,268	—	9,967,192	8,154,150	792,609
Culture and Recreation	—	—	—	—	1,902,073
Community Development	515,213	154,160	—	—	7,640
Capital Outlay	—	—	1,694,209	7,459,862	742,349
Debt Service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total Expenditures	<u>1,392,481</u>	<u>154,160</u>	<u>11,661,401</u>	<u>15,614,012</u>	<u>11,606,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(715,641)</u>	<u>5,466</u>	<u>(1,615,970)</u>	<u>5,767,543</u>	<u>617,148</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	11,001	—	20,287	374,174	410,603
Transfers Out	(398,783)	—	(697,892)	(3,197,345)	(2,641,662)
Discount on Debt Issued	—	—	—	—	—
Refunding Bonds Issued	—	—	—	—	—
Refunded Bond Escrow	—	—	—	—	—
Premium on Debt Issued	—	—	—	—	—
Sale of Capital Assets	—	—	—	151,632	—
Total Other Financing Sources (Uses)	<u>(387,782)</u>	<u>—</u>	<u>(677,605)</u>	<u>(2,671,539)</u>	<u>(2,231,059)</u>
Net Change in Fund Balances	<u>(1,103,423)</u>	<u>5,466</u>	<u>(2,293,575)</u>	<u>3,096,004</u>	<u>(1,613,911)</u>
Fund Balances - Beginning	<u>362,987</u>	<u>162,524</u>	<u>9,009,647</u>	<u>10,645,113</u>	<u>9,485,292</u>
Fund Balances (Deficit) - Ending	<u>\$ (740,436)</u>	<u>\$ 167,990</u>	<u>\$ 6,716,072</u>	<u>\$ 13,741,117</u>	<u>\$ 7,871,381</u>

Special Revenue			Debt Service		Capital Projects	Total Nonmajor Governmental Funds
UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,613,927
115,141	—	—	—	—	—	2,775,149
9,977,715	—	4,761,644	—	—	—	23,699,292
27,280	21,607	34,289	2,746	(8,439)	7,992	536,444
255	—	14,524	—	—	953,096	1,769,889
10,120,391	21,607	4,810,457	2,746	(8,439)	961,088	60,394,701
—	128,064	—	9,585	1,635,114	—	2,673,497
377,822	—	—	—	—	—	7,638,668
2,378,911	—	5,015,592	—	—	—	27,185,722
221,402	—	—	—	—	—	2,123,475
—	349,834	—	—	—	—	1,026,847
1,067,087	—	14,739	—	—	334,525	11,312,771
—	—	—	8,957,194	8,430,000	—	17,387,194
—	—	—	9,220,919	8,266,173	—	17,487,092
4,045,222	477,898	5,030,331	18,187,698	18,331,287	334,525	86,835,266
6,075,169	(456,291)	(219,874)	(18,184,952)	(18,339,726)	626,563	(26,440,565)
2,594,261	992,235	—	18,186,928	21,323,670	1,901,784	45,814,943
(6,147,350)	—	(367,289)	(2,361)	(3,680,675)	(3,462,179)	(20,595,536)
—	—	—	—	834,938	—	834,938
—	—	—	—	108,903,080	—	108,903,080
—	—	—	—	(128,621,357)	—	(128,621,357)
—	—	—	—	11,528,486	—	11,528,486
—	—	—	—	—	—	151,632
(3,553,089)	992,235	(367,289)	18,184,567	10,288,142	(1,560,395)	18,016,186
2,522,080	535,944	(587,163)	(385)	(8,051,584)	(933,832)	(8,424,379)
15,553,433	34,462,748	15,149,788	5,966	9,916,104	8,215,046	112,968,648
\$ 18,075,513	\$ 34,998,692	\$ 14,562,625	\$ 5,581	\$ 1,864,520	\$ 7,281,214	\$ 104,544,269

## CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - High Speed Rail - Special Revenue Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 29,500	\$ 29,500	\$ (512,668)	\$ (542,168)	\$ 512,668	\$ —
<b>Resources (inflows):</b>						
Intergovernmental	24,176,400	24,526,400	698,991	(23,827,409)	(22,399)	676,592
Charges for Services	—	—	23	23	—	23
Use of Money and Property	(28,000)	(28,000)	14	28,014	—	14
Miscellaneous	—	—	211	211	—	211
Other Financing Sources: Transfers from Other Funds	30,000	30,000	11,001	(18,999)	—	11,001
<b>Total Available for Appropriations</b>	<b>24,207,900</b>	<b>24,557,900</b>	<b>197,572</b>	<b>(24,360,328)</b>	<b>490,269</b>	<b>687,841</b>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	1,224,300	1,574,300	894,081	(680,219)	(16,813)	877,268
Community Development	3,277,800	3,277,800	629,471	(2,648,329)	(114,258)	515,213
Capital Outlay	24,704,500	24,704,500	—	(24,704,500)	—	—
Other Financing Uses: Transfers to Other Funds	—	—	396,493	396,493	2,290	398,783
<b>Total Charges to Appropriations</b>	<b>29,206,600</b>	<b>29,556,600</b>	<b>1,920,045</b>	<b>(27,636,555)</b>	<b>(128,781)</b>	<b>1,791,264</b>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<b>\$ (4,998,700)</b>	<b>\$ (4,998,700)</b>	<b>\$ (1,722,473)</b>	<b>\$ 3,276,227</b>	<b>\$ 619,050</b>	<b>\$ (1,103,423)</b>

**CITY OF FRESNO, CALIFORNIA**

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - Special Gas Tax - Special Revenue Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 5,184,200	\$ 5,447,600	\$ 6,361,595	\$ 913,995	\$ (6,361,595)	\$ —
<b>Resources (inflows):</b>						
Taxes	11,690,400	11,690,400	9,511,752	(2,178,648)	105,622	9,617,374
Use of Money and Property	80,100	80,100	71,275	(8,825)	(54,548)	16,727
Miscellaneous	390,100	390,100	412,383	22,283	(1,053)	411,330
Other Financing Sources:						
Transfers From Other Funds	—	—	20,287	20,287	—	20,287
<b>Total Available for Appropriations</b>	<b>17,344,800</b>	<b>17,608,200</b>	<b>16,377,292</b>	<b>(1,230,908)</b>	<b>(6,311,574)</b>	<b>10,065,718</b>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	12,833,900	12,787,700	10,626,459	(2,161,241)	(659,267)	9,967,192
Capital Outlay	1,977,200	2,177,000	1,602,031	(574,969)	92,178	1,694,209
Other Financing Uses:						
Transfers to Other Funds	877,700	877,700	567,151	(310,549)	130,741	697,892
<b>Total Charges to Appropriations</b>	<b>15,688,800</b>	<b>15,842,400</b>	<b>12,795,641</b>	<b>(3,046,759)</b>	<b>(436,348)</b>	<b>12,359,293</b>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<b>\$ 1,656,000</b>	<b>\$ 1,765,800</b>	<b>\$ 3,581,651</b>	<b>\$ 1,815,851</b>	<b>\$ (5,875,226)</b>	<b>\$ (2,293,575)</b>

**CITY OF FRESNO, CALIFORNIA**

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - Measure C - Special Revenue Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 3,304,200	\$ 3,700,600	\$ 4,508,510	\$ 807,910	\$ (4,508,510)	\$ —
<b>Resources (inflows):</b>						
Taxes	24,497,700	26,078,700	20,504,785	(5,573,915)	697,406	21,202,191
Use of Money and Property	52,600	52,600	94,498	41,898	—	94,498
Miscellaneous	149,000	149,000	84,866	(64,134)	—	84,866
Other Financing Sources:						
Transfers from Other Funds	23,300	23,300	451,257	427,957	(77,083)	374,174
Sale of Capital Assets	—	—	151,632	151,632	—	151,632
<b>Total Available For Appropriations</b>	<b>28,026,800</b>	<b>30,004,200</b>	<b>25,795,548</b>	<b>(4,208,652)</b>	<b>(3,888,187)</b>	<b>21,907,361</b>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	14,622,800	15,576,600	9,119,937	(6,456,663)	(965,787)	8,154,150
Capital Outlay	9,955,800	11,328,600	7,230,254	(4,098,346)	229,608	7,459,862
Other Financing Uses:						
Transfers to Other Funds	2,087,400	2,087,400	2,892,449	805,049	304,896	3,197,345
<b>Total Charges to Appropriations</b>	<b>26,666,000</b>	<b>28,992,600</b>	<b>19,242,640</b>	<b>(9,749,960)</b>	<b>(431,283)</b>	<b>18,811,357</b>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<b>\$ 1,360,800</b>	<b>\$ 1,011,600</b>	<b>\$ 6,552,908</b>	<b>\$ 5,541,308</b>	<b>\$ (3,456,904)</b>	<b>\$ 3,096,004</b>

**CITY OF FRESNO, CALIFORNIA**

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - Community Services - Special Revenue Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget to GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 8,114,500	\$ 8,154,500	\$ 9,241,628	\$ 1,087,128	\$ (9,241,628)	\$ —
<b>Resources (inflows):</b>						
Taxes	850,000	850,000	803,675	(46,325)	(9,313)	794,362
Intergovernmental	4,144,200	4,604,200	1,872,732	(2,731,468)	110,684	1,983,416
Charges for Services	6,933,100	7,345,100	3,143,551	(4,201,549)	5,656,733	8,800,284
Use of Money and Property	381,300	381,300	396,255	14,955	(56,525)	339,730
Miscellaneous	445,200	445,200	5,460,104	5,014,904	(5,154,497)	305,607
Other Financing Sources: Transfers from Other Funds	383,300	383,300	395,326	12,026	15,277	410,603
<b>Total Available For Appropriations</b>	<b>21,251,600</b>	<b>22,163,600</b>	<b>21,313,271</b>	<b>(850,329)</b>	<b>(8,679,269)</b>	<b>12,634,002</b>
<b>Charges to Appropriations (outflows):</b>						
General Government	3,042,700	1,588,100	1,095,713	(492,387)	(194,979)	900,734
Public Protection	8,128,400	8,497,100	7,474,738	(1,022,362)	(213,892)	7,260,846
Public Ways and Facilities	2,924,400	3,114,300	795,689	(2,318,611)	(3,080)	792,609
Culture and Recreation	2,229,400	2,430,600	1,973,263	(457,337)	(71,190)	1,902,073
Community Development	143,000	143,000	5,533	(137,467)	2,107	7,640
Capital Outlay	5,053,400	5,205,600	689,238	(4,516,362)	53,111	742,349
Other Financing Uses: Transfers to Other Funds	1,301,700	2,756,300	2,621,805	(134,495)	19,857	2,641,662
<b>Total Charges to Appropriations</b>	<b>22,823,000</b>	<b>23,735,000</b>	<b>14,655,979</b>	<b>(9,079,021)</b>	<b>(408,066)</b>	<b>14,247,913</b>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<b>\$ (1,571,400)</b>	<b>\$ (1,571,400)</b>	<b>\$ 6,657,292</b>	<b>\$ 8,228,692</b>	<b>\$ (8,271,203)</b>	<b>\$ (1,613,911)</b>



**CITY OF FRESNO, CALIFORNIA**

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - UGM Impact Fees - Special Revenue Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 12,735,700	\$ 14,526,600	\$ 14,669,198	\$ 142,598	\$ (14,669,198)	\$ —
<b>Resources (inflows):</b>						
Intergovernmental	—	105,000	115,141	10,141	—	115,141
Charges for Services	6,828,300	7,331,300	9,977,715	2,646,415	—	9,977,715
Use of Money and Property	111,500	111,500	159,539	48,039	(132,259)	27,280
Miscellaneous	465,000	465,000	2,252,166	1,787,166	(2,251,911)	255
Other Financing Sources: Transfers from Other Funds	236,800	236,800	2,116,423	1,879,623	477,838	2,594,261
<b>Total Available for Appropriations</b>	<b>20,377,300</b>	<b>22,776,200</b>	<b>29,290,182</b>	<b>6,513,982</b>	<b>(16,575,530)</b>	<b>12,714,652</b>
<b>Charges to Appropriations (outflows):</b>						
Public Protection	465,000	857,900	517,822	(340,078)	(140,000)	377,822
Culture and Recreation	189,000	775,300	751,265	(24,035)	(529,863)	221,402
Public Ways and Facilities	3,134,400	3,848,000	2,407,483	(1,440,517)	(28,572)	2,378,911
Capital Outlay	3,508,000	4,384,100	996,455	(3,387,645)	70,632	1,067,087
Other Financing Uses: Transfers to Other Funds	3,566,800	3,566,800	7,921,434	4,354,634	(1,774,084)	6,147,350
<b>Total Charges to Appropriations</b>	<b>10,863,200</b>	<b>13,432,100</b>	<b>12,594,459</b>	<b>(837,641)</b>	<b>(2,401,887)</b>	<b>10,192,572</b>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<b>\$ 9,514,100</b>	<b>\$ 9,344,100</b>	<b>\$ 16,695,723</b>	<b>\$ 7,351,623</b>	<b>\$ (14,173,643)</b>	<b>\$ 2,522,080</b>

**CITY OF FRESNO, CALIFORNIA**

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - Low and Moderate Income Housing - Special Revenue Fund  
 Year Ended June 30, 2017

	Budgeted Amounts	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original				
<b>Budgetary Fund Balance, July 1</b>	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Resources (inflows):</b>					
Use of Money and Property	21,607	21,607	—	—	21,607
Transfers from Other Funds	992,235	992,235	—	—	992,235
<b>Total Available for Appropriations</b>	<u>1,013,842</u>	<u>1,013,842</u>	<u>—</u>	<u>—</u>	<u>1,013,842</u>
<b>Charges to Appropriations (outflows):</b>					
General Government	128,064	128,064	—	—	128,064
Community Development	349,834	349,834	—	—	349,834
<b>Total Charges to Appropriations</b>	<u>477,898</u>	<u>477,898</u>	<u>—</u>	<u>—</u>	<u>477,898</u>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<u>\$ 535,944</u>	<u>\$ 535,944</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 535,944</u>

# CITY OF FRESNO, CALIFORNIA

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Special Assessments - Special Revenue Fund Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 14,052,500	\$ 14,053,400	\$ 15,181,852	\$ 1,128,452	\$ (15,181,852)	\$ —
<b>Resources (inflows):</b>						
Charges for Services	6,374,400	6,374,400	4,761,644	(1,612,756)	—	4,761,644
Use of Money and Property	242,300	242,300	146,626	(95,674)	(112,337)	34,289
Miscellaneous	1,200	1,200	14,524	13,324	—	14,524
<b>Total Available for Appropriations</b>	<b>20,670,400</b>	<b>20,671,300</b>	<b>20,104,646</b>	<b>(566,654)</b>	<b>(15,294,189)</b>	<b>4,810,457</b>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	7,704,000	7,717,100	5,057,853	(2,659,247)	(42,261)	5,015,592
Capital Outlay	2,230,700	2,230,700	64,128	(2,166,572)	(49,389)	14,739
Other Financing Uses: Transfers to Other Funds	302,500	302,500	317,900	15,400	49,389	367,289
<b>Total Charges to Appropriations</b>	<b>10,237,200</b>	<b>10,250,300</b>	<b>5,439,881</b>	<b>(4,810,419)</b>	<b>(42,261)</b>	<b>5,397,620</b>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<b>\$ 10,433,200</b>	<b>\$ 10,421,000</b>	<b>\$ 14,664,765</b>	<b>\$ 4,243,765</b>	<b>\$ (15,251,928)</b>	<b>\$ (587,163)</b>

**CITY OF FRESNO, CALIFORNIA**

Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP Budgetary Basis) - City Combined - Capital Projects Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Budgetary Fund Balance, July 1</b>	\$ 5,359,300	\$ 5,359,300	\$ 5,090,127	\$ (269,173)	\$ (5,090,127)	\$ —
<b>Resources (inflows):</b>						
Use of Money and Property	50,600	50,600	61,300	10,700	(53,308)	7,992
Miscellaneous	4,526,400	5,504,300	1,574,665	(3,929,635)	(621,569)	953,096
Other Financing Sources:						
Transfers Budgeted as Bond Proceeds	90,000	90,000	1,280,215	1,190,215	621,569	1,901,784
<b>Total Available for Appropriations</b>	<u>10,026,300</u>	<u>11,004,200</u>	<u>8,006,307</u>	<u>(2,997,893)</u>	<u>(5,143,435)</u>	<u>2,862,872</u>
<b>Charges to Appropriations (outflows):</b>						
Capital Outlay	7,066,600	8,044,500	371,722	(7,672,778)	(37,197)	334,525
Other Financing Uses: Transfers to Other Funds	—	—	565,890	565,890	2,896,289	3,462,179
<b>Total Charges to Appropriations</b>	<u>7,066,600</u>	<u>8,044,500</u>	<u>937,612</u>	<u>(7,106,888)</u>	<u>2,859,092</u>	<u>3,796,704</u>
<b>Excess (Deficit) Resources Over (Under) Appropriations</b>	<u>\$ 2,959,700</u>	<u>\$ 2,959,700</u>	<u>\$ 7,068,695</u>	<u>\$ 4,108,995</u>	<u>\$ (8,002,527)</u>	<u>\$ (933,832)</u>

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## NONMAJOR ENTERPRISE FUNDS

**Enterprise Funds** are used to account for operations financed and operated in a manner similar to private business enterprises, with the intent that the costs of providing the goods or services to the general public on a continuing basis are financed or recovered partially through user charges. Nonmajor Enterprise Funds are reported in the other Enterprise Funds column of the Statement of Net Position – Proprietary Funds.

**Community Sanitation Fund** accounts for the operation of the City's community sanitation operations. Revenues consist primarily of service fees.

**Parks and Recreation Fund** accounts for the revenues collected and used for fee-supported recreation activities.



**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 6,003,137	\$ 322,452	\$ 6,325,589
Interest Receivable	36,665	2,549	39,214
Accounts Receivable, Net	1,343,286	—	1,343,286
Prepays	530	—	530
Due from Other Funds	14,550	—	14,550
<b>Total Current Assets</b>	<b>7,398,168</b>	<b>325,001</b>	<b>7,723,169</b>
Noncurrent Assets:			
Other Assets:			
Other Assets	—	18,490	18,490
Net Pension Asset	786,673	—	786,673
<b>Total Other Assets</b>	<b>786,673</b>	<b>18,490</b>	<b>805,163</b>
Capital Assets:			
Land	—	11,508	11,508
Buildings, Systems and Improvements	—	4,599,404	4,599,404
Machinery and Equipment	226,544	—	226,544
Less Accumulated Depreciation	(190,143)	(2,261,335)	(2,451,478)
<b>Total Capital Assets, Net</b>	<b>36,401</b>	<b>2,349,577</b>	<b>2,385,978</b>
<b>Total Noncurrent Assets</b>	<b>823,074</b>	<b>2,368,067</b>	<b>3,191,141</b>
<b>Total Assets</b>	<b>8,221,242</b>	<b>2,693,068</b>	<b>10,914,310</b>
<b>Deferred Outflows of Resources</b>			
Charge on Refunding	—	79,236	79,236
Pension Contributions	312,207	—	312,207
Deferred Outflows - Pensions	1,253,947	—	1,253,947
<b>Total Deferred Outflows of Resources</b>	<b>1,566,154</b>	<b>79,236</b>	<b>1,645,390</b>
<b>Liabilities</b>			
Current Liabilities:			
Accrued Liabilities	143,761	39,186	182,947
Accrued Compensated Absences and HRA	32,792	—	32,792
Due to Other Funds	206,617	—	206,617
Bonds Payable	—	60,000	60,000
<b>Total Current Liabilities</b>	<b>383,170</b>	<b>99,186</b>	<b>482,356</b>
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	452,601	—	452,601
Bonds Payable	—	1,848,230	1,848,230
Net OPEB Obligation	1,010,660	4,438	1,015,098
<b>Total Noncurrent Liabilities</b>	<b>1,463,261</b>	<b>1,852,668</b>	<b>3,315,929</b>
<b>Total Liabilities</b>	<b>1,846,431</b>	<b>1,951,854</b>	<b>3,798,285</b>
<b>Deferred Inflows of Resources</b>			
Unamortized Pension Expense	536,812	—	536,812
<b>Total Deferred Inflows of Resources</b>	<b>536,812</b>	<b>—</b>	<b>536,812</b>
<b>Net Position</b>			
Net Investment in Capital Assets	36,401	520,583	556,984
Unrestricted	7,367,752	299,867	7,667,619
<b>Total Net Position</b>	<b>\$ 7,404,153</b>	<b>\$ 820,450</b>	<b>\$ 8,224,603</b>



**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>			
Charges for Services	\$ 9,613,470	\$ 339,957	\$ 9,953,427
<b>Operating Expenses:</b>			
Cost of Services	4,740,469	73,800	4,814,269
Administration	3,982,942	28,122	4,011,064
Depreciation	11,835	178,358	190,193
Total Operating Expenses	8,735,246	280,280	9,015,526
Operating Income	878,224	59,677	937,901
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	22,273	6,476	28,749
Interest Expense	—	(129,679)	(129,679)
Total Non-operating Revenue (Expenses)	22,273	(123,203)	(100,930)
Income Before Transfers	900,497	(63,526)	836,971
Transfers In	29,959	27,287	57,246
Transfers Out	(1,570,378)	(27,291)	(1,597,669)
Change in Net Position	(639,922)	(63,530)	(703,452)
Total Net Position - Beginning	8,044,075	883,980	8,928,055
Total Net Position - Ending	\$ 7,404,153	\$ 820,450	\$ 8,224,603

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2017

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 10,594,519	\$ 339,957	\$ 10,934,476
Cash Payments to Suppliers for Services	(2,522,795)	(41,583)	(2,564,378)
Cash Paid for Interfund Services Used	(2,562,056)	(2,700)	(2,564,756)
Cash Payments to Employees for Services	(5,086,301)	(33,316)	(5,119,617)
<b>Net Cash Provided by Operating Activities</b>	<b>423,367</b>	<b>262,358</b>	<b>685,725</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest Payments on Capital Debt	—	(136,720)	(136,720)
Proceeds from Issuance of Capital Debt	—	1,769,030	1,769,030
Payment for Cost of Issuance	—	25,696	25,696
Principal Payments on Capital Debt-Bonds	—	(60,000)	(60,000)
Retirement of Debt	—	(1,970,000)	(1,970,000)
Acquisition and Construction of Capital Assets	—	—	—
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<b>—</b>	<b>(371,994)</b>	<b>(371,994)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers In	29,959	27,287	57,246
Transfers Out	(1,570,376)	(27,291)	(1,597,667)
<b>Net Cash (Used for) Non-Capital Financing Activities</b>	<b>(1,540,417)</b>	<b>(4)</b>	<b>(1,540,421)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	17,571	5,735	23,306
<b>Net Cash Provided by Investing Activities</b>	<b>17,571</b>	<b>5,735</b>	<b>23,306</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,099,479)</b>	<b>(103,905)</b>	<b>(1,203,384)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>7,102,616</b>	<b>426,357</b>	<b>7,528,973</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 6,003,137</b>	<b>\$ 322,452</b>	<b>\$ 6,325,589</b>

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2017 (Continued)

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 878,222	\$ 59,677	\$ 937,899
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	11,835	178,358	190,193
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(2,339)	—	(2,339)
Decrease (increase) in due from other funds	(14,550)	—	(14,550)
Decrease (increase) in net pension asset and deferred outflows pensions	(191,445)	—	(191,445)
Decrease (increase) in prepaid insurance	—	1,261	1,261
(Decrease) increase in accounts payable	29,025	22,712	51,737
(Decrease) increase in salaries payable	(8,021)	(185)	(8,206)
(Decrease) increase in due to other funds	(11,968)	—	(11,968)
(Decrease) increase in OPEB obligation	97,410	535	97,945
(Decrease) increase in deferred inflows of resources pensions	(364,802)	—	(364,802)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 423,367</b>	<b>\$ 262,358</b>	<b>\$ 685,725</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>			
Cash and Investments:			
Unrestricted	\$ 6,003,137	\$ 322,452	\$ 6,325,589
<b>Cash and Cash Equivalents at End of Year on Statement of Cash Flows</b>	<b>\$ 6,003,137</b>	<b>\$ 322,452</b>	<b>\$ 6,325,589</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Amortization of bond premium, discount and loss on refunding	\$ —	\$ 1,383	\$ 1,383
Decrease in fair value of investments	47,470	—	47,470



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## INTERNAL SERVICE FUNDS

The **Internal Service Funds** are used to account for the financing, on a cost-reimbursement basis of goods or services provided by one department to other departments within the City of Fresno.

**Billing and Collection Fund** accounts for the billing, collecting, and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

**General Services Fund** accounts for the Internal Service Fund activities of the City of Fresno, including fleet management, property maintenance, data processing support and electronics and communications support.

**Risk Management Fund** accounts for the City's self-insurance provided to all City departments, including provision for losses on property, liability, workers' compensation, and unemployment compensation.

**Employees Healthcare Plan** accounts for healthcare plans for City employees.

**Retirees Healthcare Plan** accounts for the healthcare plans for retired City employees.



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**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2017

	Billing and Collection	General Services	Risk Management
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 3,538,138	\$ 28,550,875	\$ 10,944,613
Interest Receivable	72,725	126,543	52,102
Accounts Receivable, Net	779,935	—	56,866
Inventories	—	766,793	—
Prepays	4,618	24,599	—
Due from Other Funds	8,000	2,695,478	—
<b>Total Current Assets</b>	<b>4,403,416</b>	<b>32,164,288</b>	<b>11,053,581</b>
Noncurrent Assets:			
Restricted:			
Cash and Investments	4,888,655	—	557,777
<b>Total Restricted Assets</b>	<b>4,888,655</b>	<b>—</b>	<b>557,777</b>
Other Assets:			
Net Pension Asset	689,758	3,120,995	—
<b>Total Other Assets</b>	<b>689,758</b>	<b>3,120,995</b>	<b>—</b>
Capital Assets:			
Buildings, Systems and Improvements	50,000	7,638,733	—
Machinery & Equipment	147,565	112,891,196	—
Construction in Progress	—	1,493,200	—
Less Accumulated Depreciation	(197,565)	(89,223,911)	—
<b>Total Capital Assets, Net</b>	<b>—</b>	<b>32,799,218</b>	<b>—</b>
<b>Total Noncurrent Assets</b>	<b>5,578,413</b>	<b>35,920,213</b>	<b>557,777</b>
<b>Total Assets</b>	<b>9,981,829</b>	<b>68,084,501</b>	<b>11,611,358</b>
<b>Deferred Outflows of Resources</b>			
Pension Contributions	565,353	1,220,140	—
Deferred Outflows - Pension	2,533,008	4,947,564	—
<b>Total Deferred Outflows of Resources</b>	<b>3,098,361</b>	<b>6,167,704</b>	<b>—</b>
<b>Liabilities</b>			
Current Liabilities:			
Accrued Liabilities	1,213,066	2,159,134	910,790
Accrued Compensated Absences and HRA	68,631	368,716	24,348
Liability for Self-Insurance	—	—	24,013,817
Unearned Revenue	723,270	—	—
Due to Other Funds	11,078	2,261,413	215
Capital Lease Obligations	—	2,630,636	—
<b>Total Current Liabilities</b>	<b>2,016,045</b>	<b>7,419,899</b>	<b>24,949,170</b>
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	1,050,892	2,165,958	63,838
Capital Lease Obligations	—	5,675,433	—
Liability for Self-Insurance	—	—	100,521,051
Net OPEB Obligation	2,142,202	3,635,943	301,763
Deposits Held for Others	4,940,489	—	—
<b>Total Noncurrent Liabilities</b>	<b>8,133,583</b>	<b>11,477,334</b>	<b>100,886,652</b>
<b>Total Liabilities</b>	<b>10,149,628</b>	<b>18,897,233</b>	<b>125,835,822</b>
<b>Deferred Inflows of Resources</b>			
Unamortized Pension Expense	965,275	2,121,186	—
<b>Total Deferred Inflows of Resources</b>	<b>965,275</b>	<b>2,121,186</b>	<b>—</b>
<b>Net Position</b>			
Net Investment in Capital Assets	—	24,493,149	—
Unrestricted (Deficit)	1,965,287	28,740,637	(114,224,464)
<b>Total Net Position (Deficit)</b>	<b>\$ 1,965,287</b>	<b>\$ 53,233,786</b>	<b>\$ (114,224,464)</b>

Employees Healthcare Plan	Retirees Healthcare Plan	Totals
\$ 23,479,548	\$ —	\$ 66,513,174
119,359	—	370,729
—	—	836,801
—	—	766,793
—	—	29,217
—	—	2,703,478
<u>23,598,907</u>	<u>—</u>	<u>71,220,192</u>
—	—	5,446,432
—	—	5,446,432
—	—	3,810,753
—	—	3,810,753
—	—	7,688,733
—	—	113,038,761
—	—	1,493,200
—	—	(89,421,476)
—	—	32,799,218
—	—	42,056,403
<u>23,598,907</u>	<u>—</u>	<u>113,276,595</u>
—	—	1,785,493
—	—	7,480,572
—	—	9,266,065
280,541	—	4,563,531
—	—	461,695
4,600,000	—	28,613,817
—	—	723,270
—	—	2,272,706
—	—	2,630,636
<u>4,880,541</u>	<u>—</u>	<u>39,265,655</u>
—	—	3,280,688
—	—	5,675,433
—	—	100,521,051
—	—	6,079,908
—	—	4,940,489
—	—	120,497,569
<u>4,880,541</u>	<u>—</u>	<u>159,763,224</u>
—	—	3,086,461
—	—	3,086,461
—	—	24,493,149
18,718,366	—	(64,800,174)
<u>\$ 18,718,366</u>	<u>\$ —</u>	<u>\$ (40,307,025)</u>



# CITY OF FRESNO, CALIFORNIA

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position

### Internal Service Funds

Year Ended June 30, 2017

	Billing and Collection	General Services	Risk Management
<b>Operating Revenues:</b>			
Charges for Services	\$ 13,768,720	\$ 48,488,935	\$ 32,367,253
<b>Operating Expenses:</b>			
Cost of Services	5,791,916	28,446,567	41,216,216
Administration	5,073,315	9,667,425	4,673,900
Depreciation	15,488	5,277,092	—
Total Operating Expenses	10,880,719	43,391,084	45,890,116
Operating Income (Loss)	2,888,001	5,097,851	(13,522,863)
<b>Non-operating Revenue (Expenses):</b>			
Operating Grants	—	—	—
Interest Income	74,477	33,605	15,238
Interest Expense	—	(209,893)	—
Gain on Disposal of Capital Assets	—	277,523	—
Total Non-operating Revenue (Expenses)	74,477	101,235	15,238
Income (Loss) Before Contributions and Transfers	2,962,478	5,199,086	(13,507,625)
Transfers In	—	440,000	—
Transfers Out	(526,545)	(1,620,578)	(49,968)
Change in Net Position	2,435,933	4,018,508	(13,557,593)
Total Net Position (Deficit) - Beginning	(470,646)	49,215,278	(100,666,871)
Total Net Position (Deficit) - Ending	\$ 1,965,287	\$ 53,233,786	\$ (114,224,464)

Employees Healthcare Plan	Retirees Healthcare Plan	Totals
\$ 39,888,233	\$ 8,741,111	\$ 143,254,252
33,427,431	8,274,000	117,156,130
4,197,020	467,111	24,078,771
—	—	5,292,580
37,624,451	8,741,111	146,527,481
2,263,782	—	(3,273,229)
—	—	—
224,530	—	347,850
—	—	(209,893)
—	—	277,523
224,530	—	415,480
2,488,312	—	(2,857,749)
—	—	440,000
—	—	(2,197,091)
2,488,312	—	(4,614,840)
16,230,054	—	(35,692,185)
\$ 18,718,366	\$ —	\$ (40,307,025)

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2017

	Billing and Collection	General Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 7,473,252	\$ 27,510,519	\$ —
Cash Received from Interfund Services Provided	7,855,300	20,212,709	58,214,720
Cash Payments to Suppliers for Services	(3,910,308)	(22,710,514)	(3,919,183)
Cash Paid for Interfund Services Used	(1,283,606)	(3,274,320)	(611,351)
Cash Payments to Employees for Services	(8,637,463)	(13,081,539)	(3,402,053)
Cash Payments for Claims and Refunds	—	—	(48,798,193)
<b>Net Cash Provided by Operating Activities</b>	<b>1,497,175</b>	<b>8,656,855</b>	<b>1,483,940</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest Payments on Capital Debt	—	(226,305)	—
Principal Payment on Capital Lease Obligations	—	(2,046,059)	—
Proceeds from Sale of Capital Assets	—	277,523	—
Acquisition and Construction of Capital Assets	—	(5,025,148)	—
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<b>—</b>	<b>(7,019,989)</b>	<b>—</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Grants	—	—	—
Borrowing Receipt from Other Funds	(4,617)	762,621	—
Borrowing (Payment to) Other Funds	(1,155)	736,171	—
Transfers In	—	440,001	—
Transfers Out	(526,545)	(1,620,578)	(49,968)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<b>(532,317)</b>	<b>318,215</b>	<b>(49,968)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	63,149	38,883	8,267
<b>Net Cash Provided by Investing Activities</b>	<b>63,149</b>	<b>38,883</b>	<b>8,267</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,028,007</b>	<b>1,993,964</b>	<b>1,442,239</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>7,398,786</b>	<b>26,556,911</b>	<b>10,060,151</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 8,426,793</b>	<b>\$ 28,550,875</b>	<b>\$ 11,502,390</b>

Employees Healthcare Plan	Retirees Healthcare Plan	Total
\$ 8,349,187	\$ 5,473,815	\$ 48,806,773
31,539,046	3,267,296	121,089,071
(3,579,146)	(467,111)	(34,586,262)
—	—	(5,169,277)
—	—	(25,121,055)
(33,427,431)	(8,274,000)	(90,499,624)
2,881,656	—	14,519,626
—	—	(226,305)
—	—	(2,046,059)
—	—	277,523
—	—	(5,025,148)
—	—	(7,019,989)
—	—	—
—	—	758,004
—	—	735,016
—	—	440,001
—	—	(2,197,091)
—	—	(264,070)
207,420	—	317,719
207,420	—	317,719
3,089,076	—	7,553,286
20,390,472	—	64,406,320
\$ 23,479,548	\$ —	\$ 71,959,606

(Continued)

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2017 (Continued)

	Billing and Collection	General Services	Risk Management
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ 2,888,000	\$ 5,097,851	\$ (13,522,862)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	15,488	5,277,092	—
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(779,935)	—	18,933
Decrease (increase) in due from other funds	—	551,464	—
Decrease (increase) in material and supplies inventory	—	(22,486)	—
Decrease (increase) in net pension asset and deferred outflows pensions	(599,970)	(766,387)	—
(Decrease) increase in accounts payable	(38,036)	(316,177)	147,188
(Decrease) increase in salaries payable	(5,108)	(51,465)	62,781
(Decrease) increase in due to other funds	(298)	—	165
(Decrease) increase in unearned revenue	26,358	—	—
(Decrease) increase in liability for self-insurance	—	—	14,760,977
(Decrease) increase in deposits	35,701	—	—
(Decrease) increase in OPEB obligation	175,630	281,494	16,758
(Decrease) increase in deferred inflows of resources pensions	(220,655)	(1,394,531)	—
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,497,175</b>	<b>\$ 8,656,855</b>	<b>\$ 1,483,940</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>			
Cash and Investments:			
Unrestricted	\$ 3,538,138	\$ 28,550,875	\$ 10,944,613
Restricted - Current and Noncurrent	4,888,655	—	557,777
<b>Cash and Cash Equivalents at End of Year on Statement of Cash Flows</b>	<b>\$ 8,426,793</b>	<b>\$ 28,550,875</b>	<b>\$ 11,502,390</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Acquisition and construction of capital assets on accounts payable	\$ —	\$ 53,681	\$ —
Borrowing under capital lease	—	3,351,080	—
Decrease (increase) in fair value of investments	(54,517)	142,397	(953)

Employees Healthcare Plan	Retirees Healthcare Plan	Total
\$ 2,263,782	\$ —	\$ (3,273,229)
—	—	5,292,580
—	—	(761,002)
—	—	551,464
—	—	(22,486)
—	—	(1,366,357)
17,874	—	(189,151)
—	—	6,208
—	—	(133)
—	—	26,358
600,000	—	15,360,977
—	—	35,701
—	—	473,882
—	—	(1,615,186)
<u>\$ 2,881,656</u>	<u>\$ —</u>	<u>\$ 14,519,626</u>

\$ 23,479,548	\$ —	\$ 66,513,174
—	—	5,446,432
<u>\$ 23,479,548</u>	<u>\$ —</u>	<u>\$ 71,959,606</u>

\$ —	\$ —	\$ 53,681
—	—	3,351,080
—	—	86,927

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PHOTO COURTESY OF Downtown Fresno Partnership

## FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds, which account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

### TRUST FUNDS

Trust Funds are fiduciary funds and are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fire and Police Retirement System Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police employees and retirees.

Employee Retirement System Pension Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified General Service employees and retirees.

### AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts, since all assets are due to individuals or entities at some future time.

City Departmental and Special Purpose Fund accounts for City-related trust activity, such as payroll withholdings and bid deposits.

Special Assessments District Fund accounts for the receipts and disbursements for the debt service activity of the special assessment districts within the City.





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**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

June 30, 2017

	Pension Trust Funds		
	Fire and Police	Employees	Total
	Retirement System	Retirement System	
<b>Assets</b>			
Cash and Investments	\$ 2,629,631	\$ 1,920,674	\$ 4,550,305
Receivables:			
Receivables for Investments Sold	1,949,433	1,629,505	3,578,938
Interest and Dividends Receivable	4,385,532	3,700,596	8,086,128
Other Receivables	1,414,907	1,204,554	2,619,461
Total Receivables	<u>7,749,872</u>	<u>6,534,655</u>	<u>14,284,527</u>
Investments, at Fair Value:			
Short-Term Investments	29,220,744	24,657,023	53,877,767
Domestic Equity	580,054,443	489,461,127	1,069,515,570
Corporate Bonds	152,900,815	129,020,657	281,921,472
International Developed Market Equities	263,901,288	222,684,997	486,586,285
International Emerging Market Equities	51,229,521	43,228,458	94,457,979
Government Bonds	180,061,033	151,938,973	332,000,006
Direct Lending	52,376,144	44,196,000	96,572,144
Real Estate	201,196,024	170,247,234	371,443,258
Total Investments	<u>1,510,940,012</u>	<u>1,275,434,469</u>	<u>2,786,374,481</u>
Collateral Held for Securities Lent	125,852,782	106,197,004	232,049,786
Capital Assets, Net of Accumulated Depreciation	1,101,255	1,101,255	2,202,510
Prepaid Expense	210	210	420
Total Assets	<u>1,648,273,762</u>	<u>1,391,188,267</u>	<u>3,039,462,029</u>
<b>Liabilities</b>			
Accrued Liabilities	10,718,949	9,044,856	19,763,805
Collateral Held for Securities Lent	125,852,782	106,197,004	232,049,786
Other Liabilities	2,159,243	1,824,671	3,983,914
Total Liabilities	<u>138,730,974</u>	<u>117,066,531</u>	<u>255,797,505</u>
<b>Net Position</b>			
Net Position Restricted for Pension Benefits	<u>\$ 1,509,542,788</u>	<u>\$ 1,274,121,736</u>	<u>\$ 2,783,664,524</u>

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

Year Ended June 30, 2017

	Pension Trust Funds		
	Fire and Police	Employees	Total
	Retirement System	Retirement System	
<b>Additions</b>			
Contributions:			
Employer	\$ 18,543,308	\$ 15,205,360	\$ 33,748,668
System Members	8,169,019	10,180,589	18,349,608
Total Contributions	<u>26,712,327</u>	<u>25,385,949</u>	<u>52,098,276</u>
Investment Income:			
Net (Depreciation) in Value of Investments	174,790,945	147,571,076	322,362,021
Interest	14,370,912	12,131,185	26,502,097
Dividends	11,059,543	9,336,910	20,396,453
Other Investment Related	53,280	53,786	107,066
Total Investment Income	<u>200,274,680</u>	<u>169,092,957</u>	<u>369,367,637</u>
Less Investment Expense	(8,470,764)	(7,150,258)	(15,621,022)
Total Net Investment Income	<u>191,803,916</u>	<u>161,942,699</u>	<u>353,746,615</u>
Securities Lending Income:			
Securities Lending Earnings	1,128,421	952,183	2,080,604
Less Securities Lending Expense	(614,679)	(518,677)	(1,133,356)
Net Securities Lending Income	<u>513,742</u>	<u>433,506</u>	<u>947,248</u>
Total Additions	<u>219,029,985</u>	<u>187,762,154</u>	<u>406,792,139</u>
<b>Deductions</b>			
Benefit Payments	58,748,302	54,350,851	113,099,153
Refund of Contributions	524,636	1,199,054	1,723,690
Administrative Expenses	1,502,899	1,389,532	2,892,431
Total Deductions	<u>60,775,837</u>	<u>56,939,437</u>	<u>117,715,274</u>
Change in Net Position	<u>158,254,148</u>	<u>130,822,717</u>	<u>289,076,865</u>
Net Position - Beginning	1,351,288,640	1,143,299,019	2,494,587,659
Net Position - Ending	<u>\$ 1,509,542,788</u>	<u>\$ 1,274,121,736</u>	<u>\$ 2,783,664,524</u>

**CITY OF FRESNO, CALIFORNIA**

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 Year Ended June 30, 2017

**CITY DEPARTMENTAL FUND**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Assets</b>				
Cash and Investments	\$ 5,040,873	\$ 297,000,530	\$ 294,602,691	\$ 7,438,712
Interest Receivable	11,825	80,639	80,432	12,032
Due From Other Governments	14,620	9,982	14,620	9,982
Total Assets	<u>\$ 5,067,318</u>	<u>\$ 297,091,151</u>	<u>\$ 294,697,743</u>	<u>\$ 7,460,726</u>
<b>Liabilities</b>				
Accrued Liabilities	\$ 308,344	\$ 302,315,944	\$ 302,212,695	\$ 411,593
Due to Other Funds	—	1,054	—	1,054
Deposits Held for Others	4,758,974	8,874,068	6,584,963	7,048,079
Total Liabilities	<u>\$ 5,067,318</u>	<u>\$ 311,191,066</u>	<u>\$ 308,797,658</u>	<u>\$ 7,460,726</u>

**SPECIAL ASSESSMENTS DISTRICT FUND**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Assets</b>				
Cash and Investments	\$ 7	\$ 386,809	\$ 192,144	\$ 194,672
Restricted Cash and Investments Held by Fiscal Agent	763,612	—	198,406	565,206
Interest Receivable	210	442	323	329
Due from Other Governments	762,523	755,766	762,523	755,766
Total Assets	<u>\$ 1,526,352</u>	<u>\$ 1,143,017</u>	<u>\$ 1,153,396</u>	<u>\$ 1,515,973</u>
<b>Liabilities</b>				
Deposits Held for Others	\$ 1,526,352	\$ 1,142,655	\$ 1,153,034	\$ 1,515,973
Total Liabilities	<u>\$ 1,526,352</u>	<u>\$ 1,142,655</u>	<u>\$ 1,153,034</u>	<u>\$ 1,515,973</u>

**TOTAL AGENCY FUNDS**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Assets</b>				
Cash and Investments	\$ 5,040,880	\$ 297,387,339	\$ 294,794,835	\$ 7,633,384
Restricted Cash and Investments Held by Fiscal Agent	763,612	—	198,406	565,206
Interest Receivable	12,035	81,081	80,755	12,361
Due from Other Governments	777,143	765,748	777,143	765,748
Total Assets	<u>\$ 6,593,670</u>	<u>\$ 298,234,168</u>	<u>\$ 295,073,996</u>	<u>\$ 8,976,699</u>
<b>Liabilities</b>				
Accrued Liabilities	\$ 308,344	\$ 302,315,944	\$ 302,212,695	\$ 411,593
Due To Other Funds	—	1,054	—	1,054
Deposits Held for Others	6,285,326	10,016,723	7,737,997	8,564,052
Total Liabilities	<u>\$ 6,593,670</u>	<u>\$ 312,333,721</u>	<u>\$ 309,950,692</u>	<u>\$ 8,976,699</u>



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# DISCRETELY PRESENTED COMPONENT UNIT



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**CITY OF FRESNO CULTURAL ARTS PROPERTIES CORPORATION**

FRESNO, CALIFORNIA

Statement of Net Position in Liquidation

Discretely Presented Component Unit

	For The Year Ended December 31, 2016	For The Six Months Ended June 30, 2017
<b>Current Assets</b>		
Cash and Investments	\$ 1,182,716	\$ 1,199,473
Rents (467 Interest) Receivable	723,200	758,964
Total Current Assets	<u>1,905,916</u>	<u>1,958,437</u>
<b>Noncurrent Assets</b>		
Land and Construction in Progress		
Not Being Depreciated	424,766	424,766
Facilities Infrastructure and Equipment		
Net of Depreciation	11,189,462	11,042,555
Total Noncurrent Assets	<u>11,614,228</u>	<u>11,467,321</u>
Total Assets	<u>13,520,144</u>	<u>13,425,758</u>
<b>Current Liabilities</b>		
Unearned Revenue	231,250	231,250
Total Current Liabilities	<u>231,250</u>	<u>231,250</u>
<b>Long-Term Liabilities</b>		
Notes Payable	16,660,000	13,194,508
Total Long-Term Liabilities	<u>16,660,000</u>	<u>13,194,508</u>
Total Liabilities	<u>16,891,250</u>	<u>13,425,758</u>
<b>Net Position</b>		
Net Investment in Capital Assets	(5,045,772)	—
Unrestricted	1,674,666	—
Total Net Position (Deficit)	<u>(3,371,106)</u>	<u>—</u>
Total Liabilities and Net Position	<u>\$ 13,520,144</u>	<u>\$ 13,425,758</u>

**CITY OF FRESNO CULTURAL ARTS PROPERTIES CORPORATION**

FRESNO, CALIFORNIA

Statement of Changes in Net Position in Liquidation

Discretely Presented Component Unit

---

	For The Six Months Ended June 30, 2017
<b>Net Position in Liquidation - Beginning</b>	\$ (3,371,106)
<b>Liquidation Basis Adjustments</b>	
Net Decrease in Operation	(94,388)
Net Increase in Estimated Forgiveness of Debt	3,465,494
<b>Net Position in Liquidation - End of Period</b>	<u><u>\$ —</u></u>

**CITY OF FRESNO CULTURAL ARTS PROPERTIES CORPORATION**

FRESNO, CALIFORNIA

Statement of Revenues and Expenses in Liquidation

Discretely Presented Component Unit

	For The Year Ended	For The Six Months Ended
	December 31, 2016	June 30, 2017
<b>Operating Revenues</b>		
Lease Income	\$ 375,000	\$ 125,000
Total Operating Revenues	<u>375,000</u>	<u>125,000</u>
<b>Operating Expenses</b>		
Depreciation	146,908	146,908
Other Expenses	8,984	33,921
Total Operating Expenses	<u>155,892</u>	<u>180,829</u>
Operating Income (Loss)	<u>219,108</u>	<u>(55,829)</u>
<b>Non-Operating Revenue (Expenses):</b>		
Forgiveness of Debt in Liquidation	—	3,465,494
467 Interest Income	107,291	35,763
Interest Expense	(227,922)	(74,322)
Total Non-Operating Revenue (Expense)	<u>(120,631)</u>	<u>3,426,935</u>
Increase in Net Position	98,477	3,371,106
Total Net Position (Deficit) - Beginning	<u>(3,469,583)</u>	<u>(3,371,106)</u>
Total Net Position (Deficit) - Ending	<u>\$ (3,371,106)</u>	<u>\$ —</u>

**CITY OF FRESNO CULTURAL ARTS PROPERTIES CORPORATION**

FRESNO, CALIFORNIA

Statement of Cash Flows in Liquidation

Discretely Presented Component Unit

	For The Year Ended December 31, 2016	For The Six Months Ended June 30, 2017
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 375,000	\$ 125,000
Payments to Supplies and Service Providers	(8,984)	(33,921)
Net Cash Provided by Operating Activities	<u>366,016</u>	<u>91,079</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Interest Paid on Long-Term Debt	(227,922)	(74,322)
Net Cash (Used) by Capital and Related Financing Activities	<u>(227,922)</u>	<u>(74,322)</u>
Net Increase in Cash	<u>138,094</u>	<u>16,757</u>
<b>Cash - Beginning</b>	<u>1,044,622</u>	<u>1,182,716</u>
<b>Cash - Ending</b>	<u>\$ 1,182,716</u>	<u>\$ 1,199,473</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$ 219,108	\$ (55,829)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	<u>146,908</u>	<u>146,908</u>
Total Adjustments	<u>146,908</u>	<u>146,908</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 366,016</u>	<u>\$ 91,079</u>

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# STATISTICAL SECTION



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## **Statistical Section**

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 231-235)

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source: The property tax. (Pages 236-239)

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 240-248)

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 249-250)

#### **Operating Information**

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. (Pages 251-255)

**Sources:**

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

# CITY OF FRESNO, CALIFORNIA

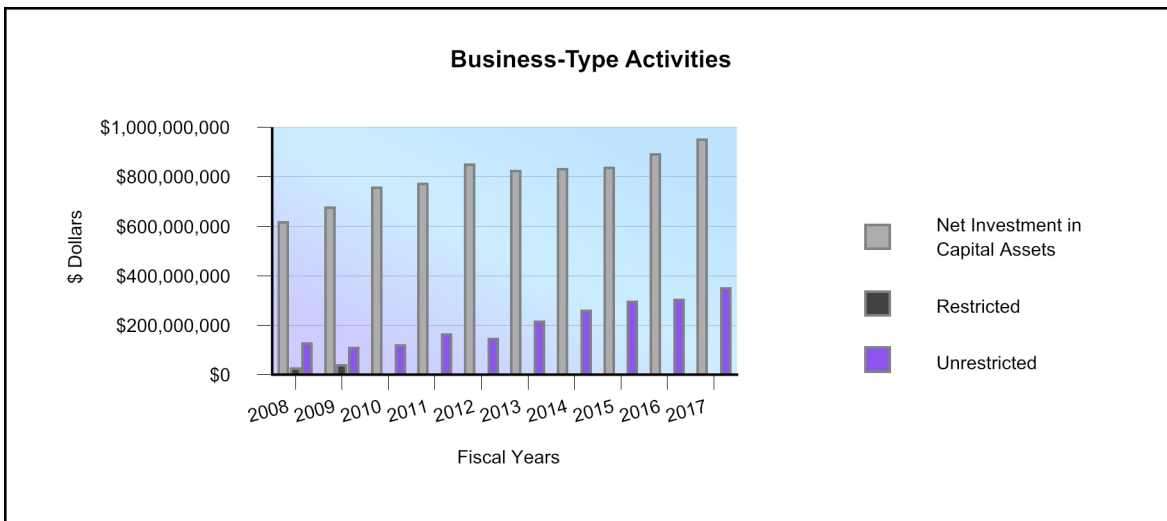
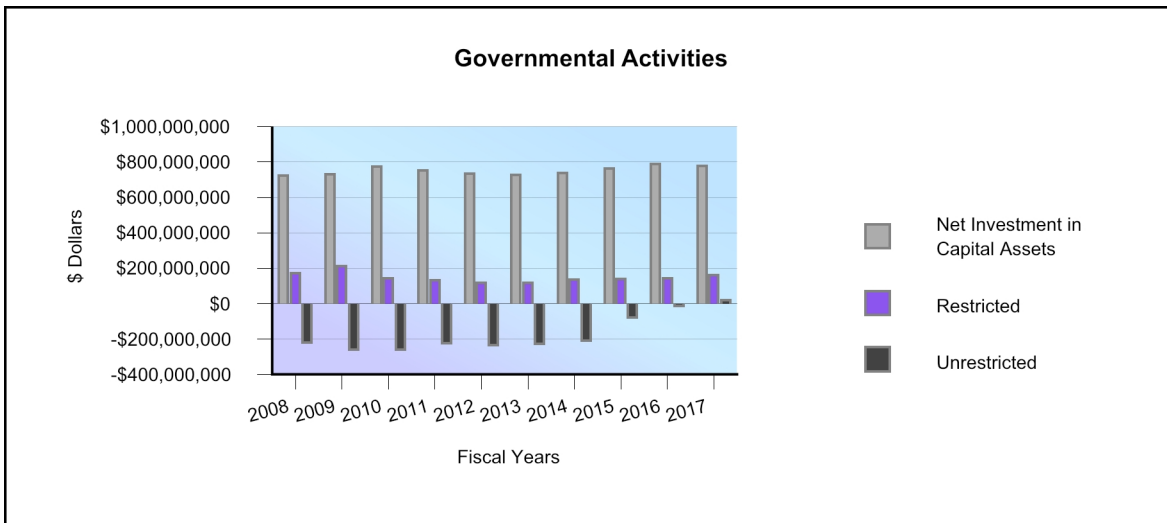
## Net Position By Component

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 732,835	\$ 736,410	\$ 781,253	\$ 760,927	\$ 742,533	\$ 733,961	\$ 744,074	\$ 771,198	\$ 795,884	\$ 787,522
Restricted	181,207	219,892	152,271	138,021	123,401	125,617	141,123	146,174	151,345	168,927
Unrestricted (Deficit)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)	(235,759)	(215,416)	(86,424)	(22,058)	28,252
<b>Total Governmental Activities</b>	<b>\$ 686,552</b>	<b>\$ 688,804</b>	<b>\$ 667,513</b>	<b>\$ 668,501</b>	<b>\$ 625,216</b>	<b>\$ 623,819</b>	<b>\$ 669,781</b>	<b>\$ 830,948</b>	<b>\$ 925,171</b>	<b>\$ 984,701</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 622,600	\$ 679,116	\$ 760,272	\$ 776,377	\$ 853,405	\$ 829,456	\$ 835,290	\$ 841,773	\$ 896,818	\$ 955,128
Restricted	31,222	42,922	—	—	—	—	—	—	—	—
Unrestricted (Deficit)	131,167	112,405	125,129	168,025	148,775	219,983	264,090	300,296	307,315	353,436
<b>Total Business-Type Activities</b>	<b>\$ 784,989</b>	<b>\$ 834,443</b>	<b>\$ 885,401</b>	<b>\$ 944,402</b>	<b>\$ 1,002,180</b>	<b>\$ 1,049,439</b>	<b>\$ 1,099,380</b>	<b>\$ 1,142,069</b>	<b>\$ 1,204,133</b>	<b>\$ 1,308,564</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 1,355,434	\$ 1,415,526	\$ 1,541,524	\$ 1,537,304	\$ 1,595,938	\$ 1,563,417	\$ 1,579,364	\$ 1,612,971	\$ 1,692,702	\$ 1,742,650
Restricted	212,429	262,815	152,271	138,021	123,401	125,617	141,123	146,174	151,345	168,927
Unrestricted (Deficit)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)	(15,776)	48,674	213,872	285,257	381,688
<b>Total Primary Government</b>	<b>\$ 1,471,540</b>	<b>\$ 1,523,248</b>	<b>\$ 1,552,913</b>	<b>\$ 1,612,903</b>	<b>\$ 1,627,397</b>	<b>\$ 1,673,258</b>	<b>\$ 1,769,161</b>	<b>\$ 1,973,017</b>	<b>\$ 2,129,304</b>	<b>\$ 2,293,265</b>

Source: City of Fresno, Finance Department



# CITY OF FRESNO, CALIFORNIA

## Change in Net Position

### Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 30,023	\$ 30,592	\$ 50,381	\$ 26,642	\$ 23,820	\$ 34,308	\$ 26,997	\$ 28,590	\$ 32,207	\$ 44,157
Public Protection	205,714	204,013	211,586	192,993	208,649	190,050	192,124	177,829	187,733	196,006
Public Ways and Facilities	56,961	66,053	73,653	68,471	75,281	69,771	68,914	64,430	60,875	72,984
Culture and Recreation	28,689	27,497	22,806	21,797	16,294	16,704	17,895	20,036	20,223	23,500
Community Development	18,767	20,331	14,823	14,981	15,986	26,280	23,757	29,257	28,789	28,913
Redevelopment	6,036	12,079	7,084	4,821	8,308	—	—	—	—	—
Interest on Long-term Debt	24,445	24,811	25,357	25,722	22,426	21,037	20,275	19,519	18,787	18,658
<b>Total Governmental Activities</b>	<b>370,635</b>	<b>385,376</b>	<b>405,690</b>	<b>355,428</b>	<b>370,764</b>	<b>358,150</b>	<b>349,962</b>	<b>339,661</b>	<b>348,614</b>	<b>384,218</b>
Business-Type Activities:										
Water System	50,476	52,370	58,013	64,134	67,577	60,749	63,375	62,205	64,454	63,753
Sewer System	46,475	49,867	47,476	47,568	60,003	63,736	65,145	66,148	63,980	64,124
Solid Waste Management	45,358	43,671	44,845	45,424	43,286	30,257	33,345	32,976	26,649	26,605
Transit	47,737	47,529	47,627	47,250	49,670	48,398	45,287	45,435	44,191	47,958
Airports	24,861	26,728	29,648	29,020	27,154	32,413	28,498	28,164	28,509	29,938
Fresno Convention Center	11,376	11,676	12,489	11,637	10,919	14,928	9,982	10,147	9,750	10,798
Community Sanitation	10,114	9,683	10,099	10,024	6,493	7,848	7,949	8,235	6,904	8,978
Parking	6,518	6,909	7,657	5,956	5,059	—	—	—	—	—
Parks and Recreation	1,142	2,043	1,992	782	1,036	812	372	340	316	410
Development Services	18,227	13,543	10,886	11,408	9,741	—	—	—	—	—
Stadium	3,729	3,977	3,627	3,607	3,544	3,463	3,336	3,266	3,191	3,539
<b>Total Business-Type Activities</b>	<b>266,013</b>	<b>267,996</b>	<b>274,359</b>	<b>276,810</b>	<b>284,482</b>	<b>262,604</b>	<b>257,289</b>	<b>256,916</b>	<b>247,944</b>	<b>256,103</b>
<b>Total Primary Government Expenses</b>	<b>\$ 636,648</b>	<b>\$ 653,372</b>	<b>\$ 680,049</b>	<b>\$ 632,238</b>	<b>\$ 655,246</b>	<b>\$ 620,754</b>	<b>\$ 607,251</b>	<b>\$ 596,577</b>	<b>\$ 596,558</b>	<b>\$ 640,321</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 18,798	\$ 17,432	\$ 17,286	\$ 16,454	\$ 16,545	\$ 18,634	\$ 17,038	\$ 23,194	\$ 22,580	\$ 46,742
Public Protection	22,889	19,628	19,014	18,321	19,720	20,924	18,898	31,872	44,037	22,382
Public Ways and Facilities	4,150	3,583	12,515	13,440	13,470	16,669	14,898	17,427	20,469	21,911
Culture and Recreation	1,763	1,837	2,389	2,432	809	3,021	4,680	4,577	4,949	3,645
Community Development	125	138	269	653	2,568	19,529	19,432	21,130	25,239	23,496
Operating Grants and Contributions	60,552	40,480	45,265	43,011	54,974	36,639	48,503	39,550	34,015	25,016
Capital Grants and Contributions	62,661	57,261	64,464	40,295	29,730	35,623	49,651	62,472	57,955	44,586
<b>Total Governmental Activities Program Revenues</b>	<b>170,938</b>	<b>140,359</b>	<b>161,202</b>	<b>134,606</b>	<b>137,816</b>	<b>151,039</b>	<b>173,100</b>	<b>200,222</b>	<b>209,244</b>	<b>187,778</b>
Business-Type Activities:										
Charges for Services:										
Water System	56,360	65,597	67,722	67,922	69,269	71,667	90,096	74,285	77,959	101,895
Sewer System	60,799	62,521	74,158	76,628	76,726	76,324	76,201	81,955	78,186	83,635
Solid Waste Management	47,719	49,849	51,364	51,753	38,271	29,797	29,404	31,208	31,975	31,170
Transit	9,711	10,280	9,588	9,486	10,769	11,054	10,914	13,089	12,479	11,452
Airports	16,137	19,768	19,367	21,701	21,563	23,329	24,991	25,670	27,646	27,835
Fresno Convention Center	3,353	3,130	3,038	2,929	2,667	2,594	2,626	2,960	3,634	3,752
Community Sanitation	9,702	10,075	10,182	10,209	8,918	9,108	8,956	9,746	9,733	9,613
Parking	6,346	7,129	6,756	5,997	5,270	—	—	—	—	—
Parks and Recreation	560	490	635	742	781	736	329	329	325	340
Development Services	12,732	9,952	9,251	10,669	8,395	—	—	—	—	—
Stadium	1,508	1,500	1,675	340	1,251	1,089	798	1,248	677	1,082
Operating Grants and Contributions	38,059	35,959	40,964	49,401	42,361	40,850	44,211	40,215	29,190	37,187
Capital Grants and Contributions	36,306	33,762	20,859	17,744	43,505	22,224	14,755	14,791	18,015	47,576
<b>Total Business-Type Activities Program Revenues</b>	<b>299,292</b>	<b>310,012</b>	<b>315,559</b>	<b>325,521</b>	<b>329,746</b>	<b>288,772</b>	<b>303,281</b>	<b>295,496</b>	<b>289,819</b>	<b>355,537</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 470,230</b>	<b>\$ 450,371</b>	<b>\$ 476,761</b>	<b>\$ 460,127</b>	<b>\$ 467,562</b>	<b>\$ 439,811</b>	<b>\$ 476,381</b>	<b>\$ 495,718</b>	<b>\$ 499,063</b>	<b>\$ 543,315</b>

# CITY OF FRESNO, CALIFORNIA

## Change in Net Position

Last Ten Fiscal Years (Continued)

(dollars in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental Activities	\$ (199,696)	\$ (245,017)	\$ (244,488)	\$ (220,823)	\$ (232,948)	\$ (207,112)	\$ (176,862)	\$ (139,440)	\$ (139,370)	\$ (196,440)
Business-Type Activities	33,279	42,016	41,200	48,711	45,265	26,169	45,991	38,580	41,874	99,434
Total Primary Government Net Expense	\$ (166,417)	\$ (203,001)	\$ (203,288)	\$ (172,112)	\$ (187,683)	\$ (180,943)	\$ (130,871)	\$ (100,860)	\$ (97,496)	\$ (97,006)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes	134,266	\$ 135,353	\$ 126,345	\$ 125,687	\$ 100,961	\$ 103,745	\$ 107,635	\$ 113,655	\$ 117,048	\$ 123,858
Sales Taxes - Shared Revenues	57,238	50,332	46,999	49,251	53,354	56,473	59,328	61,571	74,010	86,128
In-Lieu Sales Tax	18,524	16,274	15,209	15,947	17,272	18,216	19,190	19,907	10,559	—
Franchise Taxes	6,552	7,376	7,059	7,917	11,720	12,503	12,751	13,469	13,722	14,335
Business Tax	17,614	14,611	14,893	14,249	16,267	16,470	18,868	17,780	16,879	19,101
Room Tax	10,791	9,927	8,548	8,450	9,088	9,560	10,019	11,006	12,045	13,128
Other Taxes	3,472	3,717	2,134	1,949	2,479	2,104	2,324	2,407	2,521	2,348
Revenues Restricted for										
Infrastructure Maintenance	395	295	—	—	—	—	—	—	—	—
Investment Earnings	11,445	8,476	6,000	4,435	2,053	1,889	795	879	1,652	1,215
Gain on Sale of Capital Assets	981	485	146	536	1,022	416	42	402	218	214
Extraordinary (Loss):										
Redevelopment Agency Net Position										
Distributed to Successor Agency	—	—	—	—	(18,561)	—	—	—	—	—
Transfers:	(520)	(1,718)	(4,135)	(6,608)	(5,991)	(15,662)	(5,699)	(6,290)	(15,061)	(4,356)
Total Governmental Activities	260,758	245,128	223,198	221,813	189,664	205,714	225,253	234,786	233,593	255,971
Business-Type Activities:										
Investment Earnings	12,186	7,809	5,614	3,528	6,139	1,596	2,316	2,999	5,129	641
Passenger and Customer Facility Charges	3,706	—	—	—	—	—	—	—	—	—
Debt Forgiveness	—	—	—	—	1,744	—	—	—	—	—
Gain on Sale of Capital Assets	50	52	9	153	2,719	3,832	1	38	—	—
Transfers:	520	1,718	4,135	6,608	5,991	15,662	5,699	6,290	15,061	4,356
Total Business-Type Activities	16,462	9,579	9,758	10,289	16,593	21,090	8,016	9,327	20,190	4,997
Total Primary Government	\$ 277,220	\$ 254,707	\$ 232,956	\$ 232,102	\$ 206,257	\$ 226,804	\$ 233,269	\$ 244,113	\$ 253,783	\$ 260,968
<b>Change in Net Position</b>										
Governmental Activities	\$ 61,062	\$ 111	\$ (21,291)	\$ 988	\$ (43,285)	\$ (1,397)	\$ 48,391	\$ 95,347	\$ 94,223	\$ 59,530
Business-Type Activities	49,740	51,596	50,958	59,001	61,858	47,258	54,006	47,906	62,065	104,431
Total Primary Government	\$ 110,802	\$ 51,707	\$ 29,667	\$ 59,989	\$ 18,573	\$ 45,861	\$ 102,397	\$ 143,253	\$ 156,288	\$ 163,961

Source: City of Fresno, Finance Department

**CITY OF FRESNO, CALIFORNIA**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	<b>Fiscal Year</b>	
	<u>2008</u>	<u>2009</u>
<b>General Fund</b>		
Reserved	\$ 27,463	\$ 28,296
Unreserved	30,636	474
Total General Fund	<u>\$ 58,099</u>	<u>\$ 28,770</u>
<b>All other Governmental Funds</b>		
Reserved	\$ 163,004	\$ 184,111
Unreserved, reported in:		
Special Revenue Funds	3,064	(1,792)
Debt Service Funds	(33,147)	(24,183)
Capital Projects Fund	18,539	19,333
Total all other governmental funds	<u>\$ 151,460</u>	<u>\$ 177,469</u>

	<b>Fiscal Year</b>							
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Fund</b>								
Nonspendable	\$ 31,821	\$ 16,829	\$ 12,691	\$ 12,691	\$ 12,691	\$ 12,691	\$ 12,691	\$ 18,417
Restricted	—	—	—	435	7	105	11	37
Committed	10,586	1,444	1,481	1,903	2,351	5,207	1,610	22,104
Assigned	—	—	390	1,095	1,006	1,874	2,811	3,890
Unassigned	(2,228)	(64)	483	(9,355)	8,192	24,643	31,808	26,749
Total General Fund	<u>\$ 40,179</u>	<u>\$ 18,209</u>	<u>\$ 15,045</u>	<u>\$ 6,769</u>	<u>\$ 24,247</u>	<u>\$ 44,520</u>	<u>\$ 48,931</u>	<u>\$ 71,197</u>
<b>All other Governmental Funds</b>								
Restricted	\$ 165,679	\$ 143,214	\$ 125,275	\$ 128,100	\$ 145,763	\$ 146,002	\$ 151,726	\$ 163,802
Assigned	33,216	31,822	19,897	17,624	15,752	15,928	15,847	12,177
Unassigned	(61,582)	(14,272)	(7,547)	(5,196)	(7,749)	(9,670)	(6,284)	(788)
Total all other governmental funds	<u>\$ 137,313</u>	<u>\$ 160,764</u>	<u>\$ 137,625</u>	<u>\$ 140,528</u>	<u>\$ 153,766</u>	<u>\$ 152,260</u>	<u>\$ 161,289</u>	<u>\$ 175,191</u>

Source: City of Fresno, Finance Department

Notes: The City implemented GASB Statement No. 54 in FY2011 and restated the presentation for FY2010.

# CITY OF FRESNO, CALIFORNIA

## Changes in Fund Balances, Governmental Funds

### Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 258,186	\$ 258,840	\$ 233,399	\$ 243,155	\$ 239,845	\$ 237,956	\$ 263,471	\$ 276,847	\$ 266,521	\$ 298,425
Licenses and Permits	357	317	292	423	528	5,097	6,331	6,569	7,103	7,291
Intergovernmental	56,925	36,508	53,157	58,183	44,591	37,032	48,910	41,915	39,036	38,770
Charges for Services	28,313	25,901	22,646	20,535	36,184	49,995	46,277	44,692	46,398	49,538
Fines	5,008	3,250	3,372	3,171	1,926	4,193	3,746	3,391	4,271	3,487
Use of Money and Property	8,746	6,973	3,688	4,225	1,677	2,539	1,585	1,643	2,105	1,285
Contributions and Donations	—	—	—	—	169	—	—	—	—	—
Miscellaneous	14,217	14,938	14,953	14,607	5,560	6,146	5,612	8,800	8,156	36,448
<b>Total Revenues</b>	<b>371,752</b>	<b>346,727</b>	<b>331,507</b>	<b>344,299</b>	<b>330,480</b>	<b>342,958</b>	<b>375,932</b>	<b>383,857</b>	<b>373,590</b>	<b>435,244</b>
<b>Expenditures</b>										
General Government	16,965	16,774	30,693	12,818	8,273	13,039	11,742	13,841	17,490	26,257
Public Protection	191,076	187,075	183,168	184,740	191,499	187,189	185,911	188,050	201,657	212,828
Public Ways and Facilities	21,501	19,010	24,858	20,386	34,832	33,332	39,190	35,606	38,293	42,430
Culture and Recreation	23,884	23,596	20,400	16,223	11,833	13,177	14,247	15,433	17,735	16,928
Community Development	18,347	20,227	13,012	12,473	15,217	25,685	23,666	30,320	29,511	29,360
Capital Outlays	64,193	91,708	81,121	50,902	20,345	19,919	28,375	38,984	23,145	29,990
Debt Service:										
Principal	13,999	15,241	21,312	14,368	17,612	17,484	17,814	19,218	17,435	19,196
Interest	24,353	23,746	26,095	25,074	22,493	21,134	20,347	19,511	18,629	17,780
<b>Total Expenditures</b>	<b>374,318</b>	<b>397,377</b>	<b>400,659</b>	<b>336,984</b>	<b>322,104</b>	<b>330,959</b>	<b>341,292</b>	<b>360,963</b>	<b>363,895</b>	<b>394,768</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,566)	(50,650)	(69,152)	7,315	8,376	11,999	34,640	22,894	9,695	40,476
<b>Other Financing Sources (Uses)</b>										
Transfers In	77,395	91,923	142,202	137,969	82,206	46,827	42,716	44,695	45,251	55,930
Transfers Out	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)	(66,633)	(47,267)	(50,573)	(49,446)	(59,055)
Discount on Debt Issued	(438)	(870)	—	—	—	—	—	—	—	835
Issuance of Refunding Bonds	38,210	—	23,395	—	—	—	—	—	—	108,903
Refunded Bond Redeemed	—	—	—	—	—	—	—	—	—	(128,621)
Payment to Refund Bonds Escrow Agent	(34,745)	—	(23,287)	—	—	—	—	—	—	—
Long-Term Debt Issued	35,205	46,790	23,100	—	—	—	—	—	—	—
Premium on Debt Issued	2,019	—	—	—	—	—	—	—	—	11,528
Proceeds for Note Obligation	—	600	—	—	—	—	—	—	—	—
Capital Lease Financing	—	—	—	—	—	—	621	966	7,331	4,126
Proceeds for Capital Lease Obligations	2,200	392	—	1,707	—	1,088	—	—	—	—
Sale of Capital Assets	—	—	16,661	77	679	1,346	8	785	609	2,046
<b>Total Other Financing Sources (Uses)</b>	<b>44,948</b>	<b>47,330</b>	<b>40,402</b>	<b>(5,834)</b>	<b>(4,655)</b>	<b>(17,372)</b>	<b>(3,922)</b>	<b>(4,127)</b>	<b>3,745</b>	<b>(4,308)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,893)</b>	<b>\$ (3,320)</b>	<b>\$ (28,750)</b>	<b>\$ 1,481</b>	<b>\$ 3,721</b>	<b>\$ (5,373)</b>	<b>\$ 30,718</b>	<b>\$ 18,767</b>	<b>\$ 13,440</b>	<b>\$ 36,168</b>
Debt Service as a Percentage of Non-capital Expenditures	11.94%	11.22%	14.75%	12.88%	13.10%	12.35%	12.45%	11.94%	11.00%	10.29%

Source: City of Fresno, Finance Department

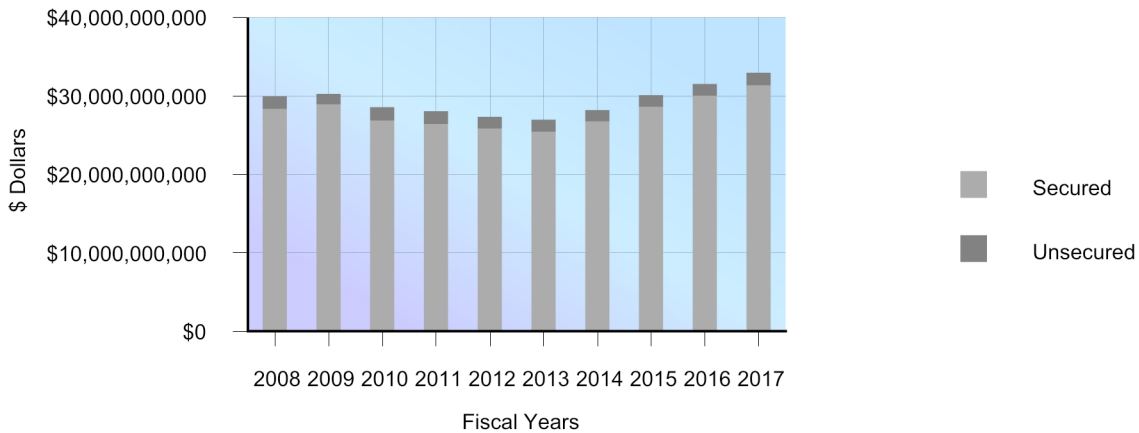
Notes: To properly calculate the ratio of total debt service expenditures to non-capital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the Government-Wide Financial Statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2008) \$53,216,919; (2009) \$49,825,792; (2010) \$79,262,273; (2011) \$30,695,022; (2012) \$15,973,001; (2013) \$18,151,306; (2014) \$34,893,624; (2015) \$46,135,229; (2016) \$35,295,704; and (2017) \$35,500,989.

# CITY OF FRESNO, CALIFORNIA

## Gross Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year	Secured Estimated Actual	Unsecured Estimated Actual	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
2008	\$ 28,342,504,628	\$ 1,630,011,237	\$ 29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%
2011	26,427,029,439	1,607,052,037	28,034,081,476	1.231352%	100%
2012	25,850,359,825	1,476,938,743	27,327,298,568	1.228308%	100%
2013	25,446,100,571	1,511,385,533	26,957,486,104	1.230656%	100%
2014	26,754,005,601	1,449,421,705	28,203,427,306	1.230874%	100%
2015	28,638,669,937	1,444,805,569	30,083,475,506	1.230606%	100%
2016	30,026,361,027	1,500,061,596	31,526,422,623	1.229362%	100%
2017	31,344,820,623	1,596,315,117	32,941,135,740	1.229782%	100%

### Estimated Value of Taxable Property



**Source:** County of Fresno

**Notes:** Fresno County does not collect Actual Value (Market Value) information on taxable properties. Fresno County does not collect Actual Value (Market Value) information on tax exempt properties. The estimated actual value of taxable property is the same as the gross assessed value.

**CITY OF FRESNO, CALIFORNIA**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Percentage per \$100 of Assessed Value)

Fiscal Year	Overlapping Rates				Total Direct and Overlapping Property Tax Rate
	City Direct Rate	Schools		Country-Wide	
	Debt Service Tax Rate	Fresno Unified School District	State Center Community College District	Property Tax Rate	
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626
2011	0.032438	0.188864	0.010050	1.0	1.231352
2012	0.032438	0.188800	0.007070	1.0	1.228308
2013	0.032438	0.188860	0.009358	1.0	1.230656
2014	0.032438	0.188834	0.009602	1.0	1.230874
2015	0.032438	0.188860	0.009308	1.0	1.230606
2016	0.032438	0.188860	0.008064	1.0	1.229362
2017	0.032438	0.188864	0.008480	1.0	1.229782

**Source:** County of Fresno

**Notes:** On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$1.00 per \$100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.



# CITY OF FRESNO, CALIFORNIA

## Principal Property Tax Payers

### Current Year and Nine Years Ago

Taxpayer	Type of Business	2017			2008		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 2,354,983,970	1	.0316	\$ 1,372,380,274	1	0.0219
So. California Edison Co.	Utility	578,707,331	2	.0078	377,278,013	2	0.0060
Chevron USA, Inc.	Petroleum	253,713,899	3	.0034	253,312,003	3	0.0041
Panoche Energy Center, LLC	Utility	253,062,000	4	.0034	—	—	0.0000
AT&T California (Pacific Bell)	Telecommunications	159,090,936	5	.0021	162,650,244	4	0.0026
Macerich Fresno Ltd Partnership	Real Estate	144,268,234	6	.0019	132,591,812	6	0.0021
Gallo E & J Winery	Winery	135,018,244	7	.0018	81,515,858	10	0.0013
River Park Properties II	Real Estate	113,123,151	8	.0015	—	—	0.0000
RPI Fig Garden LP	Real Estate	107,819,579	9	.0014	—	—	0.0000
GAP, Inc.	Retail	106,277,500	10	.0014	152,447,794	5	0.0024
Atlantic Path 15	Electric Transmission	—	—	.0000	109,654,392	7	0.0018
DS Fig Garden, LLC	Real Estate	—	—	.0000	106,090,837	8	0.0017
AERA Energy, LLC	Petroleum	—	—	.0000	86,105,487	9	0.0014
<b>Total</b>		<b>4,206,064,844</b>		<b>.0563</b>	<b>2,834,026,714</b>		<b>0.0453</b>

**Source:** County of Fresno

**Notes:** Information presented is for the County of Fresno. A breakdown of property taxpayers for the City of Fresno is not available.

Atlantic Path 15 was formerly Trans-Elect NTD 15, LLC.

AERA Energy, LLC consists of California onshore and offshore exploration and production (E&P) assets previously operated by CalResources LLC.

Taxpayer Information is as of 12/15/2016.

# CITY OF FRESNO, CALIFORNIA

## Property Tax Levies and Collections

### Last Ten Fiscal Years

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments	Redevelopment Return of Increment	Total Adjusted Tax Levy	Current Tax Collections			Percent of Collection of Adjusted Tax Levy	
					Amount Collected	Percentage of Net Tax Levy	Delinquent Tax Collections		
2008	\$ 95,970,818	\$ 13,845,541	\$ —	\$109,816,359	\$106,410,341	96.90%	\$ 1,809,904	\$108,220,245	98.55%
2009	96,222,918	12,489,738	—	108,712,656	106,892,034	98.33%	1,820,622	108,712,656	100.00%
2010	90,717,173	8,915,811	—	99,632,984	95,393,395	95.74%	3,846,403	99,239,798	99.61%
2011	88,944,564	10,281,793	—	99,226,357	97,816,966	98.58%	1,409,391	99,226,357	100.00%
2012	87,016,755	9,969,282	589,134	97,575,171	96,163,705	98.55%	1,411,466	97,575,171	100.00%
2013	86,530,712	10,098,582	2,478,235	99,107,529	98,239,898	99.12%	867,631	99,107,529	100.00%
2014	90,601,174	9,698,694	2,171,963	102,471,831	101,452,992	99.01%	421,496	101,874,488	99.42%
2015	96,468,363	11,900,327	1,609,109	109,977,799	106,989,456	97.28%	395,578	107,385,034	97.64%
2016	100,946,941	12,082,212	2,306,017	115,335,170	113,633,713	98.52%	508,181	114,141,894	98.97%
2017	105,199,432	13,077,130	2,014,329	120,290,891	119,336,199	99.21%	386,236	119,722,435	99.53%
							Average Collections		99.37%

Source: County of Fresno

**Notes:**

Supplemental Assessments include voter approved indebtedness for Fire and Police Pensions and supplemental assessments added whenever new construction is completed and whenever real property changes ownership under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code.

Beginning in FY2014, Delinquent Tax Collections do not include penalties and interest. Property tax collection for fiscal years prior to FY2014 have been adjusted so as not to exceed the levy.

Beginning in FY2014, collections only reflect those dollars that are related to the fiscal period in which the tax was levied.

**CITY OF FRESNO, CALIFORNIA**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

	Governmental Activities						Business-Type Activities		
	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds	Sewer Revenue Bonds
2008	\$ 187,114	\$ 152,949	\$ 11,544	\$ 3,342	\$ 10,858	\$ 17,365	\$ 60,924	\$ 10,281	\$ 203,025
2009	182,324	192,023	10,794	2,585	10,876	14,128	60,122	9,019	253,866
2010	177,268	203,902	10,017	—	10,264	10,981	59,280	7,692	245,343
2011	171,922	198,064	9,208	—	9,492	10,671	58,393	7,474	236,256
2012	166,265	189,430	—	—	6,902	7,696	57,461	—	229,397
2013	160,278	180,456	—	—	6,111	6,718	56,459	—	222,109
2014	153,930	171,806	—	—	5,283	7,738	56,138	—	215,611
2015	147,177	161,435	—	—	4,569	10,113	54,590	—	207,280
2016	139,999	153,279	—	—	3,813	17,220	53,098	—	198,436
2017	131,840	144,697	—	—	3,016	20,884	51,508	—	189,134

**Source:** Debt Information - City of Fresno, Finance Department

Population Information - State of California Department of Finance, Demographic Research Unit

**Notes:** See the Schedule of Demographic and Economic Statistics for personal income and population data on page 249.

Information pertaining to Personal Income is obtained from the Bureau of Economic Analysis (BEA).

Personal income for FY2017 is not currently available from the BEA.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent and initiating foreclosure proceedings, if appropriate.

As of FY2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities are now reported under Governmental Activities.

Beginning in FY2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds are assumed by the Successor Agency.

**CITY OF FRESNO, CALIFORNIA**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (Continued)

(dollars in thousands, except per capita)

<b>Business-Type Activities</b>					<b>Primary Government</b>		
<b>Water Revenue Bonds</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Notes Payable</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Net Debt per Capita</b>
\$ 38,383	\$ 92,030	\$ 4,521	\$ 1,503	\$ —	\$ 793,839	2.84%	\$ 1,633
36,848	100,830	3,705	2,034	—	879,154	3.13%	1773
169,705	96,584	—	5,923	—	996,959	3.41%	1985
165,338	92,174	—	5,624	—	964,616	3.08%	1929
160,886	91,989	—	11,775	—	921,801	2.82%	1825
156,274	87,675	—	46,880	—	922,960	2.77%	1815
152,785	84,106	—	54,929	—	902,326	2.57%	1750
147,569	79,908	—	52,080	—	864,721	2.31%	1662
142,148	75,465	—	82,795	—	866,253	2.20%	1664
136,569	69,492	—	208,855	—	955,995	Not Available	Not Available

# CITY OF FRESNO, CALIFORNIA

## Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percent of Actual Taxable Value of Property	Population	Net Debt per Capita
	General Bonded Debt	Tax Allocation Bonds	Total			
2008	\$ 187,114,451	\$ 11,544,087	\$ 198,658,538	0.663%	486,171	\$ 409
2009	182,323,863	10,793,933	\$ 193,117,796	0.638%	495,913	389
2010	177,267,943	10,017,117	\$ 187,285,060	0.656%	502,303	373
2011	171,921,659	9,471,513	\$ 181,393,172	0.647%	500,121	363
2012	166,264,985	—	\$ 166,264,985	0.608%	505,009	329
2013	160,277,894	—	\$ 160,277,894	0.595%	508,453	315
2014	153,930,355	—	\$ 153,930,355	0.546%	515,609	299
2015	147,177,000	—	\$ 147,177,000	0.489%	520,159	283
2016	139,998,791	—	\$ 139,998,791	0.444%	520,453	269
2017	131,840,000	—	\$ 131,840,000	0.400%	525,832	251

**Source:** General Bonded Debt Information - City of Fresno Department of Finance  
Population Information - State of California Department of Finance, Demographic Research Unit

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

See Gross Assessed Value and Estimated Actual Value of Taxable Property schedule for property value information on page 236.

Beginning in FY2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds were assumed by the Successor Agency.

# CITY OF FRESNO, CALIFORNIA

## Direct and Overlapping Governmental Activities Debt

As of January 11, 2017

2016-17 Gross Assessed Valuation:	\$32,941,135,740	
	Estimated Percent Applicable	Debt Applicable
<b>Combined Direct Debt</b>		
<hr/>		
City of Fresno Pension Obligation	100.000%	\$ 131,840,000
Lease Revenue Bonds	100.000	144,697,403
Notes Payable	100.000	3,015,535
Capital Leases	100.000	20,884,029
Total Combined Direct Debt		<hr/> <u>300,436,967</u>
<b>Overlapping Tax, and Assessment Debt</b>		
<hr/>		
City of Fresno Community Facilities District No. 4	100.000%	\$ 1,215,000
City of Fresno Community Facilities District No. 5	100.000	970,000
City of Fresno Community Facilities District No. 7	100.000	1,485,000
State Center Community College District	42.578	37,977,447
Clovis Unified School District	49.723	196,210,082
Fresno Unified School District	83.619	415,738,298
Central Unified School District	80.760	73,699,215
Other School Districts	Various	32,394,669
California Statewide Communities Development Authority Community Facilities District No. 2012-01	100.000	4,185,000
Total Overlapping Tax, Assessment Debt and General Fund Debt		<hr/> <u>763,874,711</u>
<b>Overlapping General Fund Obligation Debt</b>		
<hr/>		
Fresno County Pension Obligations	46.488%	\$ 153,467,464
Fresno County General Fund Obligations	46.488	22,662,900
Clovis Unified School District Certificates of Participation	80.760	18,445,584
Fresno Unified School District Certificates of Participation	83.619	14,315,573
Central Unified School District Certificates of Participation	80.760	18,445,584
Other School District Certificates of Participation	Various	10,880,417
Total Overlapping General Fund Debt		<hr/> <u>238,217,522</u>
<b>Overlapping Tax Increment Debt (Successor Agency)</b>		
<hr/>		
Fresno Redevelopment Mariposa Medical Project Area	100.000%	\$ 2,478,000
Fresno Redevelopment Merger No. 2 Project Area	100.000	1,360,000
Total Overlapping Tax Increment Debt		<hr/> <u>3,838,000</u>
Total Overlapping Tax and Assessment, General Fund and Tax Increment Debt		<hr/> <u>1,005,930,233</u>
<b>Total Overlapping and Direct Debt</b>		<hr/> <u><u>\$1,306,367,200</u></u>
<b>Ratios to 2016-17 Assessed Valuation:</b>		
Combined Direct Debt		0.912%
Overlapping Tax, and Assessment Debt		2.319%
Combined Total Overlapping and Direct Debt		3.954%
Overlapping Tax Increment Debt (Successor Agency)		0.012%

**Notes:** 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 Fresno. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

The Direct and Overlapping Governmental Activities Debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

The Overlapping Tax, Assessment Debt and General Fund Debt percentages and figures are provided by Cal Municipal Services, Inc. and are as of January 11, 2017. Direct Debt figures are provided by the Finance Department at the City of Fresno and are as of June 30, 2017.

# CITY OF FRESNO, CALIFORNIA

## Debt Coverage Ratio - Airports

### Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues <sup>(1)</sup>	\$ 15,677,749	\$ 15,875,415	\$ 17,276,414	\$ 17,564,886	\$ 18,804,163	\$ 19,876,016	\$ 21,215,550	\$ 21,802,324	\$ 22,976,398	\$ 24,500,217
Less Operating Expenses	12,623,046	13,800,587	13,444,745	13,339,598	14,199,920	14,321,512	14,261,785	14,428,056	14,933,842	16,116,963
Other Available Funds <sup>(2)</sup>	—	—	—	—	—	50,992	95,014	349,805	359,232	368,003
<b>Net Revenues</b>	<b>\$ 3,054,703</b>	<b>\$ 2,074,829</b>	<b>\$ 3,831,670</b>	<b>\$ 4,225,288</b>	<b>\$ 4,604,242</b>	<b>\$ 5,605,496</b>	<b>\$ 7,048,779</b>	<b>\$ 7,724,073</b>	<b>\$ 8,401,788</b>	<b>\$ 8,751,257</b>
<b>Adjusted Debt Service</b>										
Series 2000 Bonds	\$ 2,850,401	\$ 2,872,002	\$ 3,011,580	\$ 3,012,614	\$ 3,011,470	\$ 3,012,060	\$ —	\$ —	\$ —	\$ —
Series 2013 Bonds	—	—	—	—	—	—	3,288,321	2,805,144	2,807,944	2,803,143
Less										
Minimum PFC Contribution <sup>(3)</sup>	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)
Bond proceeds	—	(338,300)	—	—	(70,077)	—	—	—	—	—
Additional PFC Contribution	(946,000)	(869,400)	(1,118,005)	(796,600)	(321,100)	(500,000)	(230,600)	—	(200,000)	—
<b>Net Series 2000/2013 Debt Service</b>	<b>\$ 804,401</b>	<b>\$ 564,302</b>	<b>\$ 793,575</b>	<b>\$ 1,116,014</b>	<b>\$ 1,520,293</b>	<b>\$ 1,412,060</b>	<b>\$ 1,457,721</b>	<b>\$ 1,205,144</b>	<b>\$ 1,007,944</b>	<b>\$ 1,203,143</b>
Series 2007 Bonds	—	640,013	1,283,260	1,283,260	1,298,260	1,332,385	1,369,469	1,399,219	1,436,928	1,472,012
<b>Annual Adjusted Debt Service</b>	<b>\$ 804,401</b>	<b>\$ 1,204,315</b>	<b>\$ 2,076,835</b>	<b>\$ 2,399,274</b>	<b>\$ 2,818,553</b>	<b>\$ 2,744,445</b>	<b>\$ 2,827,190</b>	<b>\$ 2,604,363</b>	<b>\$ 2,444,872</b>	<b>\$ 2,675,155</b>
<b>Annual Adjusted Debt Service Coverage</b>	<b>3.80</b>	<b>1.72</b>	<b>1.84</b>	<b>1.76</b>	<b>1.63</b>	<b>2.04</b>	<b>2.49</b>	<b>2.97</b>	<b>3.44</b>	<b>3.27</b>

#### Notes:

<sup>(1)</sup> State of California law requires the exclusion of Customer Facility Charge (CFC) Revenues from the calculation of Debt Service coverage in excess of annual Debt Service on the Series 2007 Bonds.

<sup>(2)</sup> Per the indenture, unencumbered CFC funds equal to 25% of Adjusted Debt Service may be designated by the City as Other Available Funds prior to the beginning of any fiscal year, and be transferred to the Revenue Fund at the beginning of such fiscal year. Since fiscal year 2015, the City's policy has been to annually designate available CFC funds equal to 25 percent of debt service associated with 2007 Bonds as Other Available Funds.

<sup>(3)</sup> Under the Supplemental Indenture that authorized the 2013 Bonds, the Minimum Passenger Facility Charge (PFC) Contribution is increased from \$1.1 million to \$1.6 million.

**CITY OF FRESNO, CALIFORNIA**  
**Debt Coverage Ratio - Water System**  
**Last Ten Fiscal Years**

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>										
Charges for Services	\$ 56,359,824	\$ 65,596,663	\$ 67,721,598	\$ 67,921,933	\$ 69,268,830	\$ 71,667,204	\$ 90,095,940	\$ 74,284,899	\$ 77,959,326	\$ 101,894,846
Less: Connection Fee Charges for Services	(3,403,075)	(2,230,192)	(1,662,536)	(1,218,217)	(1,083,555)	(1,330,539)	(1,666,977)	(1,495,691)	(1,562,867)	(1,917,371)
Net Charges for Services <sup>(1)</sup>	52,956,749	63,366,471	66,059,062	66,703,716	68,185,275	70,336,665	88,428,963	72,789,208	76,396,459	99,977,475
Other Operating Revenues and Interest Income	2,210,155	1,409,468	773,820	1,450,861	1,533,394	720,443	328,907	573,475	1,146,779	16,508
<b>Total Revenues</b>	<b>55,166,904</b>	<b>64,775,939</b>	<b>66,832,882</b>	<b>68,154,577</b>	<b>69,718,669</b>	<b>71,057,108</b>	<b>88,757,870</b>	<b>73,362,683</b>	<b>77,543,238</b>	<b>99,993,983</b>
<b>Expenses</b>										
Labor and Benefits	—	9,707,563	11,234,598	12,432,877	12,517,445	12,678,961	13,524,886	11,377,958	12,436,520	12,401,334
Pumping Power	—	9,114,867	8,890,968	8,849,543	8,986,181	9,112,975	9,292,005	8,500,975	8,149,532	9,064,479
Source of Supply	—	6,129,477	8,044,508	7,144,620	7,748,205	6,317,505	1,779,813	5,612,816	6,629,834	4,188,352
All Other Operating and Maintenance <sup>(2)</sup>	39,754,832	16,776,763	15,613,196	17,999,120	18,385,535	16,820,809	18,151,285	17,473,391	17,165,711	21,546,637
<b>Total Operating Expenses <sup>(3)</sup></b>	<b>39,754,832</b>	<b>41,728,670</b>	<b>43,783,270</b>	<b>46,426,160</b>	<b>47,637,366</b>	<b>44,930,250</b>	<b>42,747,989</b>	<b>42,965,140</b>	<b>44,381,597</b>	<b>47,200,802</b>
<b>Net Current Revenues</b>	<b>\$ 15,412,072</b>	<b>\$ 23,047,269</b>	<b>\$ 23,049,612</b>	<b>\$ 21,728,417</b>	<b>\$ 22,081,303</b>	<b>\$ 26,126,858</b>	<b>\$ 46,009,881</b>	<b>\$ 30,397,543</b>	<b>\$ 33,161,641</b>	<b>\$ 52,793,181</b>
2003A Senior Bond Debt Service	3,734,142	3,736,222	2,934,114	1,374,750	1,374,350	1,375,750	1,378,350	1,374,350	1,381,325	1,380,150
State Loans Debt Service <sup>(4)</sup>	265,103	265,103	272,971	291,220	265,031	259,483	119,963	119,963	119,963	—
<b>Total Senior Debt</b>	<b>3,999,245</b>	<b>4,001,325</b>	<b>3,207,085</b>	<b>1,665,970</b>	<b>1,639,381</b>	<b>1,635,233</b>	<b>1,498,313</b>	<b>1,494,313</b>	<b>1,501,288</b>	<b>1,380,150</b>
Senior Coverage Ratio	3.85	5.76	7.19	13.04	13.47	15.98	30.71	20.34	22.09	38.25
<b>Net Revenue Available for Parity Debt Service</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 19,842,527</b>	<b>\$ 20,062,447</b>	<b>\$ 20,441,922</b>	<b>\$ 24,491,625</b>	<b>\$ 24,491,624</b>	<b>\$ 28,903,230</b>	<b>\$ 31,660,353</b>	<b>\$ 51,413,031</b>
2010 Series A Bond Debt Service	\$ —	\$ —	\$ 3,235,943	\$ 12,509,988	\$ 12,515,238	\$ 12,507,038	\$ 12,508,838	\$ 12,509,238	\$ 12,531,238	\$ 12,507,838
State Loans Debt Service <sup>(4)</sup>	\$ —	\$ —	\$ —	\$ —	\$ 75,235	\$ 265,998	\$ 337,893	\$ 2,770,285	\$ 2,786,065	\$ 3,533,258
<b>Total Parity Debt Service</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,235,943</b>	<b>\$ 12,509,988</b>	<b>\$ 12,590,473</b>	<b>\$ 12,773,036</b>	<b>\$ 12,846,731</b>	<b>\$ 15,279,523</b>	<b>\$ 15,317,303</b>	<b>\$ 16,041,096</b>
<b>Parity Coverage Ratio</b>	<b>—</b>	<b>—</b>	<b>6.13</b>	<b>1.60</b>	<b>1.62</b>	<b>1.92</b>	<b>3.46</b>	<b>1.89</b>	<b>2.07</b>	<b>3.21</b>

**Notes:**

<sup>(1)</sup> 1993 Indenture defines "Current Revenues" as all revenue from the operation of the Water System except for connection fees and charges.

<sup>(2)</sup> All other operating and Maintenance includes Fleet Depreciation Charge (vehicle replacement fees paid to the Fleet Department).

<sup>(3)</sup> 1993 Indenture defines "Maintenance and Operation Costs" as all expenditures incurred for maintaining and operating the Water System except for Debt Service, Depreciation and Amortization.

<sup>(4)</sup> FY2013 State Loan Debt Service payments are actual amounts from the City of Fresno PeopleSoft financial system's expenditure reports. Paid off in FY2016.



# CITY OF FRESNO, CALIFORNIA

## Debt Coverage Ratio - Sewer System Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Charges for Services</b> <sup>(1)</sup>	\$ 60,798,990	\$ 62,521,061	\$ 74,157,961	\$ 76,628,147	\$ 76,725,785	\$ 76,324,086	\$ 76,201,220	\$ 81,954,830	\$ 78,185,599	\$ 83,634,711
Interest Income	6,121,535	4,511,947	3,955,335	1,618,632	3,797,207	485,084	1,546,508	1,786,614	2,779,309	491,672
Less: Wastewater Facility Connection Fee	(4,386,213)	(1,439,343)	(2,336,689)	(1,463,172)	(1,133,247)	(1,852,524)	(1,981,327)	(1,708,801)	(1,843,957)	(1,967,994)
<b>Total Senior Lien Revenues</b>	<b>62,534,312</b>	<b>65,593,665</b>	<b>75,776,607</b>	<b>76,783,607</b>	<b>79,389,745</b>	<b>74,956,646</b>	<b>75,766,401</b>	<b>82,032,643</b>	<b>79,120,951</b>	<b>82,158,389</b>
Operating Expenses <sup>(2)</sup>	31,909,771	31,646,468	30,714,505	31,422,980	36,857,808	36,431,161	36,339,200	37,390,529	35,935,135	38,058,304
Net Income Before Debt Service	\$ 30,624,541	\$ 33,947,197	\$ 45,062,102	\$ 45,360,627	\$ 42,531,937	\$ 38,525,485	\$ 39,427,201	\$ 44,642,114	\$ 43,185,816	\$ 44,100,085
Senior Lien Debt Service <sup>(3)</sup>	—	13,391,850	13,530,713	10,754,019	10,736,988	10,724,331	10,714,175	10,359,173	10,387,403	10,711,900
Coverage Ratio <sup>(4)</sup>	—	2.53	3.33	4.22	3.96	3.59	3.68	4.31	4.16	4.12
100% Coverage-Subordinate Lien:										
Net Current Revenue after Senior Lien Debt (before Connection Fees)	\$ 30,624,541	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,026	\$ 34,282,941	\$ 32,798,413	\$ 33,388,185
<b>Available from Senior Lien Revenues</b>	<b>\$ 30,624,541</b>	<b>\$ 20,555,347</b>	<b>\$ 31,531,389</b>	<b>\$ 34,606,608</b>	<b>\$ 31,794,949</b>	<b>\$ 27,801,154</b>	<b>\$ 28,713,026</b>	<b>\$ 34,282,941</b>	<b>\$ 32,798,413</b>	<b>\$ 33,388,185</b>
Subordinate Lien Debt Service <sup>(5)</sup>	\$ 15,060,888	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844
Coverage Ratio	2.03	2.59	3.97	4.35	4.00	3.50	3.61	4.31	4.13	4.20
120% & 125% Coverage Subordinate Lien:										
<b>Net Current Revenue (Excluding Connection Fees)</b>	<b>\$ 30,624,541</b>	<b>\$ 20,555,347</b>	<b>\$ 31,531,389</b>	<b>\$ 34,606,608</b>	<b>\$ 31,794,949</b>	<b>\$ 27,801,154</b>	<b>\$ 28,713,026</b>	<b>\$ 34,282,941</b>	<b>\$ 32,798,413</b>	<b>\$ 33,388,185</b>
Wastewater Facility Connection Fee	4,386,213	1,439,343	2,336,689	1,463,172	1,133,247	1,852,524	1,981,327	1,708,801	1,843,957	1,967,994
Transfers From Rate Stabilization Fund	—	16,200,000	—	—	—	—	—	—	—	—
<b>Net Current Revenue (Including Connection Fees)</b>	<b>\$ 35,010,754</b>	<b>\$ 38,194,690</b>	<b>\$ 33,868,078</b>	<b>\$ 36,069,780</b>	<b>\$ 32,928,196</b>	<b>\$ 29,653,678</b>	<b>\$ 30,694,353</b>	<b>\$ 35,991,742</b>	<b>\$ 34,642,370</b>	<b>\$ 35,356,179</b>
<b>Available From Senior Lien Revenues</b>	<b>\$ 35,010,754</b>	<b>\$ 38,194,690</b>	<b>\$ 33,868,078</b>	<b>\$ 36,069,780</b>	<b>\$ 32,928,196</b>	<b>\$ 29,653,678</b>	<b>\$ 30,694,353</b>	<b>\$ 35,991,742</b>	<b>\$ 34,642,370</b>	<b>\$ 35,356,179</b>
Subordinate Lien Debt Service <sup>(5)</sup>	\$ 15,060,888	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844
Coverage Ratio	2.32	4.81	4.26	4.54	4.14	3.73	3.86	4.53	4.36	4.45
<b>Net Income After Debt Service</b> <sup>(6)</sup>	<b>\$ 19,949,866</b>	<b>\$ 30,245,846</b>	<b>\$ 25,919,234</b>	<b>\$ 28,120,936</b>	<b>\$ 24,979,352</b>	<b>\$ 21,704,834</b>	<b>\$ 22,745,509</b>	<b>\$ 28,042,898</b>	<b>\$ 26,693,526</b>	<b>\$ 27,407,335</b>

### Notes:

<sup>(1)</sup> Includes revenue paid by the City of Clovis for Operations and Maintenance pursuant to the 1977 Fresno-Clovis Sewerage System Joint Powers Agreement.

<sup>(2)</sup> The 1993 Indenture specifically excludes from Operating Expenses Debt Service, Amortization and Depreciation.

<sup>(3)</sup> 1993 Sewer System Revenue Bonds, Series A.

<sup>(4)</sup> Coverage Ratio is calculated by dividing Net Income before Debt Service by Senior Lien Debt Service.

<sup>(5)</sup> 2008 Sewer System Revenue Refunding Bonds, Series A.

<sup>(6)</sup> Net Income after Debt Service and before cash financed capital expenses and any other expenses for lawful purposes.

**CITY OF FRESNO, CALIFORNIA**

Pledged Revenue Coverage

Last Ten Fiscal Years

Solid Waste Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 47,719,291	\$ 42,697,351	\$ 5,021,940	\$ 1,215,000	\$ 636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64
2011	51,753,225	42,597,788	9,155,437	220,000	447,681	13.71
2012	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)
2013	—	—	—	—	—	—
2014	—	—	—	—	—	—
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 3,352,662	\$ 6,463,610	\$ (3,110,948)	\$ 4,620,990	\$ 2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)
2011	2,929,106	4,506,211	(1,577,105)	3,466,200	2,930,086	(0.25)
2012	2,667,354	3,842,241	(1,174,887)	3,351,578	282,023	(0.32)
2013	2,594,417	3,835,929	(1,241,512)	3,307,592	2,708,001	(0.21)
2014	2,625,668	3,710,225	(1,084,557)	2,799,290	2,585,748	(0.20)
2015	2,959,703	3,843,811	(884,108)	2,904,392	2,469,251	(0.16)
2016	3,633,536	3,877,393	(243,857)	3,030,260	2,345,616	(0.05)
2017	3,752,007	4,929,430	(1,177,423)	22,761,892	2,213,010	(0.05)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 1,508,013	\$ 4,481	\$ 1,503,532	\$ 860,000	\$ 2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49
2011	340,281	13,379	326,902	1,005,000	2,441,061	0.09
2012	1,251,303	11,843	1,239,460	1,065,000	2,381,286	0.36
2013	1,088,568	8,571	1,079,997	1,120,000	2,322,058	0.31
2014	798,204	29,811	768,393	1,185,000	2,259,678	0.22
2015	1,247,807	30,662	1,217,145	1,255,000	2,188,781	0.35
2016	677,352	30,679	646,673	1,335,000	2,113,666	0.19
2017	1,082,311	223,825	858,486	17,210,000	1,597,184	0.05

Park Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 489,826	\$ 1,855,534	\$ (1,365,708)	\$ 40,000	\$ 90,663	(10.45)
2010	634,706	1,280,465	(645,759)	45,000	111,409	(4.13)
2011	742,319	351,889	390,430	45,000	109,510	2.53
2012	780,945	614,078	166,867	50,000	107,300	1.06
2013	736,289	415,926	320,363	50,000	105,675	2.06
2014	328,798	81,537	247,261	50,000	104,050	1.61
2015	329,088	64,666	264,422	55,000	102,300	1.68
2016	325,106	34,256	290,850	55,000	100,375	1.87
2017	339,957	101,922	238,035	2,030,000	98,313	0.11

**Notes:** Operating Expenses do not include interest, amortization or depreciation expenses.

Solid Waste Management Enterprise Revenue Bond 2000A was paid off in Fiscal Year 2012.

The City issued new lease-revenue bonds to refinance several existing lease-revenue bonds for economic savings on May 10, 2017. Any bonds that were callable and produced savings were included, even if it meant redeeming one project in part because there was a non-callable portion that could not be redeemed.

**CITY OF FRESNO, CALIFORNIA**

Legal Debt Margin Information

Last Ten Fiscal Years

(Dollars in Thousands)

Legal Debt Limit Calculation for Fiscal Year 2017

Assessed Value	\$ 32,941,136
Debt Limit (20% of assessed value, pursuant to City Charter)	6,588,227
Debt applicable to the limit:	
General obligation bonds	—
Less amount set aside for repayment of general obligation debt	—
Total net debt applicable to limit	—
Legal debt margin	<u>\$ 6,588,227</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2008	\$ 5,994,503	\$ 187,140	\$ 5,807,363	3.12%
2009	6,050,080	—	6,050,080	0.00%
2010	5,710,570	—	5,710,570	0.00%
2011	5,606,816	—	5,606,816	0.00%
2012	5,465,460	—	5,465,460	0.00%
2013	5,391,497	—	5,391,497	0.00%
2014	5,640,685	—	5,640,685	0.00%
2015	6,016,695	—	6,016,695	0.00%
2016	6,305,285	—	6,305,285	0.00%
2017	6,588,227	—	6,588,227	0.00%

**Source:** Assessed Valuation Information - County of Fresno, Tax Rate Book

**Notes:** The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

# CITY OF FRESNO, CALIFORNIA

## Demographic and Economic Statistics

### Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	Area Square Miles
2008	486,171	\$ 27,994,357,000	\$ 30,997	10.600%	111.10
2009	495,913	28,049,514,000	30,646	15.100%	111.78
2010	502,303	29,246,460,000	31,357	15.800%	112.35
2011	500,121	31,353,987,000	33,321	15.600%	112.29
2012	505,009	32,728,837,000	34,539	15.000%	113.04
2013	508,453	33,354,677,000	34,886	12.900%	113.13
2014	515,609	35,172,162,000	36,448	11.600%	113.13
2015	520,159	37,359,815,000	38,323	10.200%	114.20
2016	520,453	39,295,335,000	40,101	9.400%	114.34
2017	525,832	Not Available	Not Available	8.800%	114.67

**Source:** Population Information - State of California Department of Finance, Demographic Research Unit  
 Unemployment Information - California Employment Development Department (EDD), Labor Market Information Division  
 Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

**Notes:**

Personal Income and Per Capita Personal Income information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).

Personal Income and Per Capita Income for 2015 and 2016 are revised estimates per BEA as of November 2017.

Personal Income and Per Capita Income is not available from BEA for 2017.

The FY2016 Unemployment Rate is the average of estimates for the first 10 months of calendar year 2017 as provided by the EDD as of November 2017.

The FY2017 Population is as of 1/1/2017.

**CITY OF FRESNO, CALIFORNIA**

Principal Employers

Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Fresno Unified School District	10,552	1	2.57%	7,418	1	1.90%
County of Fresno	6,530	2	1.59%	6,050	2	1.55%
Community Regional Medical Center	5,863	3	1.43%	4,150	3	1.06%
Internal Revenue Service	4,040	4	0.98%	—	—	—
City of Fresno	3,575	5	0.87%	3,700	4	0.95%
Saint Agnes Medical Center	2,812	6	0.68%	2,075	5	0.53%
California State University, Fresno	2,542	7	0.62%	2,405	6	0.62%
Kaiser Permanente Medical Center	2,200	8	0.54%	2,000	7	0.51%
State Center Community College District	1,702	9	0.41%	1,566	8	0.40%
Central Unified School District	1,302	10	0.32%	—	—	—
VA Central California Health Care System	—	—	—	800	9	0.20%
Fresno Economic Opportunities Commission	—	—	—	800	10	0.20%
<b>Total</b>	<b>41,118</b>		<b>10.01%</b>	<b>30,964</b>		<b>7.92%</b>
Fresno City Employment	411,000			390,700		

**Source:** Employer Information - Fresno County Economic Development Corporation (EDD)  
 City of Fresno Employment information - Employment Development Department (EDD) - Labor Market Information, State of California

**Notes:** The FY2017 and FY2008 employer information was provided by the Fresno County Economic Development Corporation (EDD) and represents private and public sector full-time employees.

The FY2017 employer information for the County of Fresno is estimated to be within the City of Fresno.  
 The Employer Information for the Internal Revenue Service includes employees from all Fresno offices.

The Employer Information for the State Center Community College District is located at Fresno Community College, Clovis Community College and the District Office.

FY2017 Fresno City Employment figures are for June 2017 as currently available from the California EDD for Fresno (MSA).

# CITY OF FRESNO, CALIFORNIA

## Full-Time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Management	102.00	104.00	103.00	88.80	78.80	78.80	79.50	79.50	79.50	85.25
Finance	130.65	130.65	130.65	101.00	54.68	56.00	56.00	56.00	56.00	60.75
General Services	137.00	139.00	139.00	104.00	—	—	—	—	—	—
Other	128.00	129.00	129.00	116.80	91.00	89.75	94.80	94.80	94.80	103.50
Enterprise Functions										
Transportation										
Airports										
Sworn	5.00	5.00	5.00	5.00	5.00	5.00	5.00	15.00	15.00	19.00
Civilian	75.20	78.00	78.00	78.00	72.00	72.30	77.40	72.00	72.00	77.35
FAX Department	420.80	420.80	420.80	342.00	409.00	407.00	407.00	422.00	435.50	492.25
Public Utilities	664.00	669.00	683.00	691.00	697.08	602.25	614.75	634.75	640.50	643.80
Economic Growth and Expansion										
Development and Resource Management Department	—	—	—	156.03	169.94	163.10	166.60	174.60	184.60	204.80
Downtown & Community Revitalization Department	—	10.00	10.00	20.00	—	—	—	—	—	—
Planning and Development	203.03	203.03	194.39	—	—	—	—	—	—	—
Economic Development	10.00	—	—	—	—	—	—	—	—	—
Public Works	337.40	338.40	339.40	264.40	265.00	268.00	272.50	292.75	288.75	305.25
Culture and Recreation										
Parks, Recreation and Community Services	170.95	169.95	148.25	85.50	52.00	52.00	52.00	66.00	71.00	73.50
Public Protection										
Police										
Sworn	843.00	849.00	849.00	816.58	767.75	748.00	717.00	717.00	775.00	804.00
Civilian	461.80	470.40	431.40	210.08	200.00	202.00	238.00	278.80	244.56	274.65
Fire										
Sworn	383.00	383.00	383.00	340.35	317.65	309.00	304.00	310.00	314.00	334.00
Civilian	70.00	59.00	58.00	52.60	40.00	42.75	42.20	46.75	45.00	42.91
<b>Total</b>	<b>4,141.83</b>	<b>4,158.23</b>	<b>4,101.89</b>	<b>3,472.14</b>	<b>3,219.90</b>	<b>3,095.95</b>	<b>3,126.75</b>	<b>3,259.95</b>	<b>3,316.21</b>	<b>3,521.01</b>

**Source:** City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions.

**Notes:** Figures for Full-time Equivalents (FTE's) include Permanent and Permanent Part-Time employees only.

Authorized Positions are established by resolution of the City Council and represent the total number of permanent, permanent part-time and permanent intermittent positions in which persons may be employed by the City during a Fiscal Year. Changes in the total number of positions can only be accomplished by resolution of the City Council.

Total permanent positions for each fiscal year are represented as of the following dates: FY2007 as of April 2006; FY2008 as of May 2008; FY2009 as of May 2009; FY2010 as of June 2010; FY2011 as of May 2011; FY2012 as of May 2012; FY2013 as of September 2012; FY2014 as of June 2013; FY2015 as of September 2014; FY2016 as of September 2015; and FY2017 as of June 2017.

In FY2009, the Economic Development Department was restructured and renamed the Downtown & Community Revitalization Department to reflect focus on strengthening the local economy through downtown revitalization, improving neighborhoods and supporting locally owned businesses.

In FY2011, Planning and Development became the Development and Resource Management Department (DARM).

In FY2012, the Downtown & Community Revitalization Department was consolidated into the DARM Department.

In FY2012, the General Services Department (GSD) was dissolved and its operating divisions were merged into the Finance, Public Works and Transportation/FAX Departments.

In FY2012, effective December 1, 2011, Commercial Solid Waste Operations were franchised. 109 authorized positions in the Public Utilities Department were deleted by City Council Resolution, effective July 3, 2012.

# CITY OF FRESNO, CALIFORNIA

## Operating Indicators by Function/Program

### Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building Permits Issued										
Commercial	1,546	1,186	1,174	1,133	1,830	1,756	1,835	1,878	1,641	1,948
Residential	5,514	3,494	3,557	3,276	6,499	7,167	7,931	9,084	8,313	11,227
Police										
Physical Arrests	44,953	47,246	43,674	35,726	32,782	35,489	39,689	43,729	37,816	26,893
Traffic Violations (citations issued)	85,388	95,354	Not Available	58,132	64,979	53,485	51,940	44,954	58,927	58,927
Calls Received for Police Service	777,600	775,629	771,742	864,005	876,820	945,989	957,532	950,099	1,026,458	950,099
Fire										
Emergency Medical Service Calls	21,398	22,143	22,758	19,671	19,216	18,129	19,413	20,191	19,174	21,773
Fire Incidents	11,266	12,063	12,220	12,109	13,800	14,518	15,953	16,326	18,257	16,702
Fire Inspections	19,401	11,210	14,962	12,151	10,985	12,414	11,187	9,780	12,581	13,292
Fire Hydrant Inspections	25,422	25,594	36,233	28,109	30,917	30,342	30,420	26,811	17,025	17,000
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	69.7	69.7	65.2	66.1	63.6	61.9	60.2	57.2	55.9	56.9
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,015	961	965	979	916	477	451	505	623	650
Recyclables Collected (tons per day)	453	238	216	214	201	147	116	117	154	155.99
Green Waste Collected (tons per day)	193	398	327	325	396	378	293	275.16	348	358.1
Other Public Works										
Street Resurfacing (miles)	161.0	102.4	26.7	27.3	16.0	10.2	12.3	16.6	18.6	16.8
Parking Violations (citations issued)	67,689	68,736	59,790	56,270	45,667	45,730	49,313	49,326	47,531	53,760
Parks and Recreation										
Athletic Field Permits Issued	147	1,614	1,639	2,662	3,710	3,281	4,317	5,921	6,949	8,332
Memorial Auditorium User Groups	40	28	30	34	33	20	26	16	27	18
Memorial Auditorium, Audience	33,365	22,490	31,395	33,136	33,600	15,500	21,600	21,000	45,900	18,900
Water										
Number On-Service Accounts	128,812	130,844	132,184	131,880	131,801	130,530	131,910	133,163	134,381	135,448
Main/Service Leaks Repaired	513	610	569	644	589	639	705	558	378	408
Average Daily Per Capita Consumption (gallons)	296	298	275	260	246	241	231	208	183	198
Peak Daily Consumption (MGD - Million Gallons per Day)	244	244	238	220.39	209.13	200.46	199.40	187.36	169.88	180.60

**CITY OF FRESNO, CALIFORNIA**

Operating Indicators by Function/Program

Last Ten Fiscal Years (Continued)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transportation										
Airports										
Number of Commercial Airlines	9	8	8	9	9	10	10	9	8	8
Number of Cargo Carriers	4	4	4	3	3	3	3	3	3	3
Total Number Tenant Aircraft	354	354	378	401	405	405	408	408	320	303
Annual Fuel Consumption (gallons)	11,182,606	10,152,820	9,905,916	5,787,043	9,467,094	9,613,371	10,454,758	9,548,919	10,541,916	10,592,430
Origin and Destination Passengers										
Domestic	1,272,308	1,116,410	1,133,605	1,163,568	1,155,991	1,249,960	1,283,770	1,252,962	1,292,784	1,537,876
International	57,645	63,344	63,473	45,465	130,047	124,453	147,094	153,244	182,225	1,328,929
Origin and Destination Mail (lbs.)	386	45	1,397	91	20,880	6,661	183	0	316	208,947
Origin and Destination Freight (lbs.)	21,188,608	17,188,695	17,204,154	20,630,316	22,591,445	23,621,976	24,393,421	25,843,389	24,546,856	19,873,695
Fresno Area Express (FAX)										
Actual Route Miles	4,661,278	4,690,193	4,610,108	4,563,016	4,175,640	4,151,476	4,218,412	4,157,174	4,175,783	4,208,890
Passengers	16,925,826	18,049,827	17,554,565	17,589,425	14,589,425	12,442,248	12,059,050	11,364,431	10,672,577	9,622,874
Mini-Buses - Purchased Transportation	57	48	45	46	45	44	48	50	58	63

Source: City of Fresno - Various Departments

Notes:

Building Permits Issued includes individual units and structures and is a composite of new construction, additions, alterations, repairs and relocations.

Police department figures are based on calendar year and are as of January 1 of reported year.

Information is combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH) for Number of Cargo Carriers, Number of Tenant Aircraft, Annual Fuel Consumption and Origin and Destination Freight.

Fire inspection figures reflect only those performed in the City of Fresno and excludes service calls for neighboring fire districts.

Traffic Violations statistics were not gathered in FY2010 due to administrative staff reductions attributed to budget reductions in the Police Department. In FY2011, reduction in citations were attributed to an 18% decrease in the number of motor officers issuing citations due to unfilled attrition vacancies attributed to department-wide budget reductions.

Fire hydrant inspections decreased in FY2016 because of an inspection schedule change. Beginning in FY2016, fire hydrant inspections are scheduled for annual inspections instead of bi-annual inspections.

In FY2016, the Mini bus figure includes 8 sedans as is consistent with National Transit Database (NTD) reporting.



# CITY OF FRESNO, CALIFORNIA

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police Department</b>										
Stations	5	5	5	5	4	4	4	4	4	5
Patrol Bureaus	7	7	7	7	4	4	4	4	4	5
Vehicular Patrol Units	250	252	277	250	261	261	261	257	276	334
Plain Cars (No specialty vehicles)	—	—	—	178	197	197	175	175	173	198
Motorcycles	—	—	—	80	80	70	71	85	72	70
Helicopters	2	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	1	1	1	1	1	1	1	1	1	1
<b>Fire Department</b>										
Fire Stations	20	20	20	20	20	20	20	20	20	20
Engine Companies	20	20	16	16	16	16	16	18	18	17
Truck Companies	6	6	4	4	4	4	4	4	4	5
<b>Public Works</b>										
Streets (miles)	1,700	1,700	1,666	1,692	1,548	1,497	1,490	1,672	1,500	1,511
Street Lights	78,020	39,000	40,000	41,100	41,000	41,556	41,500	42,051	42,207	42,405
Traffic Signals	430	441	437	442	450	468	466	489	467	468
<b>Solid Waste Division</b>										
Collection Trucks	127	129	129	126	83	83	83	84	89	81
<b>Water Division</b>										
Water Mains (miles)	1,758	1,764.55	1,775	1,779	1,781	1,782	1,803	1,799	1,801	1,809
Wells	273	280	272	269	273	273	271	260	261	260
Fire Hydrants	12,426	12,769	12,878	12,914	12,954	13,001	13,139	13,170	13,218	13,332
<b>Sewer Maintenance Division</b>										
Sewer Mainlines (miles)	1,486	1,493.76	1,497	1,503	1,507.49	1,521.48	1,529	1,533	1,536	1,539
Manholes	22,703	22,867	22,977	23,123	23,275	23,384	23,644	23,776	22,834	23,947
Lift Stations	14	14	15	15	15	15	15	15	15	15
<b>Parks</b>										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks	29	29	31	31	31	31	31	32	33	34
Pocket Parks	21	21	21	21	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	2	2	2	2	2	2	2	2	2	2
Community Parks	1	1	1	1	1	1	1	1	1	1
Skate Parks	5	5	5	6	6	6	6	6	8	8
Tennis Courts	40	40	40	40	40	40	40	40	42	42
Acres of Parks	1,523	1,523	1,535	1,535	1,535	1,535	1,535	1,384	1,392	1,393
Neighborhood Centers	12	12	12	12	12	12	12	12	12	12
Community Center	5	5	5	5	5	5	5	5	5	5
Swimming Pools	15	15	10	5	5	5	9	9	9	9

# CITY OF FRESNO, CALIFORNIA

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years (continued)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transportation										
Airports	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage	1,899	1,899	1,900	1,900	1,900	1,875	1,875	1,875	1,875	1,875
Length of Longest Runway (surfaced) - Linear Feet	12,853	12,853	12,853	12,853	12,853	12,853	13,165	13,165	13,165	13,165
Number of Runways	3	3	3	3	3	3	3	3	3	3
Number of Terminals	2	2	2	2	2	2	2	2	2	2
Terminals (square footage)	180,980	184,936	193,364	193,364	193,364	193,364	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,769	2,396	2,425	2,425	2,367	2,365	2,365	2,365	2,355	2,664
Air Cargo Ramp Spaces	9	9	9	9	9	9	9	9	8	8
Air Cargo Ramp (surface square footage)	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars	298	302	304	302	302	302	302	302	303	303
Buses - Directly Operated	120	125	125	122	123	110	111	105	105	129

**Source:** City of Fresno - Various Departments

**Notes:** Police Department Plain Cars and Motorcycle information was not available in FY2008, FY2009 and FY2010.

Information was combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH) for all Airport statistics with the exception of Number of Parking Spaces, Air Cargo Ramp Spaces and Air Cargo Ramp Surface Square Footage.

In FY2008, a new asset management system was utilized to calculate actual miles. In FY2008, the figure equates to 5,412 lane miles. The reduction in FY2016 is due to the non-inclusion of secondary segments on the major divided roads and is not associated with any road removal.

The number of Street Lights in FY2008, FY2010 and FY2011 are estimated. FY2009 is supported by field survey per the department.

Effective December 1, 2011, the collection and all commercial and multi-family solid waste services were franchised to two private haulers. The number of commercial solid waste trucks was reduced by 42 at that time.

In FY2015, the Parks Regional Sports Complex reported acreage was reduced from 268 acres to 114. While part of the Complex footprint, 154 acres are presently not available for public access.

Three acres were added due to the opening of the Martin Ray Reilly Park in FY2015. 8.3 acres were added in FY2016 due to the opening of Inspiration Park.

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CADR

Comprehensive  
Annual  
Debt  
Report

FISCAL YEAR 2017





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## **Overview**

This section of the report provides an overview of the Debt Management Program, Debt Management Policies, Rating Agency Relations and Credit Maintenance, Composition of the Debt Financing Team, and Trustee activity during the year.

The City has a variety of financing tools at its disposal, with each one having its own benefits that may work best for a particular financing. Short-term debt options include Tax and Revenue Anticipation Notes, Commercial Paper, Bond Anticipation Notes and Lines of Credit. Long-term debt options included voter approved General Obligation Bonds, Revenue Bonds, Loans and Capital Leases. Each tool is discussed in detail in the City's Debt Management Policies. The Annual Debt Report does not include discussions on City's obligation for pension and other postemployment benefits.

### **A. Debt Management Program**

Debt Management, a section within the Finance Department, is responsible for managing both the debt issuance process and subsequent debt administration for all City borrowings. This section of the report provides an overview of debt issuance in FY 2017, the debt program work plan in FY 2018, debt administration, debt management projects that have been completed, are currently underway, or are planned for FY 2018.

#### **1. Debt Issued During FY2017**

On July 19, 2016, the City entered into a 30-year agreement to borrow \$65,875,669 from the California State Water Resources Control Board for construction of a pipeline from Kings River to the Southeast Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$9,120,622 in proceeds. The note will be funded from revenues of the Water Enterprise.

On August 23, 2016, the City entered into a 30-year agreement to borrow \$75,900,000 from the California State Water Resources Control Board for construction of regional transmission mains to transport water from facilities throughout the City. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of

June 30, 2017, the City has received \$12,068,369 in proceeds. The note will be funded from revenues of the Water Enterprise.

On October 2, 2016, the City paid off the remaining 2002 Judgment Obligation Bonds. A portion of the settlement property was sold, resulting in a surplus that was required to be used to pay down the bonds.

On November 3, 2016, the City Council gave its approval to transfer \$116 million of surplus Sewer revenues into an escrow that may be used to defease a large portion of the 2008 Sewer revenue bonds when they become callable on September 1, 2018. Funds were deposited with Bank of New York Mellon Trust Company on March 27, 2017 and immediately invested into Treasury Notes to secure an interest rate of earnings at 1% per year. It is anticipated that on September 1, 2018, the City will be able to redeem \$117,790,000 in bonds, thereby reducing debt service by \$10 million per year.

On January 13, 2017, the City entered into a Master Equipment Lease-Purchase Agreement with Banc of America Public Capital Corp. The term of the Agreement is the earlier of three years or the borrowing of an aggregate \$25 million. Funds from this agreement will be used to acquire vehicles and equipment needs of the City over the next three years.. No debt is incurred by entering into a Master Lease until an item is purchased and paid for by the lender. The Master Lease is simply a mechanism to provide for financing once authority to purchase and authority to finance has been established by the City Council. As of June 30, 2017, the City has entered into three lease schedules totaling \$7,406,139 to fund fire and police vehicles that were budgeted for financing in the Fiscal Year 2017 Adopted Budget.

At a meeting of the Fresno Joint Powers financing Authority (JPFA) on April 6, 2017, Resolution JPFA-41 was approved by the JPFA Board authorizing the issuance of lease-revenue bonds to refinance any bonds that were callable or advance-refundable and produced savings, even if it meant redeeming one project in part because there was a non-callable portion that could not be redeemed. The Resolution authorized the officers and directors to take all necessary and convenient actions in connection with the refinancing including escrowing funds until the next redemption date. On May 10, 2017, the City issued \$146.28 million in lease-revenue bonds to refinance several existing lease-revenue bonds for economic savings. \$165.87 million in lease-revenue bonds were refunded through this transaction, with \$17 million in premiums used to pay down some of the retired bonds. In addition, bond reserves from the refunded bonds were applied to redeeming bonds and a surety policy was issued on the new bonds in lieu of a funded reserve. The 2008 and 2009 Lease-Revenue Bonds were advance-refunded due to having call dates more than 90 days after the refunding. By taking these measures, the City was able to reduce debt service by an average \$1.9 million per year over the next 22 years with direct savings to the General

Fund averaging \$1.2 million per year. The transaction resulted in an economic gain of \$21.87 million and a reduction of \$41.95 million in future debt service.

FY 2017 debt issuance totaled \$274.7 million, composed of equipment lease purchases of \$7.4 million for police and fire vehicles and equipment placed directly with Banc of America Public Capital Corp., computer lease purchases of \$200,000 placed directly with Dell Financial Services, \$100.5 million drawn down from the Drinking Water State Revolving Loan Fund for the various loans to the Water Division from the California State Water Resources Control Board, \$20.3 drawn down from the Clean Water State Revolving Loan Fund for the two loans to the Sewer Division from the California State Water Resources Control Board, and \$146.3 million in Lease Revenue Bonds issued to refinance existing debt.

## **2. Debt Program Work Plan for FY2018**

New Bonds - Debt Management staff continues to look at existing debt to find opportunities to save interest expense. At the time of this publication, there is no plan to issue new bonds.

New Loans - Debt Management staff continues to assist Water Division staff with a detailed review of the documentation relating to the loans that may be issued in FY2018.

New Leases - The City has budgeted for new lease payments in Fiscal Year 2018 totaling \$564,300 to fund an approximate \$4.5 million in vehicles and generators from the Master Equipment Lease Purchase Agreement with Banc of America, and \$2,200 to fund approximately \$6,000 for computers from the Master Lease Purchase Agreement with Dell Financial Corporation.

Sewer 2008 Bond Defeasance - Debt Management staff continues to work with Wastewater Management staff on the defeasance of the 2008 Sewer Bonds.

### **3. Debt Administration**

After debt has been issued, Debt Management is responsible for administering the debt portfolio. Section I.E of this report, Debt Financing Team, provides a detailed discussion of debt administration tasks performed by Debt Management staff.

**New reporting requirements were established in FY2015 by the California Debt and Investment Advisory Commission (CDIAC) of the California State Department of the Treasury requiring any agency that is increasing debt to file a Report of Proposed Debt Issuance, followed up with a Report of Final Sale. These reporting requirements were codified on September 12, 2016 through California Senate Bill 1029 (SB 1029). In the past, issuers of the original debt instruments were required to file these reports, and borrowers of the debt from the issuer were not required to report. This change makes it imperative that Debt Management staff be involved in any and all loan transactions that the City is considering.**

#### **4. Debt Management Projects**

In addition to debt issuance and administration, Debt Management staff serves in a financial advisory role to other City departments and works on other projects as necessary. Various projects and administration efforts are described on the next pages:

TEFRA Hearings for Conduit Financings - A Tax Equity and Financial Reform Act (TEFRA) hearing is mandated by the IRS to provide a reasonable opportunity for interested individuals to express their views, either orally or in writing, on the issuance of bonds and the nature of the improvements and projects for which bond funds will be allocated. The TEFRA hearing is held in the jurisdiction in which the facilities constructed by bond proceeds are located.

A Notice of Public Hearing must be published in the daily newspaper of largest circulation in the project location at least 14 days prior to the hearing date. In addition, the TEFRA hearing must be held prior to approval by the agency issuing the bonds.

The City of Fresno held two TEFRA hearings for conduit financing during FY 2017 and another one within 90 days of the year-end. The City does not issue debt for these projects, but assists other agencies that are formed for this specific type of financing by holding a public hearing to hear public comments regarding the project as required by the Act.

Fruit Avenue Housing Associates, LP applied for a \$38 million bond issuance with California Statewide Communities Facilities Authority (CSCDA) for the purpose of financing the acquisition, rehabilitation, furnishings and equipping of a 366-unit multifamily rental housing project located at 4085 North Fruit Avenue, generally known as the Parks at Fig Garden Apartments. This transaction will assist residents in the Fresno area with affordable housing.

King's Canyon Affordable Housing, LP applied for a \$35 million bond issuance with CSCDA for the purpose of financing the acquisition, construction, furnishing and equipping of King's Canyon Apartments, located at 5070 East Kings Canyon Road. This transaction will assist residents in the Fresno area with affordable housing.

United Health Centers of the San Joaquin Valley applied for an \$18 million bond issuance with California Enterprise Development Authority (CEDA) for the purpose of financing the development, construction, installation, equipping and furnishing of a new headquarters and training facility at 3875 West Beechwood Avenue. This transaction will assist United Health Centers of the San Joaquin Valley in the continuance of quality health care to residents of Fresno and the surrounding service area.

Municipal Continuing Disclosure Cooperation ("MCDC") Initiative - In an effort to address potentially widespread violations of the federal securities laws by municipal

issuers and underwriters of municipal securities in connection with certain representations in bond offering documents regarding compliance with prior continuing disclosure obligations, the U.S. Securities and Exchange Commission (“SEC”) offered settlement terms to issuers and underwriters if they self-report possible violations involving material inaccurate statements relating to prior compliance with continuing disclosure obligations. As background, Rule 15(c) 2-12, which was promulgated by the SEC under the Securities Exchange Act of 1934, requires that before a municipality can issue municipal bonds to investors in a public sale, the bond underwriters must reasonably determine that the issuer or the party responsible for repaying the bonds has undertaken to provide certain updated disclosure information to the Municipal Securities Rulemaking Board (the “MSRB”) after the issuance of the bonds. This information includes annual financial and operating data, audits and notices of certain listed events. In addition, under Rule 15(c) 2-12, final official statements must disclose any material failure to comply with a continuing disclosure undertaking during the previous five years. Typically, the continuing disclosure undertaking is in the form of an agreement or a certificate entered into by the party responsible for repayment of the bonds.

The MCDL spurred underwriters and issuers, including the City, to engage in the detailed review of continuing disclosures filings made to the market through electronic/web-based dissemination sources in order to ascertain whether or not past bond offering documents were accurate in their representation about the completeness and timeliness of continuing disclosures.

Debt Management staff conducted an analysis of the City’s historical compliance with their respective continuing disclosure obligations from Fiscal Year 2006 through Fiscal Year 2013. While the City believes that it is in compliance with all significant limitations, restrictions and covenants, the City missed the 270 day continuing disclosure filing deadline by several days with respect to its Airport 2007, Tax Allocation 2001 and Water 2003 bonds for Fiscal Year 2012. The Continuing Disclosure Certificate requires an Annual Report to be disseminated within 270 days after the end of the City’s fiscal year. The City’s fiscal year ends on June 30<sup>th</sup>. The City disseminated its Annual Report for Fiscal Year 2016 on January 26, 2017.

#### State Revolving Loan Activity

On July 15, 2015, the City entered into a 30-year agreement to borrow \$195,489,000 from the California State Water Resources Control Board for construction of a new surface water treatment facility in southeast Fresno. The interest rate is fixed at 1.663% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is

due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$81,666,670 in proceeds. The note will be funded from revenues of the Water Enterprise. Once construction is completed, annual debt service is estimated to be \$8,190,836.

On September 14, 2015, the City entered into a 30-year agreement to borrow \$52,475,049 from the California State Water Resources Control Board's Clean Water State Revolving Fund for construction of a recycled water distribution system in the southwest quadrant of the City. The interest rate is fixed at 1.0% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$11,884,466 in proceeds. The note will be funded from revenues of the Wastewater Enterprise.

On June 8, 2016, the City entered into a 30-year agreement to borrow \$26,520,000 from the California State Water Resources Control Board for construction of a raw water pipeline to replace the Enterprise Canal as a primary conveyance system for the Northeast Surface Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2017, the City has received \$15,398,386 in proceeds. The note will be funded from revenues of the Water Enterprise.

## **B. Debt Management Policies**

The City Council adopted the Taxpayer Protection Act on December 3, 2009 in order to institute formal debt financial management policies. The Act was amended on February 25, 2010 and revised again on April 6, 2017; with the latest revision updating language and bring the policy into compliance with SB 1029. The Debt Management Policies ("Policies") establish parameters for when and how the City may enter into debt obligations. The Policies permit sufficient flexibility to allow the City to take advantage of opportunities that may arise. Objectives of the Policy are:

- Minimize debt service and issuance costs;
- Provide a scheduling component (planning);
- Maintain access to cost-efficient borrowing;

- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Balance use of pay-as-you-go and debt financing;
- Maintain full and complete financial disclosure and reporting; and
- Ensure compliance with applicable State and Federal laws.

The primary goal of the Policies is to achieve the highest practical credit ratings and strive to elevate and maintain those ratings in order to sustain cost-effective access to capital markets. In order to fulfill this goal and these objectives, certain ratios have been identified to quantify the City’s performance relative to direct debt. These measurements are as follows:

- Net Direct Debt (tax-supported General Fund debt, net of self-supporting and revenue anticipation debt) to Assessed Value shall not exceed 3%;
- Percentage of Principal on Net Direct Debt Retired in ten years shall average 35%; and
- Net Direct Debt as a percentage of General Fund Appropriation shall be less than 10%.

The table below is an update of the table in Section 6 of the Debt Policies. In addition to this table, an additional quantitative goal stated in the Debt Policies is that the average Percentage of principal on Net Direct Debt Retired in 15 years should be at least 40%. During FY 2017, this percentage was 47.8%% on GF Backed Principal and 53.6% on GF Paid Principal.

Key Debt Ratios Description/Trend	City of Fresno FY 2017 Debt Ratios
<b>Net Direct Debt to Assessed Property Value %</b> (Favorable Trend=Lower than 3%)	0.04%
<b>% Of Principal Net Direct Debt Retired in Ten Years</b> (Favorable Trend = Greater than 35%)	43.67%
<b>Net Direct Debt Service as % of General Fund Appropriations</b> (Favorable Trend = Less than 10%)	48.49%
	4.43%

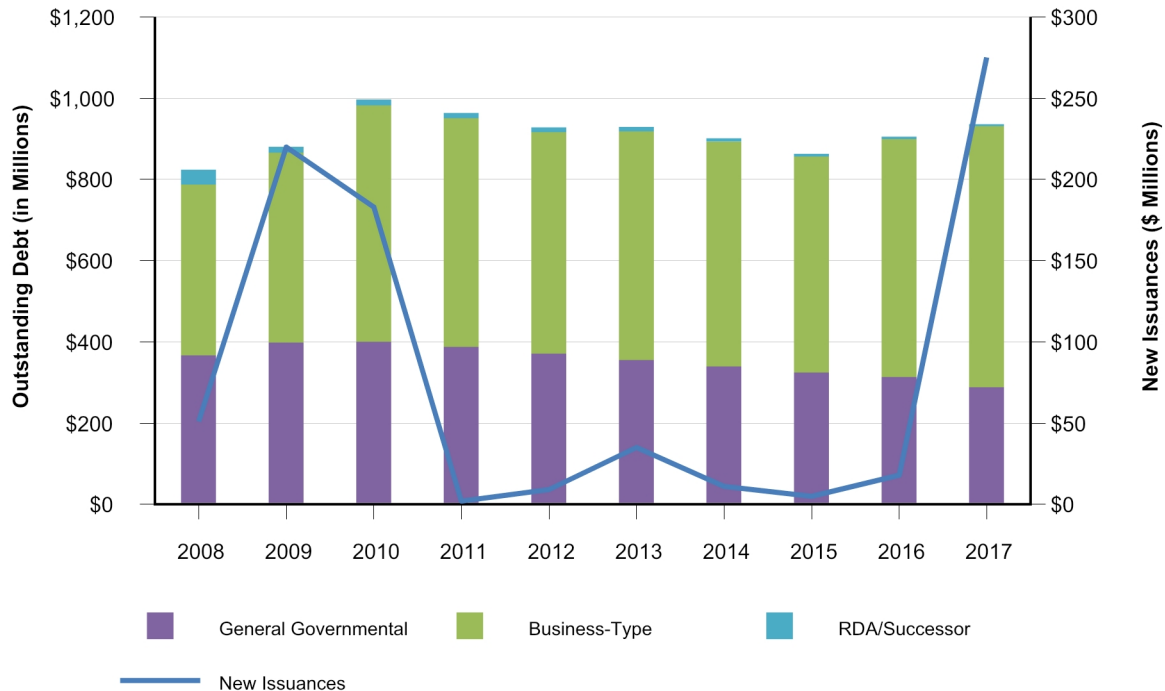


### **C. Citywide Debt Service**

The graph on the next page illustrates the size of the City's debt portfolio and the dollar volume of debt issued in each of the last ten years. It should be noted that with the exception of the Utilities Department, the focus has been on paying down debt in the last few years, and not the issuance of new bond debt. Increases in New Issuances between FY 2015 and FY 2017 were due to Water and Sewer Divisions of the Department of Public Utilities borrowing funds from the California State Water Resources Control Board to meet conservation and recycling requirements imposed by the State.

## City Debt Portfolio and Debt Issuance History

*FY 2007-08 through FY 2016-17*



General Governmental includes debt that is not Business-Type (paid out of the Water, Sewer and Airports enterprise funds), but is paid by either the General Fund or under special circumstances, Special Revenue Funds like the Gas Tax Fund specifically designated for the payment of debt service.

The City of Fresno’s general obligation debt capacity is spelled out in the City charter, Article XII, Section 1213. The capacity is 20% of the assessed valuation of all property within the boundaries of the City of Fresno. The capacity for FY 2017 is calculated as follows:

Assessed valuation as of 06/30/2017	\$32.9 billion
Debt limit	<u>X 20%</u>
City’s Debt Limit	\$ 6.6 billion

The Debt Limit is specifically related to general obligation debt, which is debt that is issued as a result of an election (voter-approved debt). Debt Limit defines voter-approved debt that could legally be outstanding rather than what the City can afford to issue. The City of Fresno has no voter-approved debt. Additionally, as displayed in the chart above, the City has never had total debt outstanding of more than \$1 billion.

As of June 30, 2017, the City had one obligation bond, several Lease Revenue Bonds (LRBs), capital loans and capital leases outstanding that are paid in whole or part by the General Fund. The chart below shows only General Fund debt service:

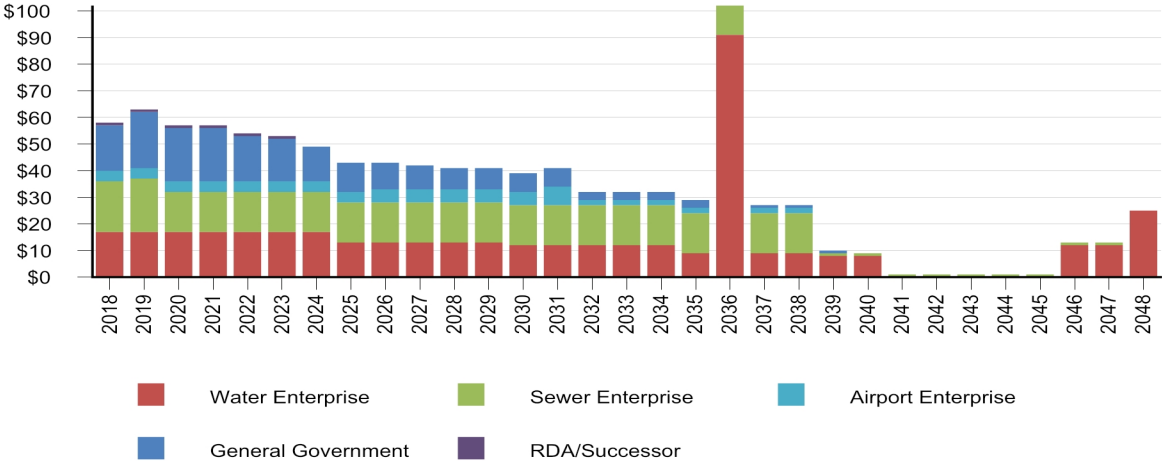
**General Fund Debt Service (in Millions)**



FY 2018 General Fund Debt Service was reduced through the bond refinancing completed in April 2017 by deferring principal payments in order to provide cash funding for a new police substation in southeast Fresno. Paying cash for this facility was much more favorable than borrowing additional funds in order to complete the facility.

The chart below shows all of the City’s debt and the source of funding that backs it:

**Citywide Debt Service (in Millions)**



Payments in 2036 and 2046 through 2048 include new loan principal from the State Water Resources Control Board which have been drawn down in part, but cannot be amortized until after all loan proceeds have been drawn or the project has been deemed complete. In the chart above, they are reflected as due in full at the final maturity date.

**D. Rating Agency Overview/Actions**

The City’s debt is rated by the three primary rating agencies (Moody’s, Standard & Poor’s, and Fitch). Below is a scale of the ratings by each agency:

CATEGORY	MOODY’S	CATEGORY	FITCH/S&P
Strongest	Aaa	Highest	AAA
Very Strong	Aa1, Aa2, Aa3	Very High	AA+, AA, AA-
Above Average	A1, A2, A3	High	A+, A, A-
Average	Baa1, Baa2, Baa3	Good	BBB+, BBB, BBB-
Below Average	Ba1, Ba2, Ba3	Speculative	BB+, BB, BB-
Weak	B1, B2, B3	Highly Speculative	B+, B, B-
Very Weak	Caa1, Caa2, Caa3	High Default Risk	CCC+, CCC, CCC-

The ratings for the City’s General obligation, lease revenue, enterprise debt and the Agency’s tax allocation bonds are summarized in the Appendix. A brief overview of the City’s current general ratings (equivalent to a general obligation bond) is provided in the section below.

Year	Moody’s		S&P		Fitch	
2017	A3	Stable	A+	↑ Stable	A	Stable
2016	A3	Stable	BBB-	Stable	A	↑ Stable
2015	A3	↑ Stable	BBB-	Stable	BBB+	Neg
2014	Baa1	↓ Stable	BBB-	Stable	BBB+	Neg
2013	A3	Neg	BBB-	↓ Stable	BBB+	↓ Neg
2012	A3	↓ Neg	BBB	↓ Neg	A-	↓ Stable
2011	A2	↓ Neg	A	↓ Neg	A	↓ Stable

Arrows indicate an increase (↑) or decrease (↓) from the prior rating.

**E. Debt Financing Team**

The City of Fresno uses several individuals/organizations with expertise in their specific function to manage and administer the debt. Day-to-day administration is completed in-

house by City staff, including the Controller, Assistant Controller, a Principal Accountant in charge of debt administration and an Accountant/Auditor. The Debt Administration section of the Finance Department manages day-to-day activities; including addressing monthly, semi-annual and annual state and federal reporting requirements, reconciling trustee statements, monitoring arbitrage calculations and continuing disclosure, preparing debt sections of the Comprehensive Annual Financial Report, and budgeting for debt.

The City contracts with various banks to provide trustee and paying agent services. Selection of the trustee is done through a Request for Qualifications at the time new debt is being considered. Currently, the City uses Bank of New York Mellon Corporate Trust, Wells Fargo Corporate Trust Services and Zions Bank. Annual reporting requirements such as arbitrage calculations and continuing disclosure requirements are completed by Willdan Financial Services in coordination with the Principal Accountant in charge of debt administration. The City has chosen to use outside entities for arbitrage calculation and continuing disclosure reporting in order to have an experienced third party ensure accuracy and integrity of the reports and calculations.

The issuance of new debt can be very complex with many different areas of expertise needed. So, the City of Fresno has chosen to use financing teams consisting of in-house City staff with expertise relating to the projects which are to be funded, along with Finance Department and City Attorney's Office staff with expertise in their respective fields.

In addition to internal staff, the City engages KNN Public Finance as its expert financial adviser, Orrick Herrington & Sutcliff as its bond counsel, and Schiff Hardin as its disclosure counsel. Underwriters are selected by putting together an underwriting pool through a Request For Qualifications process conducted by the financial adviser. A firm or the firms from that pool which are selected are determined by City staff (with input from the financial adviser) to have the best expertise in the projects that will be financed.

## **F. Trustee Activity**

Trustees provide banking services for debt and act as a conduit between the City of Fresno and their client, the bondholders and/or investors. Debt documentation typically requires that a trustee be selected to hold funds on behalf of the investor in order to ensure that the debt is used for its intended purpose. Although selected and paid for by the City of Fresno, the trustee works for the investors.

On the next page is a list of each trustee and the debt instruments for which they provide services:

41090	Debt Instrument	Fees Paid to Trustee in FY2017	Interest/ Dividends Earned in FY2017
Bank of New York Mellon Corporate Trust	Fresno JPFA 1998 Lease Revenue Bonds 1999 Community Facilities District #4 Fresno JPFA 2001 TARB 2001 Community Facilities District #5 2002 Pension Obligation Bonds Fresno Redevelopment Agency 2003 TARB 2003 Community Facilities District #7 Fresno JPFA 2004 Lease Revenue Bonds Fresno JPFA 2008 Lease Revenue Bonds All City of Fresno Airport Bonds All City of Fresno Sewer Bonds All City of Fresno Water Bonds	\$38,502	\$884,329
Wells Fargo Corporate Trust	Fresno JPFA 2001 Lease Revenue Bonds Fresno JPFA 2006 Lease Revenue Bonds State Water Resources Control Board Loans	\$3,900	\$24,296
Zions Bank	Fresno JPFA 2009 Lease Revenue Bonds	\$0	\$50,055

JPFA = Fresno Joint Powers Financing Authority; TARB = Tax Allocation Revenue Bonds

### G. Investment Activity

While bond funds are held in Trust, the City is encouraged to invest them in a manner that is consistent with the Permitted Investments of the bond transaction and yields a favorable rate of return to maximize proceeds available to the City. Prior to the economic downturn in 2008, Debt Management staff was able to invest in Guaranteed Investment Contracts with various banks that maximized returns at the arbitrage yield on the bonds.

With the downturn in the economy, all of those Guaranteed Investment Contracts were terminated by the banks, and proceeds were invested in money market funds in anticipation of better investments once the economy rebounded.

In February 2014, staff determined that rates were favorable to lock in for periods of one to three years under a ladder approach to investing, allowing for reinvestment in the short-term until rates begin to improve. Staff believes that investing in the long-term at this time would commit the City into low earnings instead of taking advantage of opportunities as rates begin to rise. In November 2014, staff expanded this approach to all previously liquid reserve funds.

During fiscal year 2017, interest was earned from the following instruments:

Guaranteed Investment Contracts - \$605,508.76

Federal Agency Bonds - \$178,401.55

Repurchase Agreements - \$44,759.05

Money Market Funds - \$130,009.79

Earnings on the Federal Agency Bonds went down from the earnings on those instruments in fiscal year 2016 due to the refinancing of several Lease Revenue Bonds. The Lease Revenue Bonds had funded reserves invested in these instruments, but now have an insurance policy in lieu of a funded reserve.

All earnings were used to pay a portion of the debt service on City bonds.

# Debt Detail Report

Below is a schedule of debt outstanding as of June 30, 2017:

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Governmental												
<b>Revenue and Other Bonds</b>												
Judgment Obligation Refunding Bonds 2002	\$5,370,000 tax-exempt	Refund 1994 & 1998 Judgment Obligation Bonds (Blosser Settlement)		05/23/2002	08/15/2017	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. General Fund revenues of \$1,052,059 were equal to debt service in 2017. Paid bonds off on 10/02/2016.	\$—	\$ —	\$ —	\$ —	\$ —	\$ 1,052,059
Taxable Pension Obligation Bonds 2002	\$205,335,000 taxable	Refund 2000 Taxable Pension Obligation Bonds	6.46% to 6.55%	02/21/2002	06/01/2029	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. City uses funds throughout the City based on full-time employees assigned to funds. For the General Fund, the City uses dedicated Property Tax Override (PTO) revenue first, and then other General Fund revenues to make its portion of the bond payment. Other citywide revenues make up the difference between total debt service and the General Fund portion. During 2017 \$11,750,157 of PTO revenue was used. In addition to PTO revenue, \$946,008 of General Fund and \$3,496,396 of Enterprise Fund/Internal Service Fund revenues were used to make the 2017 debt service payment of \$16,192,561.	\$7,595,000 to \$15,195,000	131,840,000	—	131,840,000	194,282,140	16,192,561
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A&B, No Neighborhood Left Behind (NNLB)	A = \$11,010,000 tax-exempt; B = \$1,940,000 taxable	Refinance No Neighborhood Left Behind Projects	1.95% to 5.00%	05/10/2017	04/01/2023	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$5,000 to \$2,830,000	14,312,009	(1,362,009)	12,950,000	15,367,535	—
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2008 A, No Neighborhood Left Behind (NNLB)	A = \$38,210,000 tax-exempt	Refund 2005A Lease Revenue Bonds (No Neighborhood Left Behind Project)	5.25%	04/29/2008	04/01/2018	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$3,514,175 was equal to debt service in 2017. \$15,285,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$2,630,000	2,648,858	(18,858)	2,630,000	2,768,075	3,514,175
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Chiller) 2017 A, City Hall Chiller	A = \$2,710,000 tax-exempt	Refinance City Hall Chiller	5.00%	05/10/2017	04/01/2024	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$610,000 to \$2,100,000	3,190,417	(480,417)	2,710,000	3,613,321	—
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Chiller) 2008 E, City Hall	E = \$3,405,000 tax-exempt	Replace City Hall chiller		08/14/2008	04/01/2024	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments under Facility Lease. Principal due annually, interest due semiannually. Lease revenue of \$155,680 was equal to debt service in 2017. \$3,405,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$—	—	—	—	—	155,680
Fresno Joint Powers Financing Authority: Lease Refunding 2017 A&B, City Hall, Garage #7, Bee Bldg & Granite Park	A = \$10,125,000 tax-exempt; B = \$21,980,000 taxable	Refinance City Hall, Parking Garage #7, Fresno Bee Building and Granite Park	1.95% to 5.00%	05/10/2017	04/01/2031	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$1,645,000 to \$3,565,000	32,897,543	(792,543)	32,105,000	40,693,400	—
Fresno Joint Powers Financing Authority: Lease Refunding, Bee Building & Granite Park	A = \$25,450,000 tax-exempt; B = \$21,045,000 taxable	Refinance and Improvements to City Hall & Parking Garage #7 and to acquire the Fresno Bee Building and Granite Park		06/04/2010	02/01/2031	(Bank of America Public Capital Corp. - Private Placement) Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$4,633,379 was equal to debt service in 2017. \$32,105,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$—	—	—	—	—	4,633,379



	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Various Capital Projects	A = \$12,435,000 tax-exempt	Refinance Various Capital Improvement Projects	5.000%	05/10/2017	04/01/2035	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$40,000 to \$1,785,000	\$ 14,303,909	\$ (1,868,909)	\$ 12,435,000	\$ 20,050,394	\$ —
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2004 A,B,C, Various Capital Projects	A = \$15,810,000 tax-exempt; B = \$8,100,000 tax-exempt; C = \$28,870,000 taxable	Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area, other capital projects	5.900%	04/28/2004	10/01/2029	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$2,767,108 was equal to debt service in 2017. \$13,865,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$745,000 to \$1,400,000	13,898,044	(18,044)	13,880,000	19,826,315	2,767,108
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Parks Projects) 2017 A, Parks Impact Fee Projects	A = \$22,965,000 tax-exempt	Refinance Improvements to Various Park Facilities	5.000%	05/10/2017	04/01/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$695,000 to \$1,755,000	26,282,005	(3,317,005)	22,965,000	37,420,045	—
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Parks Projects) 2008 C & D, Parks Impact Fee Projects	C = \$33,675,000 tax-exempt; D = \$1,530,000 taxable	Improvements to various park facilities	4.000%	06/12/2008	04/01/2018	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$2,191,150 was equal to debt service in 2017. \$27,965,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$860,000	859,478	522	860,000	894,400	2,191,150
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Police and Fire/Public Safety	A = \$32,065,000 tax-exempt	Refinance Public Safety Capital Improvement Projects (Police & Fire)	5.000%	05/10/2017	04/01/2039	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$1,015,000 to \$2,300,000	36,305,139	(4,240,139)	32,065,000	52,371,685	—
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2009 A, Police and Fire/Public Safety	A = \$43,385,000 tax-exempt	Various police and fire capital improvement projects		04/09/2009	04/01/2039	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$3,434,681 was equal to debt service in 2017. \$35,500,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$—	—	—	—	—	3,434,681
<b>Revenue and Other Bonds Total</b>								<b>\$ 276,537,402</b>	<b>\$ (12,097,402)</b>	<b>\$ 264,440,000</b>	<b>\$ 387,287,310</b>	<b>\$ 33,940,793</b>
<b>Notes Payable</b>												
Energy Conservation Assistance Act	\$2,661,000 Loaned	Loaned from the California Energy Commission to be used for solar energy enhancements at the Municipal Service Yard		07/12/2004	06/22/2017	24 semiannual principal and interest installments of \$143,964. Repayment comes from actual savings in energy costs resulting from the project or other available Division funds.	\$—	\$ —	\$ —	\$ —	\$ —	\$ 284,633
HUD: Regional Medical Center (RMC)	\$3,000,000 Loaned	Section 108 Notes to be used for improvements to Regional Medical Center	2.910%	10/28/1997	08/01/2017	Annual principal payments, semiannual interest payments.	\$270,000	270,000	—	270,000	273,929	266,249
HUD: Fresno/Madera Area Agency on Aging (FMAAA)	\$1,500,000 Loaned	Section 108 Notes to be used to acquire and improve FMAAA facilities	2.910% to 3.300%	06/14/2000	08/01/2019	Annual principal payments, semiannual interest payments.	\$110,000 to \$135,000	365,000	—	365,000	83,354	117,797
HUD: Neighborhood Streets/Parks	\$1,500,000 Loaned	Section 108 Note to be used for improvements to various neighborhood streets & parks	5.770% to 6.120%	08/08/2002	08/01/2022	Annual principal payments, semiannual interest payments.	\$94,000 to \$130,000	666,000	—	666,000	794,099	130,254

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Roeding Business Park	\$2,441,000 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	03/18/2004	08/01/2033	Secured by Facility Lease on City Hall Annex. Annual principal payments, semiannual interest payments.	\$75,321 to \$131,212	\$ 1,714,536	\$ —	\$ 1,714,536	\$ 2,279,081	\$ 134,560
<b>Notes Payable Total</b>								\$ 3,015,536	\$ —	\$ 3,015,536	\$ 3,430,463	\$ 933,493
<b>Governmental Total</b>								\$ 279,552,938	\$ (12,097,402)	\$ 267,455,536	\$ 390,717,773	\$ 34,874,286

Business-type												
Water System Revenue Refunding Bonds 2003 A	A = \$16,155,000 tax-exempt	Refund 1993 Water Bonds & finance improvements to the Water System	5.250%	04/23/2003	06/01/2020	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged senior to the pledges securing the 2010 Bonds and State loans for Water. Principal paid annually, interest semiannually.	\$1,180,000 to \$1,310,000	\$ 3,775,084	\$ (40,084)	\$ 3,735,000	\$ 4,134,000	\$ 1,380,150
Water System Revenue Bonds (Non-Taxable) 2010 A-1, Water	A-1 = \$66,810,000 tax-exempt	Current Refund 1998 Water Bonds & improvements to the Water System	4.00% to 5.00%	02/03/2010	06/01/2024	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 2003 Bonds and in parity with the pledges securing State loans for Water. Principal payable annually, interest semiannually.	\$4,285,000 to \$7,455,000	42,905,584	(1,790,584)	41,115,000	50,667,600	6,410,575
Water System Revenue Bonds (Taxable Build America Bonds) 2010 A-2, Water	A-2 = \$91,340,000 taxable	Improvements to the Water System	6.50% to 6.75%	02/03/2010	06/01/2040	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 2003 Bonds and in parity with the pledges securing State loans for Water. Principal payable annually, interest semiannually. During Fiscal Year 2017, a federal Build America Bonds subsidy of \$1,986,793 was received.	\$4,090,000 to \$7,715,000	89,888,550	1,451,450	91,340,000	191,699,075	6,097,263
Sewer System Revenue Bonds 1993 A	A = \$196,280,000 tax-exempt	Rehabilitation and expansion of the City's Wastewater Treatment Facility	4.50% to 5.25%	10/06/1993	09/01/2023	Repayment of bonds solely from revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged senior to the pledges of the 2008 Sewer Bonds and State loans for Sewer. Principal payable annually, interest semiannually.	\$45,000 to \$10,090,000	26,649,412	10,588	26,660,000	28,937,081	10,711,900
Sewer System Revenue Bonds 2008 A, Sewer	A = \$159,845,000 tax-exempt	Refund 1995 & 2000 Sewer Bonds; Improvements to the City's Wastewater Reclamation Facility	4.625% to 5.00%	07/24/2008	09/01/2037	Repayment of bonds solely from revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds and in parity with the pledges of State loans for Sewer. Principal payable annually, interest semiannually.	\$5,410,000 to \$13,090,000	162,485,042	(2,640,042)	159,845,000	265,500,541	7,948,844
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 - Convention Center	A = \$4,260,000 tax-exempt	Refinance Convention Center Improvement Projects (Phase I)	5.000%	05/10/2017	04/01/2027	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$225,000 to \$540,000	4,905,187	(645,187)	4,260,000	5,523,675	—

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Conv. Ctr.) 2008 - Convention Center	F = \$21,410,000 taxable	Refund a portion of 2006 Convention Center Bonds & finance various Convention Center improvements	6.700%	08/14/2008	04/01/2023	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$2,413,525, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	\$1,370,000 to \$2,175,000	\$ 10,923,446	\$ 31,554	\$ 10,955,000	\$ 13,515,740	\$ 2,413,525
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2006 - Convention Center	A = \$15,420,000 tax-exempt; B = \$3,305,000 taxable	Acquisition & Improvements to the Convention Center facilities		06/28/2006	10/01/2026	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to the Facilities Sublease. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$5,366,053 which was equal to the debt service payment. \$4,780,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$—	\$—	\$—	\$—	—	586,053
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Exhibit Hall Expansion Project Refunding	A = \$11,665,000 tax-exempt	Refinance Exhibit Hall Expansion Project	5.000%	05/10/2017	04/01/2029	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$830,000 to \$1,330,000	13,584,438	(1,919,438)	11,665,000	15,960,814	—
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	\$32,609,535 tax-exempt	Construction of an exhibit hall.		09/01/1998	09/01/2028	Current Interest Serial Bonds (\$25,395,000) and Capital Appreciation Serial Bonds (\$7,214,535). Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$2,375,325, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment. \$14,820,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$162,405 to \$289,283	6,609,893	(3,968,658)	2,641,238	9,000,000	2,375,325
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Stadium Project	A = \$13,510,000 tax-exempt	Refinance MultiPurpose Stadium Project	5.000%	05/10/2017	04/01/2031	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$650,000 to \$1,300,000	15,657,779	(2,147,779)	13,510,000	19,038,821	—
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2001 A & B, Stadium Project	A = \$23,615,000 tax-exempt; B = \$22,235,000 taxable	Acquire and construct a multipurpose outdoor stadium	6.93% to 7.03%	06/12/2001	06/01/2031	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, interest due semiannually. Lease revenue of \$2,257,184 recognized in 2017, equal to debt service in 2017. \$16,550,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$705,000 to \$1,700,000	15,902,994	(22,994)	15,880,000	25,442,562	2,257,184
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Riverside Golf Course) 2017 A, Riverside Golf Course	A = \$1,615,000 tax-exempt	Refinance Improvements to Riverside Golf Course	5.000%	05/10/2017	04/01/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. No debt service was paid in 2017.	\$50,000 to \$125,000	1,848,266	(233,266)	1,615,000	2,626,109	—

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Riverside Golf Course) 2008 C & D, Riverside Golf Course	C = \$2,375,000 tax-exempt; D = \$105,000 taxable	Improvements to Riverside Golf Course	4.000%	06/12/2008	04/01/2018	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to the Facilities Sublease. Principal due annually, interest due semiannually. During 2017, the City chose to make these lease payments from the General Fund in the amount of \$158,313, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment. \$1,970,000 was refinanced with the 2017 Lease Revenue Refunding Bonds on 05/10/2017.	\$60,000	\$ 59,964	\$ 36	\$ 60,000	\$ 62,400	\$ 158,313
Airport Revenue Refunding Bonds 2013, Concourse Expansion	A = \$10,810,000 Non-AMT; B = \$22,820,000 AMT (Subject to Alternative Minimum Tax)	Refund 2000 Airport Revenue Bonds	4.00% to 5.125%	08/06/2013	07/01/2030	Repayment of bonds solely from operation of the City Airport System. Bond Indenture requires a minimum \$1,600,000 of PFC Contribution toward annual debt service from Passenger Facility Charges (PFC). During Fiscal Year 2017 \$1,600,000 of PFC and \$1,180,544 of eligible Airports operation revenues were used to make the debt service payment.	\$1,420,000 to \$5,335,000	29,957,774	(417,774)	29,540,000	41,342,691	2,780,544
Airport Revenue Bonds 2007, Consolidated Rental Car Facility	\$22,000,000 taxable	Construction of a consolidated rental car facility and related improvements	5.833%	06/14/2007	07/01/2037	Repayment of bonds solely from operation of the City Airport System. While not required under the Bond Indenture, Airports uses Customer Facility Charge (CFC) revenues first to meet the debt payment, and then uses other permitted revenues to cover any difference between CFC's and the debt payment. Principal due annually, interest due semiannually. During Fiscal Year 2017 \$1,431,970 of CFC revenues was used to fully cover the debt service payment.	\$215,000 to \$2,265,000	21,550,000	—	21,550,000	39,249,655	1,431,970
<b>Revenue and Other Bonds Total</b>							<b>\$ 446,703,413</b>	<b>\$ (12,332,178)</b>	<b>\$ 434,371,238</b>	<b>\$ 712,700,764</b>	<b>\$ 44,551,646</b>	
<b>Notes Payable</b>												
Water: Safe-Drinking Water Program	\$51,405,432 Loaned	Contract between the State Water Resources Control Board and the City for installation of water meters throughout the City of Fresno	0.000%	04/10/2012	10/01/2022	No interest loan. Repayment of the loan is funded from revenues of the Water Fund. Pledged subordinate to the pledge securing the Water 2003 Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal due in semiannual installments of \$1,285,136.	\$1,285,136 to \$2,570,272	\$ 43,694,617	—	\$ 43,694,617	\$ 43,694,617	\$ 2,570,272
Water: Safe Drinking Water Program	\$1,946,686 Loaned	Contract between the State Water Resources Control Board and the City to protect the City's drinking water supplies from possible contaminating activities (PCA's)	2.292%	07/01/2009	07/01/2031	Repayment of loan is funded from revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of \$61,014.	\$86,201 to \$118,602	1,498,164	—	1,498,164	1,769,405	122,028
Water: Safe Drinking Water Program	\$1,245,485 Loaned	Contract between the State Water Resources Control Board and the City for improvements on the Enterprise and Jefferson Canals	2.292%	07/01/2009	01/01/2032	Repayment of loan is funded from revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of \$38,993.	\$55,090 to \$75,797	957,456	—	957,456	1,169,796	1,170,070
Water: Drinking Water State Revolving Fund Project 1010007-029C	\$26,520,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Southeast Surface Water Treatment Facility	1.600%	04/05/2016	07/01/2048	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	15,398,386	—	15,398,386	15,398,386	78,064

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Water: Drinking Water State Revolving Fund Project 1010007-028C	\$195,489,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Southeast Surface Water Treatment Facility	1.663%	07/15/2015	01/01/2049	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	\$ 81,666,670	\$ —	\$ 81,666,670	\$ 81,666,670	\$ 645,905
Water: Drinking Water State Revolving Fund Project 1010007-030C	\$75,900,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of the Friant-Kern Canal Raw Water Pipeline	1.600%	08/23/2016	01/01/2049	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	12,068,369	—	12,068,369	12,068,369	—
Water: Drinking Water State Revolving Fund Project 1010007-031C	\$65,875,669 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Kings River Pipeline	1.600%	04/05/2016	07/01/2048	Repayment of loan is funded from the revenues of the Water Fund. Pledged subordinate to the pledge securing the 2003 Water Bonds and in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	9,120,622	—	9,120,622	9,120,622	39,003
Sewer: Clean Water State Revolving Fund Project	\$33,138,638 Loaned	Contract between the State Water Resources Control Board and the City for construction of a tertiary treatment facility	1.000%	10/17/2015	07/12/2046	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with the pledge securing the 2008 Bonds and State loans for Sewer. Principal and interest due in semiannual installments of \$1,279,885.	\$959,072 to \$1,361,854	32,249,924	—	32,249,924	37,312,878	1,279,885
Sewer: Clean Water State Revolving Fund Project No. 8061-110	\$52,475,049 Loaned	Contract between the State Water Resources Control Board and the City for construction of a recycled water distribution system in the southwest quadrant of the City	1.000%	07/01/2016	05/30/2047	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with the pledge securing the 2008 Bonds and State loans for Sewer. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortization schedule available until project is complete.	11,884,466	—	11,884,466	11,884,466	—
Convention Center: Management Agreement	\$781,000 Loaned	Management Agreement between the City of Fresno and SMG to settle a conflict with employee benefits costs incurred by SMG	3.423%	01/01/2009	12/31/2018	Principal and interest due in monthly installments of \$4,167 through 12/31/2018 with an additional payment of \$250,000 to be paid no later than 12/31/2018. Repayment of the note is funded from revenues of the Convention Center operating fund.	\$39,995 to \$270,516	316,953	—	316,953	333,333	58,333
<b>Notes Payable Total</b>								\$ 208,855,627	\$ —	\$ 208,855,627	\$ 214,418,542	\$ 5,963,560
<b>Business-Type Total</b>								\$ 655,559,040	\$ (12,332,178)	\$ 643,226,865	\$ 927,119,306	\$ 50,515,206

**Fiduciary**

Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds 2001, Redevelopment Agency Merger 2	\$10,000,000 tax-exempt	Redevelopment purposes within the Agency's Merger No. 2 Project Area	5.250%	02/01/2012	08/01/2018	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project area. All such revenues are pledged. Tax increment in Merger Area No. 2 of \$877,006 was equal to debt service in 2017.	\$535,000 to \$825,000	\$ 1,362,990	\$ (2,990)	\$ 1,360,000	\$ 1,423,788	\$ 877,006
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	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2017 Debt Service Payment
Tax Allocation Refunding Bonds 2003, Mariposa Project Area	\$5,005,000 tax-exempt	Refund the Agency's 1993 Tax Allocation Bonds (Mariposa Project Area)	5.375% to 5.625%	02/01/2012	02/01/2023	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project area. All such revenues are pledged. Tax increment in Mariposa Project Area of \$433,338 was equal to debt service in 2017.	\$313,000 to \$418,000	\$ 2,175,394	\$ 6,606	\$ 2,182,000	\$ 2,633,406	\$ 433,338
<b>Tax Allocation Bonds Total</b>								\$ 3,538,384	\$ 3,616	\$ 3,542,000	\$ 4,057,194	\$ 1,310,344
<b>Notes Payable</b>												
RDA: Roeding Business Park	\$2,118,000 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	03/18/2004	08/01/2033	Principal and interest due in annual installments. Secured by Tax Increment revenue received into the Roeding Business Park Project area.	\$65,351 to \$113,845	\$ 1,487,602	\$ —	\$ 1,487,602	\$ 1,977,426	\$ 116,750
<b>Notes Payable</b>								\$ 1,487,602	\$ —	\$ 1,487,602	\$ 1,977,426	\$ 116,750
<b>Fiduciary Total</b>								\$ 5,025,986	\$ 3,616	\$ 5,029,602	\$ 6,034,620	\$ 1,427,094

Discretely Presented Component Unit												
Notes Payable												
Clearinghouse NMTC LLC	N/A	Proceeds used to purchase the Fresno Bee Building and associated properties; to be operated as a qualified active low-income community business in a manner consistent with the New Market Tax Credit requirements	1.000%	03/31/2010	03/01/2040	The COFCAP is required to make monthly interest payments to the lenders involved in the NMTC transaction. The funding source for the interest payments is the base rental payment made by the City of Fresno on a monthly basis in the amount of \$31,250 pursuant to Master Lease Agreement with the City of Fresno. Annual payments on the note reflect interest only. Principal to be repaid upon the sale of Property. The COFCAP fulfilled the terms of the New Market Tax Credits (NMTC), and was fully dissolved on 8/29/2017. Assets were returned to the City of Fresno in lieu of payment of the principal amount of the note.	\$—	\$ —	\$ —	\$ —	\$ —	Interest Only \$107,869
Clearinghouse NMTC LLC	N/A	Proceeds used to purchase the Fresno Bee Building and associated properties; to be operated as a qualified active low-income community business in a manner consistent with the New Market Tax Credit requirements	2.420%	03/31/2010	03/01/2040	The COFCAP is required to make monthly interest payments to the lenders involved in the NMTC transaction. The funding source for the interest payments is the base rental payment made by the City of Fresno on a monthly basis in the amount of \$31,250 pursuant to Master Lease Agreement with the City of Fresno. Annual payments on the note reflect interest only. Principal to be repaid upon the sale of Property. The COFCAP fulfilled the terms of the New Market Tax Credits (NMTC), and was fully dissolved on 8/29/2017. Assets were returned to the City of Fresno in lieu of payment of the principal amount of the note.	\$—	—	—	—	—	Interest Only \$81,849
<b>Discretely Presented Component Unit Total</b>								\$ —	\$ —	\$ —	\$ —	\$ 189,718
<b>Grand Total</b>								\$ 940,137,964	\$ (24,425,964)	\$ 915,712,003	\$ 1,323,871,699	\$ 87,006,304

## Comparative Statistics

### Municipal Financial Ratio Analysis: Fresno vs. California Top 10 by Population

Group Medians (Most Recent Available)			
Moody's Ratings			
Selected Medians	Aa – CA 10	A3–Fresno	A – CA 10
General Fund Balance as % of Revenues	28.18	17.34	19.28
Direct Net Debt as % of Full Value	0.85	0.56	0.65
Total Full Value (in thousands)	\$147,061,415	\$31,526,423	\$28,344,082
Assessed Value Per Capita	\$129,537	\$60,575	\$63,018
Population Estimates	1,135,286	520,453	449,777
Per Capital Income (Estimated)	\$54,135	\$38,323	\$30,414

### Peer Analysis to Largest 10 Cities

Metric	Median	City of Fresno	Ranking
General Fund Balance % of Revenues	27.9%	17.3%	9th
Unassigned General Fund Balance % of Revenues	8.5%	11.3%	8th
Direct Net Debt	\$1,031,330	\$175,603	10th
Direct Net Debt Per Capita	\$1,033	\$337	10th
Debt Burden	74.5%	62.2%	8th
Per Capital Income	\$49,391	\$38,323	5th
Assessed Value Per Capita	\$123,542	\$60,575	10th

Ranking: 1<sup>st</sup> is the highest and 10<sup>th</sup> is the lowest of the largest 10 cities in California.

### Glossary of Terms

**Direct Net Debt:** Total Debt less any Pension Bonds Outstanding.

**Assessed Value:** Total Assessed Valuation within the boundaries of the City.

**Debt Burden:** Net Direct Debt as a percentage of Revenues.

## Debt Coverage Airport Enterprise

	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues (1)	\$ 14,629,495	\$ 15,677,749	\$ 15,875,415	\$ 17,276,414	\$ 17,564,886	\$ 18,804,163	\$ 19,876,016	\$ 21,215,550	\$ 21,802,324	\$ 22,976,398	\$ 24,500,217
Less Operating Expenses	11,926,320	12,623,046	13,800,587	13,444,745	13,339,598	14,199,920	14,321,512	14,261,785	14,428,056	14,933,842	16,116,963
Other Available Funds (2)	—	—	—	—	—	—	50,992	95,014	349,805	359,232	368,003
<b>Net Revenues</b>	<b>\$ 2,703,175</b>	<b>\$ 3,054,703</b>	<b>\$ 2,074,828</b>	<b>\$ 3,831,669</b>	<b>\$ 4,225,288</b>	<b>\$ 4,604,243</b>	<b>\$ 5,605,496</b>	<b>\$ 7,048,779</b>	<b>\$ 7,724,073</b>	<b>\$ 8,401,788</b>	<b>\$ 8,751,257</b>
<b>Adjusted Debt Service</b>											
Series 2000 Bonds	\$ 2,721,843	\$ 2,850,401	\$ 2,872,002	\$ 3,011,580	\$ 3,012,614	\$ 3,011,470	\$ 3,012,060	\$ —	\$ —	\$ —	\$ —
Series 2013 Bonds	—	—	—	—	—	—	—	3,288,321	2,805,144	2,807,944	2,803,143
Less											
Minimum PFC Contribution <sup>(3)</sup>	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)
Bond proceeds	—	—	(338,300)	—	—	(70,077)	—	—	—	—	—
Additional PFC Contribution	(638,500)	(946,000)	(869,400)	(1,118,005)	(796,600)	(321,100)	(500,000)	(230,600)	—	(200,000)	0
<b>Net Series 2000/2013 Debt Service</b>	<b>\$ 983.343</b>	<b>\$ 804.401</b>	<b>\$ 564.302</b>	<b>\$ 793.575</b>	<b>\$ 1,116.014</b>	<b>\$ 1,520.293</b>	<b>\$ 1,412.06</b>	<b>\$ 1,457.721</b>	<b>\$ 1,205.144</b>	<b>\$ 1,007.944</b>	<b>\$ 1,203.143</b>
Series 2007 Bonds	—	—	640,013	1,283,260	1,283,260	1,298,260	1,332,385	1,369,469	1,399,219	1,436,928	1,472,012
<b>Annual Adjusted Debt Service</b>	<b>\$ 983.343</b>	<b>\$ 804.401</b>	<b>\$ 1,204.315</b>	<b>\$ 2,076.835</b>	<b>\$ 2,399.274</b>	<b>\$ 2,818.553</b>	<b>\$ 2,744.445</b>	<b>\$ 2,827.19</b>	<b>\$ 2,604.363</b>	<b>\$ 2,444.872</b>	<b>\$ 2,675.155</b>
<b>Annual Adjusted Debt Service Coverage</b> (4)	<b>2.75</b>	<b>3.80</b>	<b>1.72</b>	<b>1.84</b>	<b>1.76</b>	<b>1.63</b>	<b>2.04</b>	<b>2.49</b>	<b>2.97</b>	<b>3.44</b>	<b>3.27</b>

### Notes:

<sup>(1)</sup>State of California law requires the exclusion of Customer Facility Charge (CFC) Revenues from the calculation of Debt Service coverage in excess of annual Debt Service on the Series 2007 bonds

<sup>(2)</sup>Per the indenture, unencumbered CFC funds equal to 25% of Adjusted Debt Service may be designated by the City as Other Available Funds prior to the beginning of any fiscal year, and be transferred to the Revenue Fund at the beginning of such fiscal year. Since fiscal year 2015, the City's policy has been to annually designate available CFC funds equal to 25 percent of debt service associated with 2007 Bonds as Other Available Funds.

<sup>(3)</sup>Under the Supplemental Indenture, the Minimum Passenger Facility Charge (PFC) Contribution is increased from \$1.1 million to \$1.6 million.



# Water Enterprise

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Charges for Services	\$56,359,824	\$65,596,663	\$67,721,598	\$67,921,933	\$69,268,830	\$71,667,204	\$90,095,940	\$74,284,899	\$77,959,326	\$101,894,846
Less: Connection Fee Charges for Services	(3,403,075)	(2,230,192)	(1,662,536)	(1,218,217)	(1,083,555)	(1,330,539)	(1,666,977)	(1,495,691)	(1,562,867)	(1,917,371)
Net Charges for Services <sup>(1)</sup>	52,956,749	63,366,471	66,059,062	66,703,716	68,185,275	70,336,665	88,428,963	72,789,208	76,396,459	99,977,475
Other Operating Revenues and Interest Income	2,210,155	1,409,468	773,820	1,450,861	1,533,394	720,443	328,907	573,475	1,146,779	16,508
<b>Total Revenues</b>	<b>\$55,166,904</b>	<b>\$64,775,939</b>	<b>\$66,832,882</b>	<b>\$68,154,577</b>	<b>\$69,718,669</b>	<b>\$71,057,108</b>	<b>\$88,757,870</b>	<b>\$73,362,683</b>	<b>\$77,543,238</b>	<b>\$99,993,983</b>
<b>Expenses</b>										
Labor and Benefits	\$ —	\$ 9,707,563	\$ 11,234,598	\$ 12,432,877	\$ 12,517,445	\$ 12,678,961	\$ 13,524,886	\$ 11,377,958	\$ 12,436,520	\$ 12,401,334
Pumping Power	—	9,114,867	8,890,968	8,849,543	8,986,181	9,112,975	9,292,005	8,500,975	8,149,532	9,064,479
Source of Supply	—	6,129,477	8,044,508	7,144,620	7,748,205	6,317,505	1,779,813	5,612,816	6,629,834	4,188,352
All Other Operating and Maintenance	39,754,832	16,776,763	15,613,196	17,999,120	18,385,535	16,820,809	18,151,285	17,473,391	17,165,711	21,546,637
<b>Total Operating Expenses <sup>(2)</sup></b>	<b>\$39,754,832</b>	<b>\$41,728,670</b>	<b>\$43,783,270</b>	<b>\$46,426,160</b>	<b>\$47,637,366</b>	<b>\$44,930,250</b>	<b>\$42,747,989</b>	<b>\$42,965,140</b>	<b>\$44,381,597</b>	<b>\$47,200,802</b>
<b>Net Current Revenues</b>	<b>\$15,412.072</b>	<b>\$23,047.269</b>	<b>\$23,049.612</b>	<b>\$21,728.417</b>	<b>\$22,081.303</b>	<b>\$26,126.858</b>	<b>\$46,009.881</b>	<b>\$30,397.543</b>	<b>\$33,161.641</b>	<b>\$52,793.181</b>
2003A Senior Bond Debt Service	\$ 3,734,142	\$ 3,736,222	\$ 2,934,114	\$ 1,374,750	\$ 1,374,350	\$ 1,375,750	\$ 1,378,350	\$ 1,374,350	\$ 1,381,325	\$ 1,380,150
State Loans Debt Service	265,103	265,103	272,971	291,220	265,131	259,483	119,963	119,963	119,963	0
<b>Total Senior Debt</b>	<b>\$ 3,999.245</b>	<b>\$ 4,001.325</b>	<b>\$ 3,207.085</b>	<b>\$ 1,665.97</b>	<b>\$ 1,639.481</b>	<b>\$ 1,635.233</b>	<b>\$ 1,498.313</b>	<b>\$ 1,494.313</b>	<b>\$ 1,501.288</b>	<b>\$ 1,380.15</b>
Senior Coverage Ratio	<b>3.85</b>	<b>5.76</b>	<b>7.19</b>	<b>13.04</b>	<b>13.47</b>	<b>15.98</b>	<b>30.71</b>	<b>20.34</b>	<b>22.09</b>	<b>38.25</b>
<b>Net Revenue Available for Parity Debt Service</b>	<b>\$11,412,827</b>	<b>\$19,045,944</b>	<b>\$19,842,527</b>	<b>\$20,062,447</b>	<b>\$20,441,822</b>	<b>\$24,491,625</b>	<b>\$44,511,568</b>	<b>\$28,903,230</b>	<b>\$31,660,353</b>	<b>\$51,413,031</b>
2010 Series A Bond Debt Service	\$ —	\$ —	\$ 3,235,943	\$12,509,988	\$12,515,238	\$12,507,038	\$12,508,838	\$12,509,238	\$12,531,238	\$12,507,838
State Loans Debt Service	\$ —	\$ —	\$ —	\$ —	\$ 75,235	\$ 265,998	\$ 337,893	\$ 2,770,285	\$ 2,786,065	\$ 3,533,258
<b>Total Parity Debt Service</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,235,943</b>	<b>\$12,509,988</b>	<b>\$12,590,473</b>	<b>\$12,773,036</b>	<b>\$12,846,731</b>	<b>\$15,279,523</b>	<b>\$15,317,303</b>	<b>\$16,041,096</b>
<b>Parity Coverage Ratio</b>	<b>—</b>	<b>—</b>	<b>6.13</b>	<b>1.60</b>	<b>1.62</b>	<b>1.92</b>	<b>3.46</b>	<b>1.89</b>	<b>2.07</b>	<b>3.21</b>

**Notes:**

<sup>(1)</sup>1993 Indenture defines "Current Revenues" as all revenue from the operation of the Water System except for connection fees and charges.

<sup>(2)</sup>1993 Indenture defines "Maintenance and Operation Costs" as all expenses incurred for maintaining and operating the Water System except for Debt Service, Depreciation, and Amortization

## Wastewater Enterprise

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Charges for Services<sup>(1)</sup></b>	\$60,798,990	\$ 62,521,061	\$ 74,157,961	\$ 76,628,147	\$ 76,725,785	\$ 76,324,086	\$ 76,201,230	\$ 81,954,830	\$ 78,185,599	\$ 83,634,711
Interest Income	6,121,535	4,511,947	3,955,335	1,618,632	3,797,207	485,084	1,546,508	1,786,614	2,779,309	491,672
Less: Wastewater Facility Connection Fee	(4,386,213)	(1,439,343)	(2,336,689)	(1,463,172)	(1,133,247)	(1,852,524)	(1,981,327)	(1,708,801)	(1,843,957)	(1,967,994)
<b>Total Senior Lien Revenues</b>	<b>\$62,534,312</b>	<b>\$ 65,593,665</b>	<b>\$ 75,776,607</b>	<b>\$ 76,783,607</b>	<b>\$ 79,389,745</b>	<b>\$ 74,956,646</b>	<b>\$ 75,766,411</b>	<b>\$ 82,032,643</b>	<b>\$ 79,120,951</b>	<b>\$ 82,158,389</b>
Operating Expenses <sup>(2)</sup>	31,909,771	31,646,468	30,714,505	31,422,980	36,857,808	36,431,161	36,339,200	37,390,529	35,935,135	38,058,304
Net Income Before Debt Service	\$30,624,541	\$ 33,947,197	\$ 45,062,102	\$ 45,360,627	\$ 42,531,937	\$ 38,525,485	\$ 39,427,211	\$ 44,642,114	\$ 43,185,816	\$ 44,100,085
Senior Lien Debt Service <sup>(3)</sup>	\$10,817,050	\$ 13,391,850	\$ 13,530,713	\$ 10,754,019	\$ 10,736,988	\$ 10,724,331	\$ 10,714,175	\$ 10,694,956	\$ 10,723,231	\$ 10,711,900
Coverage Ratio <sup>(4)</sup>	<b>2.83</b>	<b>2.53</b>	<b>3.33</b>	<b>4.22</b>	<b>3.96</b>	<b>3.59</b>	<b>3.68</b>	<b>4.17</b>	<b>4.03</b>	<b>4.12</b>
100% Coverage-Subordinate Lien: Net Current Revenue after Senior Lien Debt (before Connection Fees)	\$19,807,491	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,036	\$ 33,947,158	\$ 32,462,585	\$ 33,388,185
<b>Available from Senior Lien Revenues</b>	\$19,807,491	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,036	\$ 33,947,158	\$ 32,462,585	\$ 33,388,185
Subordinate Lien Debt Service <sup>(5)</sup>	\$ 4,243,838	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844
Coverage Ratio	<b>4.67</b>	<b>2.59</b>	<b>3.97</b>	<b>4.35</b>	<b>4.00</b>	<b>3.50</b>	<b>3.61</b>	<b>4.27</b>	<b>4.08</b>	<b>4.20</b>
120% & 125% Coverage Subordinate Lien: <b>Net Current Revenue (Excluding Connection Fees)</b>	\$19,807,491	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,036	\$ 33,947,158	\$ 32,462,585	\$ 33,388,185
Wastewater Facility Connection Fee	4,386,213	1,439,343	2,336,689	1,463,172	1,133,247	1,852,524	1,981,327	1,708,801	1,843,957	1,967,994
Transfers From/To Rate Stabilization Fund	—	16,200,000	—	—	—	—	—	—	—	—
<b>Net Current Revenue (Including Connection Fees)</b>	<b>\$24,193,704</b>	<b>\$ 38,194,690</b>	<b>\$ 33,868,078</b>	<b>\$ 36,069,780</b>	<b>\$ 32,928,196</b>	<b>\$ 29,653,678</b>	<b>\$ 30,694,363</b>	<b>\$ 35,655,959</b>	<b>\$ 34,306,542</b>	<b>\$ 35,356,179</b>
Portion Pledged to Senior Lien Coverage <sup>(6)</sup>	\$24,193,704	\$ 38,194,690	\$ 33,868,078	\$ 36,069,780	\$ 32,928,196	\$ 29,653,678	\$ 30,694,363	\$ 35,655,959	\$ 34,306,543	\$ 35,356,179
<b>Available From Senior Lien Revenues</b>	\$24,193,704	\$ 38,194,690	\$ 33,868,078	\$ 36,069,780	\$ 32,928,196	\$ 29,653,678	\$ 30,694,363	\$ 35,655,959	\$ 34,306,543	\$ 35,356,179
Subordinate Lien Debt Service <sup>(5)</sup>	\$ 4,243,838	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844
Coverage Ratio	<b>5.70</b>	<b>4.81</b>	<b>4.26</b>	<b>4.54</b>	<b>4.14</b>	<b>3.73</b>	<b>3.86</b>	<b>4.49</b>	<b>4.32</b>	<b>4.45</b>
<b>Net Income After Debt Service<sup>(7)</sup></b>	<b>\$19,949,866</b>	<b>\$ 30,245,846</b>	<b>\$ 25,919,234</b>	<b>\$ 28,120,936</b>	<b>\$ 24,979,352</b>	<b>\$ 21,704,834</b>	<b>\$ 22,745,519</b>	<b>\$ 27,707,115</b>	<b>\$ 26,357,699</b>	<b>\$ 27,407,335</b>

### Notes:

- (1) Includes revenue paid by the City of Clovis for Operations and Maintenance pursuant to the 1977 Fresno-Clovis Sewerage System Joint Powers Agreement.
- (2) The 1993 Indenture specifically excludes from Operating Expenses Debt Service, Amortization and Depreciation.
- (3) 1993 Sewer System Revenue Bonds, Series A.
- (4) Coverage Ratio is calculated by dividing Net Income before Debt Service by Senior Lien Debt Service.
- (5) 2008 Sewer System Revenue Refunding Bonds, Series A.
- (6) The 1991 Sewer System Revenue Bonds (1991 Series A) matured in August 2003; Repayment of the bonds were funded from revenues of the Sewer System.
- (7) Net Income after Debt Service and before cash financed capital expenses and any other expenses for lawful purposes.

## Appendix - Ratings History

### Lease Revenue Bonds

Year	Moody's	S&P	Fitch
2017	Baa1/Baa2 ↑ Pos	A ↑ Stable	A- Stable
2016	Baa2/Baa3 ↑ Pos	BB+ Stable	A- ↑ Stable
2015	Ba1/Ba2 ↑ Stable	BB+ Stable	BBB- Stable
2014	Ba2/Ba3 ↓ Pos	BB+ Stable	BBB- Stable
2013	Ba1/Ba2 Neg	BB+ ↓ Stable	BBB- ↓ Neg
2012	Ba1/Ba2 ↓ Neg	BBB- ↓ Neg	BBB/BBB- ↓ Neg
2011	Baa1 ↓ Neg	A- ↓ Neg	A- ↓ Stable

### Airport Revenue Bonds

Year	Moody's	S&P	Fitch
2017	Baa1 Pos	BBB+ ↑ Stable	BBB Pos
2016	Baa1 Pos	BBB Pos	BBB Pos
2015	Baa1 Stable	BBB Pos	BBB Stable
2014	Baa1 Stable	BBB Stable	BBB Stable
2013	Baa1 Stable	BBB Stable	BBB Stable
2012	Baa1 Stable	BBB Stable	BBB Stable
2011	Baa1 Stable	BBB Stable	BBB Stable

### Water Revenue Bonds

Year	Moody's	S&P	Fitch
2017	A3 Pos	AA- Stable	AA/A+ Stable
2016	A3 Pos	AA- ↑ Stable	AA/A+ Stable
2015	A3 Pos	A+/A Stable	AA/A+ Stable
2014	A3 Stable	A+/A Stable	AA/A+ Stable
2013	A3	A+/A Stable	AA/A+ ↓ Neg
2012	A3 ↓ Neg	A+/A Neg	AA/AA- Neg
2011	A2 ↓ Neg	A+/A Neg	AA/AA- ↑ Stable

Arrows indicate an increase (?) or decrease (?) from the prior rating.

Wastewater (Sewer) Revenue Bonds

Year	Moody's		S&P		Fitch	
2016	A1	Pos	AA+/AA	Stable	AA/AA-	Stable
2015	A1	Pos	AA+/AA	Stable	AA/AA-	Neg
2014	A1	Stable	AA+/AA	↻ Stable	AA/AA-	Neg
2013	A1	Neg	AA+/AA-	↻ Stable	AA/AA-	Neg
2012	A1	↻	AA+/AA	Neg	AA/AA-	Neg
2011	Aa3	Neg	AA+/AA	↻ Stable	AA/AA-	Stable

Arrows indicate an increase (↑) or decrease (↓) from the prior rating.





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