

Agenda Items: ID#20-0024 (1-X)

Date: 1/16/2020

FRESNO CITY COUNCIL



Additional Information

Agenda Related Item(s) – ID#20-0024 (1-X)

Item(s)

Submission and Acceptance of the City of Fresno Comprehensive Annual Financial Report (CAFR) and the Comprehensive Annual Debt Report (CADR) for Fiscal Year 2019.

Contents: CAFR

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):

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.



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Photo from Welcome to Fresno Sign's Post

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019
Prepared by the Finance Department

Michael Lima

Finance Director | Controller

CAFR TEAM

Roberta Cope

Principal Accountant

Aubree Stapp

Senior Accountant-Auditor

Susanne Galvan

Senior Accountant-Auditor

Oscar Ortega

Accountant-Auditor II

Phillip Hardcastle

Principal Accountant

Scott Zulewski

Accountant-Auditor II

Indervir Boparai

Accountant-Auditor II

Veronica Diaz

Management Analyst

Jose Barboza

Accountant-Auditor II

Jessica Ortiz

Payroll Manager

Stephanie Foglio

Payroll Accountant

Janessa Selzer

Payroll Accountant

Goharik Arshakyan

Accountant-Auditor II

Kriti Agrawal

Principal Internal Auditor

Vanessa Bryant

Internal Auditor

Yvonne Dedmore

Administrative Manager

Lilly Bañuelos

Executive Assistant

Special Thanks to
Corrina Barbarite, Treasury Officer
Kim Jackson, Administrative Manager
CAFR Grants and Capital Asset Contacts in all City Departments

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INTRODUCTORY SECTION



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CONTROLLER'S TRANSMITTAL LETTER

Lee Brand
Mayor



Wilma Quan
City Manager

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

January 16, 2020

The Honorable Mayor Lee Brand and Members of the City Council
Distinguished Citizens 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, 2019 (fiscal year 2018-2019), 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. 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 (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.

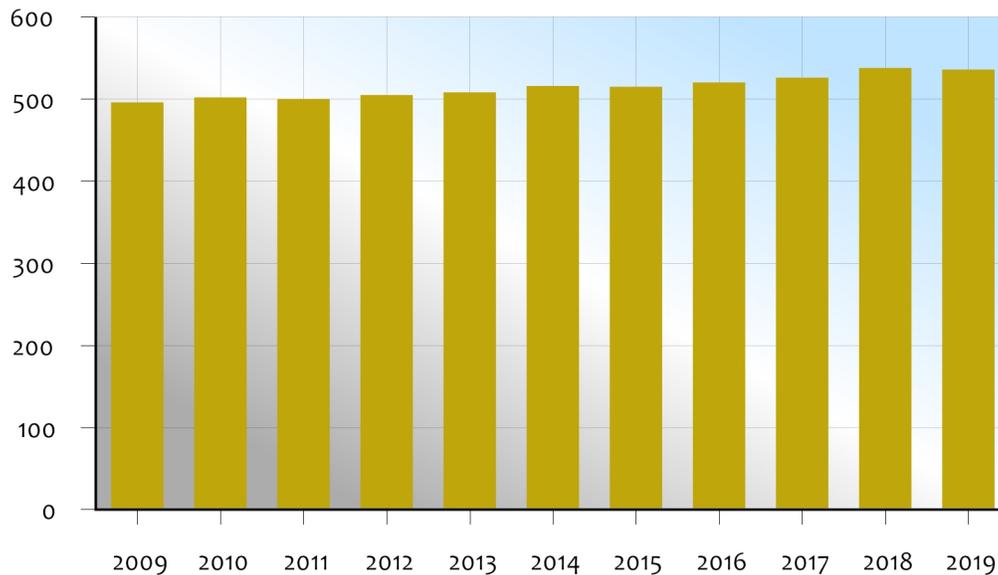
General Background

The City of Fresno is located near the geographical center of California, approximately 200 miles north of Los Angeles and 170 miles south of the State capital, Sacramento. The City has land area of 115.2 square miles. With over half a million residents (536,683 as of January 1, 2019), Fresno is the 5th largest city in California by population, and 34th largest in the nation. The City is part of the Fresno-Clovis metropolitan area, which is the second largest metropolitan area in the Central Valley after Sacramento.

With its close proximity to Yosemite National Park (60 miles), Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles).

Named for the abundant ash trees lining the San Joaquin River, Fresno was founded in 1872 as a railway station of the Central Pacific Railroad before it was incorporated in 1885.

Population Growth (in thousands)



Government and Budget

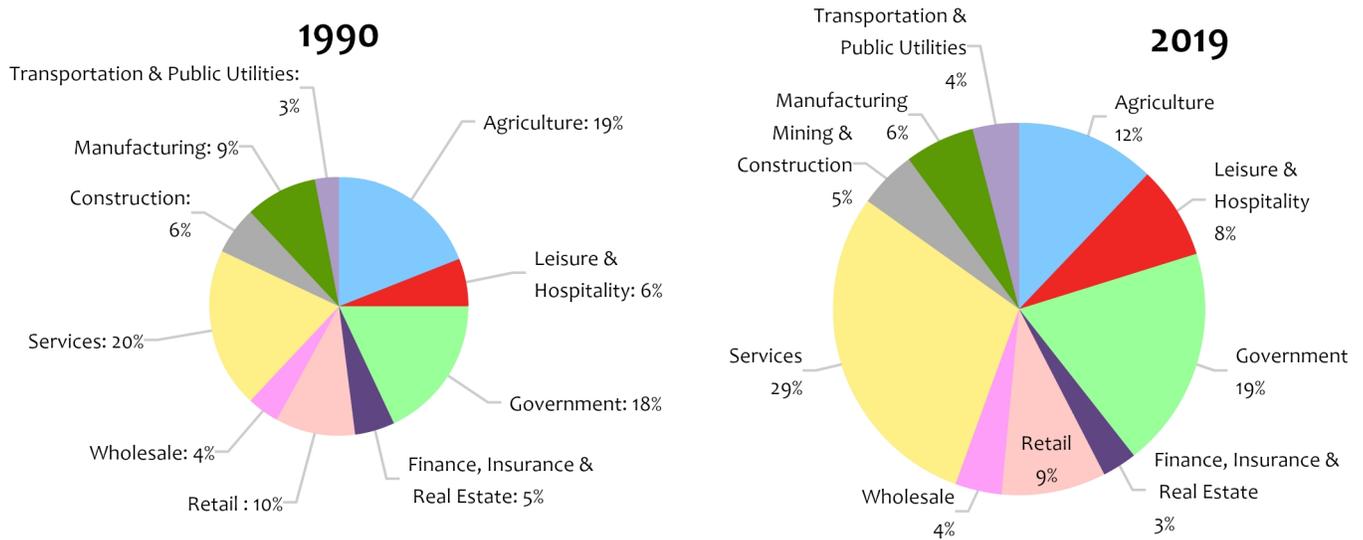
The City operates under the strong-Mayor form of government. Under this form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The budget of the City of Fresno, within the meaning and context of Section 1205 of the City's Charter, must be adopted by City Council (Council) resolution no later than June 30th of a given year. As provided by Section 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 Council members. Administrative changes within the department/fund level may be made without approval of Council within written guidelines established by the City Manager.

Industry and Economy

Fresno is the economic hub of Fresno County and the San Joaquin Valley, with much of the surrounding areas in the Metropolitan region predominantly tied to large-scale agricultural production. While agriculture still makes up a large component of the region's employment base (12% of jobs), the Fresno economy continues to diversify, as evidenced by the fact that services (29% of jobs) and government (19% of jobs) employ more people than agriculture.

1990 vs. 2019 Estimated Number of Workers by Industry



Source: CA Employment Development Department

Food processing leads 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 Old Navy Pacific Distribution Center, the Ulta Beauty Fulfillment Center and the Amazon Fulfillment Center. Public sector and healthcare employment are also major contributors to the City's economy.

Principal Employers (Public & Private Sector)

| Employer | Industry | Full-Time Employees |
|-------------------------------------|----------|---------------------|
| Fresno Unified School District | | 10,552 |
| Community Regional Medical Center | | 8,500 |
| County of Fresno | | 7,773 |
| Internal Revenue Service | | 4,040 |
| Olam | | 3,576 |
| City of Fresno | | 3,575 |
| Zacky Farms LLC | | 3,300 |
| Saint Agnes Medical Center | | 2,812 |
| California State University, Fresno | | 2,543 |
| Amazon.com, Inc | | 2,500 |

Economic Overview

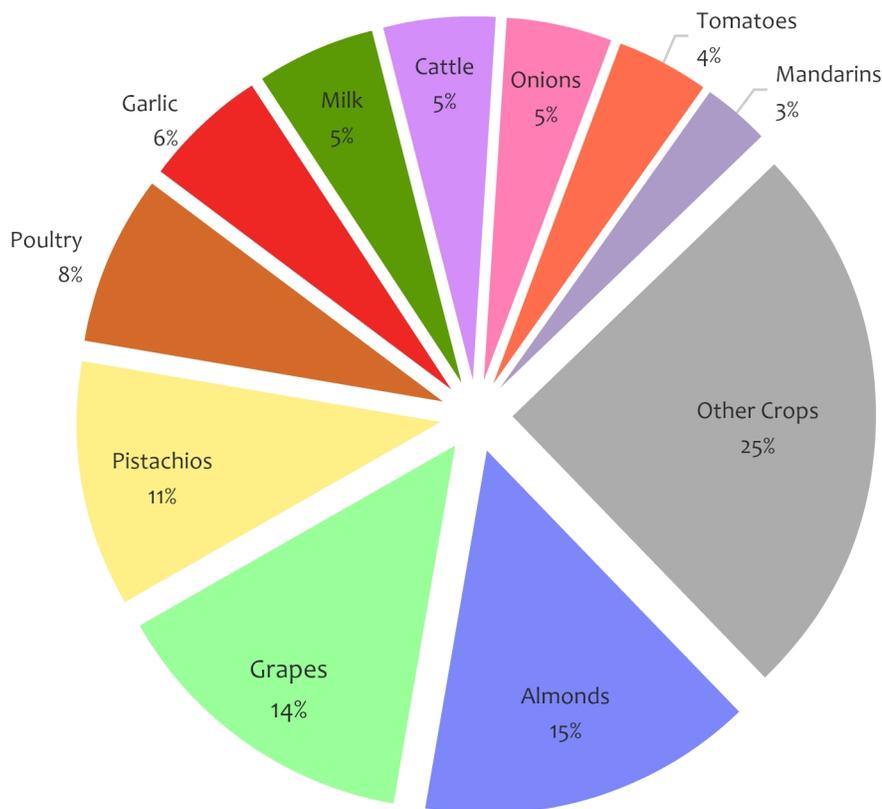
Agriculture remains one of the backbones of the Fresno area's economy and continues to be robust. Fresno County's agricultural strength rests in its diversity with more than 400 commercial crops providing gross production of \$7.9 billion in 2019, an increase of 12.2% from 2018.

Almonds again surpassed the \$1.1 billion mark to beat out grapes for the number one spot on Fresno County's Top Ten crop ranking.

California produces most of the grapes grown in the United States with 99.5% 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 2018, Fresno County exported 172 agriculture commodities to 95 countries around the world.

Fresno has established itself as an ideal location for manufacturing and distribution due to its strategic location, low business costs and affordable housing.

2019 Diversified Agricultural Base



Source: CA Employment Development Department

Fiscal Year 2019 Economic Conditions & Financial Impact

Fresno generally showed a marked improvement in its economy during fiscal year 2019, as is shown in the table below:

| Economic Indicator | 2018 | 2019 | Change (%) |
|--------------------|------------------|------------------|------------|
| Assessed Value | \$34,453,902,554 | \$36,613,200,610 | 6.3% |
| Taxable Sales | \$13,155,642,615 | \$14,913,692,308 | 13.4% |
| Unemployment Rate | 7.5% | 7.3% | -2.7% |
| Building Permits | 12,874 | 9,458 | -26.5% |

The overall improvement 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:

- Total Assets increased \$48.7 million (1.2%) from the fiscal year 2018 year-end Total Assets balance of \$3,959.7 million.
- Revenues increased \$52.8 million (6.6%) from Revenues for fiscal year 2018, which totaled \$799.7 million.
- Expenses grew \$60.3 million (9.2%) to \$715.7 million .
- Total Net Position grew \$136.7 million (5.7%) from fiscal year 2018's total of \$2,410.1 million. Most importantly, Unrestricted Net Position climbed \$35.6 million (7.4%) to \$519.9 million.

While the City's overall financial position showed good improvement, the General Fund displayed a more pronounced change in financial position. Key metrics reflecting this change include:

- Total Assets increased \$15.8 million (16.6%) over the fiscal year 2018 Total Assets year-end balance of \$95.0 million. Growth in Restricted Cash from increases to the General Fund Emergency Reserve drove the overall increase in Total Assets.
- Total Liabilities increased \$0.4 million (3.4%) from the fiscal year 2018 year-end Total Liabilities of \$12.7 million. The increase in Liabilities was completely in the accounts that make up Accrued Liabilities.
- Revenues increased \$23.5 million (7.6%) from Revenues for fiscal year 2018 of \$309.4 million. Significant growth was seen in the economy-driven revenues, such as Sales Tax and Property Tax.
- Expenditures increased \$1.8 million (0.6%) from fiscal year 2018's \$287.8 million expenditure level. Increases in General Government and Public Protection expenditures due to the addition of new positions were offset by a sharp drop in Capital Outlay expenditures.

These results and others are discussed in greater detail in the Management's Discussion & Analysis, which begins on Page 5.

How Fresno Compares to the 25 Largest California Cities

Despite recent improvement in its financial position, the City of 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 table on page VII demonstrates, 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 the City's assets are augmented by the Net Pension Asset, which no other city in the survey possesses. The lack of assets puts the City of 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.

Subsequent Events

On September 1, 2019, the City defeased the remaining \$27.3 million of its \$159.8 million Sewer System Revenue Bonds Series 2008 with surplus cash on hand, interest earned by setting sufficient funds to pay down the debt in an escrow account, and surplus funds in the Debt Service Reserve Fund due to a recalculation of the Debt Service Reserve Requirement subsequent to the defeasance.

In October 2019, the Water Fund paid the remaining \$1.8 million liability associated with the CVP litigation settlement.

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, 2018. This was the 26th 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 only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

Total Government-Wide Assets per Capita Top 25 California Cities Comparison

| City | Total Assets | CAFR Year | Population California Department of Finance As of January 1, 2018 | Assets per Capita | Population Ranking | Per Capita Asset Rank | Net Pension Asset/(Liability) |
|------------------|-------------------------|-------------|--|----------------------|-----------------------|--------------------------|----------------------------------|
| Los Angeles | \$ 64,788,389,000 | 2018 | 4,040,079 | \$ 16,036 | 1 | 3 | \$ (8,438,197,000) |
| San Diego | \$ 15,194,921,000 | 2019 | 1,420,572 | \$ 10,696 | 2 | 9 | \$ (2,625,164,000) |
| San Jose | \$ 10,350,330,000 | 2019 | 1,043,058 | \$ 9,923 | 3 | 10 | \$ (3,129,095,000) |
| San Francisco | \$ 37,147,308,000 | 2018 | 883,869 | \$ 42,028 | 4 | 1 | \$ (5,073,130,000) |
| Fresno | \$ 4,008,404,000 | 2019 | 536,683 | \$ 7,469 | 5 | 15 | \$ 368,501,000** |
| Sacramento | \$ 4,534,584,000 | 2018 | 508,172 | \$ 8,923 | 6 | 11 | \$ (845,376,000) |
| Long Beach | \$ 10,435,869,000 | 2018 | 475,013 | \$ 21,970 | 7 | 2 | \$ (1,056,334,000) |
| Oakland | \$ 3,464,832,000 | 2019 | 432,897 | \$ 8,004 | 8 | 13 | \$ (1,654,576,000) |
| Bakersfield | \$ 2,692,653,192 | 2018 | 389,211 | \$ 6,918 | 9 | 18 | \$ (437,509,411) |
| Anaheim | \$ 5,022,268,000 | 2019 | 359,339 | \$ 13,976 | 10 | 5 | \$ (761,026,000) |
| Santa Ana | \$ 1,607,560,016 | 2019 | 337,716 | \$ 4,760 | 11 | 24 | \$ (632,437,467) |
| Riverside | \$ 4,203,058,000 | 2018 | 328,101 | \$ 12,810 | 12 | 6 | \$ (627,777,000) |
| Stockton | \$ 2,301,553,826 | 2019 | 316,410 | \$ 7,274 | 13 | 16 | \$ (516,775,186) |
| Irvine* | \$ 3,267,213,000 | 2019 | 280,202 | \$ 11,660 | 14 | 8 | \$ (149,518,000) |
| Chula Vista | \$ 1,895,367,409 | 2018 | 271,411 | \$ 6,983 | 15 | 17 | \$ (294,399,729) |
| Fremont* | \$ 1,365,386,753 | 2019 | 232,532 | \$ 5,872 | 16 | 22 | \$ (366,514,171) |
| San Bernardino | \$ 1,013,433,948 | 2018 | 219,233 | \$ 4,623 | 17 | 25 | \$ (423,070,307) |
| Santa Clarita | \$ 1,353,101,580 | 2018 | 218,103 | \$ 6,204 | 18 | 19 | \$ (46,706,496) |
| Modesto | \$ 1,893,801,443 | 2019 | 215,201 | \$ 8,800 | 19 | 12 | \$ (314,991,499) |
| Fontana | \$ 1,299,420,598 | 2018 | 212,078 | \$ 6,127 | 20 | 20 | \$ (146,180,506) |
| Oxnard | \$ 2,937,508,725 | 2018 | 209,879 | \$ 13,996 | 21 | 4 | \$ (300,693,247) |
| Moreno Valley | \$ 1,233,844,181 | 2018 | 208,297 | \$ 5,923 | 22 | 21 | \$ (72,410,028) |
| Glendale | \$ 2,637,022,000 | 2019 | 206,283 | \$ 12,784 | 23 | 7 | \$ (567,758,000) |
| Huntington Beach | \$ 1,177,879,000 | 2019 | 203,761 | \$ 5,781 | 24 | 23 | \$ (420,993,000) |
| Rancho Cucamonga | \$ 1,388,215,929 | 2019 | 179,412 | \$ 7,738 | 25 | 14 | \$ (85,608,299) |

* These cities have governmental activities only.

** This figure represents the prefunded Pension Asset/ overfunding applicable to future years. For peer cities, it represents the underfunding of pension liabilities.

Note: Only figures for each Primary Government were used as of June 30, 2019 CAFRs (2018 when 2019 not available). In cases where Component Units were reflected in separate Columns, Component Unit numbers were excluded.

Acknowledgments

The fiscal year 2019 CAFR reflects the financial results of providing services to the citizens of Fresno. But numbers cannot portray the level of commitment that is displayed by City employees day-in and day-out. Simply put, Fresno's citizens would not have the standard of living that they enjoy without the creativity and perseverance of City staff. Fresno's citizens 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. In spite of staff turnover, new accounting guideline implementation, and technological challenges, this team continues to find ways to produce a high quality CAFR. While the term "Rock Stars" is usually not associated with accountants, all of the Finance Department staff that worked on this report have earned that moniker.

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
City Manager



Michael Lima
Finance Director/City Controller

CITY OPERATING FUND STRUCTURE



Enterprise Fund

General Fund

Internal Service Fund

Special Revenue Fund

Proprietary Fund Types operate as if they were private businesses. One type is Enterprise Funds. These funds provide services to other governmental and non-governmental entities, including individuals and businesses.

The **General Fund** is used to account for unrestricted revenues. Revenues received by the City that have no legal or contractual restriction are placed in the various funds within the General Fund. Appropriations may be made from the General Fund for any legal City activity. Revenues such as sales tax, property tax, and business tax are a few examples of General Fund revenues.

The **Proprietary Fund types** operate as if they were private businesses. One type of Proprietary Fund is the Internal Service Funds that provide services to departments within the City.

This fund type accounts for a significant amount of revenue that the City receives which is restricted as to its use. Examples of this type of revenue would be assessment districts, Community Development Block Grant, and various gas taxes.

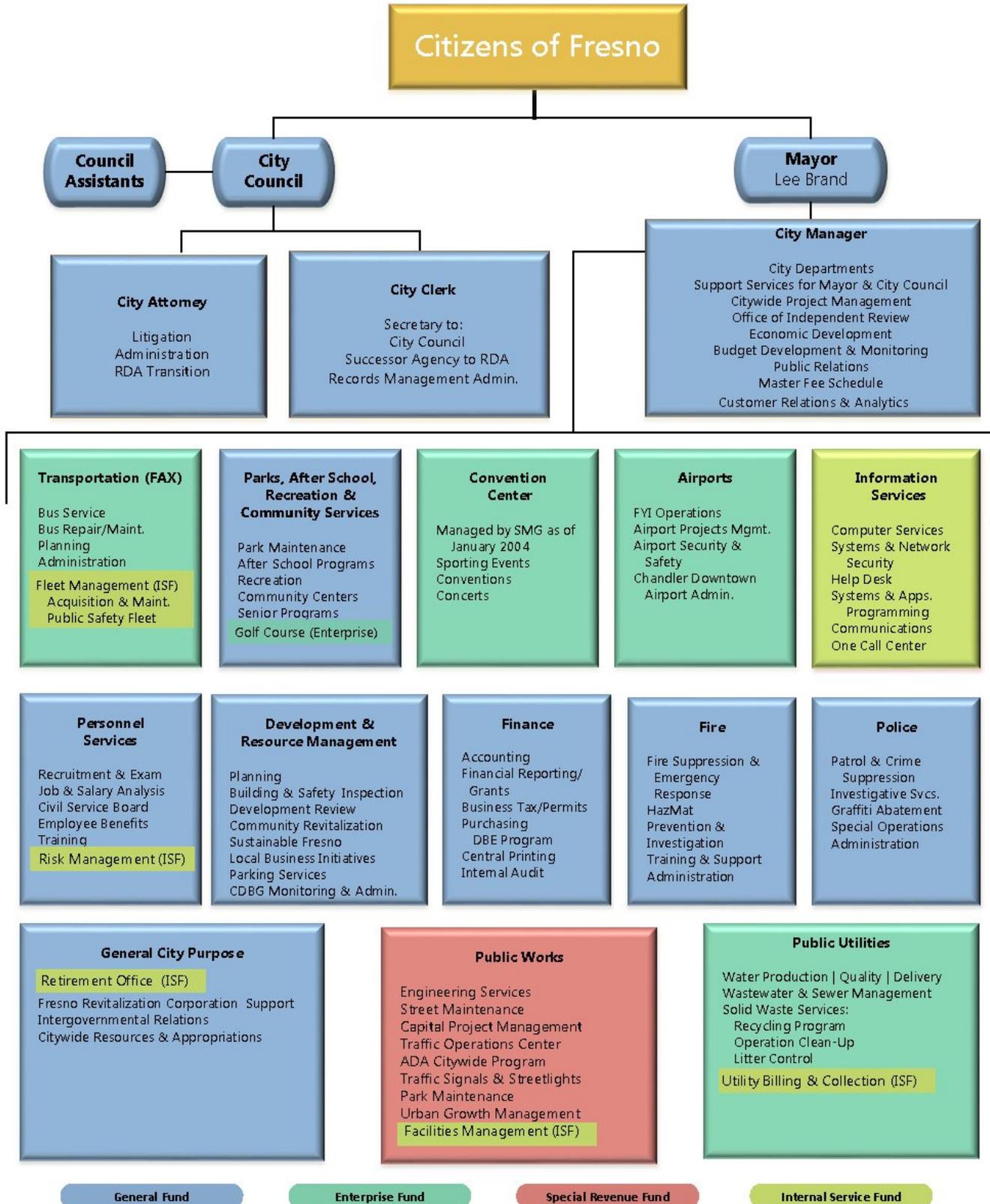
- ENTERPRISE**
- Airports
 - Public Utilities
 - Transportation
 - Convention Center
 - Parks (Golf Course)

- GENERAL**
- Mayor
 - City Manager
 - City Council
 - City Clerk
 - City Attorney
 - Finance
 - Fire
 - Development & Resource Management
 - General City Purpose
 - PARCS
 - Police
 - Personnel Services

- INTERNAL SERVICE**
- Retirement
 - Personnel Service (Risk Management)
 - Transportation (Fleet Management)
 - Information Services
 - Public Utilities (Utility Billing & Collection)
 - Public Works (Facilities Management)

- SPECIAL REVENUE**
- Public Works

CITY ORGANIZATIONAL CHART



FRESNO, CALIFORNIA
DIRECTORY OF CITY OFFICIALS

ELECTED OFFICIALS
As of January 10, 2020



Lee Brand
Mayor



Esmeralda Soria
District 1



Mike Karbassi
District 2



Miguel Arias
District 3



Paul Caprioglio
District 4



Luis Chavez
District 5



Garry Bredefeld
District 6



Nelson Esparza
District 7

APPOINTED EXECUTIVE OFFICIALS

Wilma Quan, City Manager

Jane Sumpter, Assistant City Manager

Jim Schaad, Assistant City Manager

Douglas Sloan, City Attorney

Yvonne Spence, City Clerk

Michael Lima, Finance Director/Controller

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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, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

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 fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund (the Successor Agency), which represents the following percentages of the assets, net position/fund balances, and additions/revenues of the following opinion unit:

| <u>Opinion Unit</u> | <u>Assets</u> | <u>Net Position/Fund Balances</u> | <u>Additions/Revenues</u> |
|---|---------------|---|---------------------------|
| Aggregate Remaining Fund Information | 0% | 0% | 2% |

The financial statements of the Successor Agency were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Successor Agency, is based on the report of the other auditors.

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

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REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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

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

Opinions

In our opinion, 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, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1E to the financial statements, during the fiscal year ended June 30, 2019, the City adopted early the provisions of Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

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 Other Postemployment Benefits (OPEB) Plan schedule of changes in the net OPEB liability and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 10, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 10, 2020

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MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2019

CITY OF FRESNO, CALIFORNIA

This section of the City of Fresno's (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, 2019. 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 the 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 \$4,008.4 million for the first time in the City's history.
- Citywide Total Liabilities dropped by \$64.1 million (4.2%) primarily due to the \$132.5 million defeasance of the Sewer Fund's \$159.8 million 2008 Bonds.
- Net Position for the entire City improved to a record \$2,546.9 million; a \$136.7 million (5.7%) increase over fiscal year 2018's Net Position of \$2,410.1 million.
- The City continues to record a net pension asset. The fiscal year 2019 net pension asset of \$368.5 million was up from fiscal year 2018's net pension asset of \$318.2 million thanks to positive investment returns. Fresno remains one of very few government entities in the country with a net pension asset.

OVERVIEW OF FISCAL YEAR 2019 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 stadium.

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 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.

The Government-Wide Financial Statements can be found on pages 30-31 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 35 and 37.

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

The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers/ratepayers what is being done with their money. Budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund demonstrate compliance with the budget, and also reflect where actual results deviated from expected budgetary estimates.

- **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: albeit in more detail. Proprietary Funds (Enterprise and Internal Service) utilize the same method used by the private sector businesses: 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**); 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 data for the Internal Service Funds is provided in the form of combining statements.

- **Fiduciary Funds** are used to account for resources held for the benefit of parties outside 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 City maintains three types of Fiduciary Funds:
 - † **Pension Trust Funds** consist of funds for Fire and Police and other Employees.
 - † **Private-Purpose Trust Fund** is used to account for the assets and liabilities held in trust for the Successor Agency to the former RDA.
 - † **Agency Funds** consist of funds used to account for City-related trust activity, such as payroll withholding and bid deposits. Agency Funds also include *Special Assessment Funds* that account for debt service transactions involving special assessment districts within the City.

The basic financial statements can be found on pages 30-161 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic 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 Basic Financial Statements can be found on pages 51-161 of this report.

Required Supplementary Information (RSI)

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 as well as schedules of investment returns, changes in Net Pension Liability, employer contribution, and schedule of changes in Net Other Post-Employment Benefits (OPEB) Liability and related ratios. RSI and accompanying notes can be found on pages 164-175 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 178-202 of this report.

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*.

Net Position - Government-Wide / Primary Government

(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | | Total Change from Prior Year | |
|---|-------------------------|--------------|--------------------------|--------------|--------------|-------------|------------------------------|---------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | \$ | % |
| Assets: | | | | | | | | |
| Current and Other Assets | \$ 384,668 | \$ 413,038 | \$ 558,839 | \$ 514,829 | \$ 943,507 | \$ 927,867 | \$ (15,640) | (1.7)% |
| Net Pension Asset | 256,562 | 292,794 | 61,657 | 75,707 | 318,219 | 368,501 | 50,282 | 15.8% |
| Capital Assets: | | | | | | | | |
| Not Being Depreciated | 322,234 | 316,167 | 589,791 | 433,758 | 912,025 | 749,925 | (162,100) | (17.8)% |
| Net of Accumulated Depreciation | 633,684 | 640,948 | 1,152,297 | 1,321,163 | 1,785,981 | 1,962,111 | 176,130 | 9.9% |
| Total Capital Assets | 955,918 | 957,115 | 1,742,088 | 1,754,921 | 2,698,006 | 2,712,036 | 14,030 | 0.5% |
| Total Assets | 1,597,148 | 1,662,947 | 2,362,584 | 2,345,457 | 3,959,732 | 4,008,404 | 48,672 | 1.2% |
| Deferred Outflows of Resources: | | | | | | | | |
| Charge on Refunding | 4,864 | 4,411 | 1,627 | 847 | 6,491 | 5,258 | (1,233) | (19.0)% |
| Pension Contributions | 64,153 | 57,299 | 10,554 | 9,251 | 74,707 | 66,550 | (8,157) | (10.9)% |
| Deferred Outflows - Pension | 1,711 | 10,248 | 695 | 4,162 | 2,406 | 14,410 | 12,004 | 498.9% |
| Total Deferred Outflows of Resources | 70,728 | 71,958 | 12,876 | 14,260 | 83,604 | 86,218 | 2,614 | 3.1% |
| Liabilities: | | | | | | | | |
| Long-Term Liabilities Due Within One Year | 66,526 | 74,286 | 29,721 | 23,887 | 96,247 | 98,173 | 1,926 | 2.0% |
| Long-Term Liabilities Due in More than One Year | 482,953 | 486,895 | 819,959 | 743,622 | 1,302,912 | 1,230,517 | (72,395) | (5.6)% |
| Other Liabilities | 23,601 | 31,670 | 108,496 | 106,751 | 132,097 | 138,421 | 6,324 | 4.8% |
| Total Liabilities | 573,080 | 592,851 | 958,176 | 874,260 | 1,531,256 | 1,467,111 | (64,145) | (4.2)% |
| Deferred Inflows of Resources: | | | | | | | | |
| Pension Revenue Applicable to Future Yrs | 69,371 | 50,937 | 12,424 | 11,962 | 81,795 | 62,899 | (18,896) | (23.1)% |
| Unamortized OPEB Expense | 14,330 | 12,620 | 5,820 | 5,126 | 20,150 | 17,746 | (2,404) | 100.0% |
| Total Deferred Inflows of Resources | 83,701 | 63,557 | 18,244 | 17,088 | 101,945 | 80,645 | (21,300) | (20.9)% |
| Net Position: | | | | | | | | |
| Net Investment in Capital Assets | 796,242 | 793,963 | 958,169 | 1,054,185 | 1,754,411 | 1,848,148 | 93,737 | 5.3% |
| Restricted | 171,473 | 178,858 | — | — | 171,473 | 178,858 | 7,385 | 4.3% |
| Unrestricted | 43,380 | 105,676 | 440,872 | 414,184 | 484,252 | 519,860 | 35,608 | 7.4% |
| Total Net Position | \$1,011,095 | \$ 1,078,497 | \$ 1,399,041 | \$ 1,468,369 | \$ 2,410,136 | \$2,546,866 | \$ 136,730 | 5.7% |

Changes in Net Position - Government-Wide / Primary Government

(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | | Total Change from Prior Year | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|------------------------------|-------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | \$ | % |
| Revenues | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Charges for Services | \$ 97,422 | \$ 104,539 | \$ 272,809 | \$ 287,730 | \$ 370,231 | \$ 392,269 | \$ 22,038 | 6.0% |
| Operating Grants & Contributions | 26,488 | 40,278 | 22,940 | 37,910 | 49,428 | 78,188 | 28,760 | 58.2% |
| Capital Grants & Contributions | 38,584 | 37,525 | 69,569 | 33,249 | 108,153 | 70,774 | (37,379) | (34.6)% |
| General Revenues: | | | | | | | | |
| Property Taxes | 130,109 | 138,201 | — | — | 130,109 | 138,201 | 8,092 | 6.2% |
| Business Tax | 20,982 | 18,162 | — | — | 20,982 | 18,162 | (2,820) | (13.4)% |
| Sales Taxes - Shared Revenues | 85,512 | 96,939 | — | — | 85,512 | 96,939 | 11,427 | 13.4% |
| Other Local Taxes | 31,051 | 31,346 | — | — | 31,051 | 31,346 | 295 | 1.0% |
| Investment Earnings | 1,349 | 8,413 | 2,613 | 15,624 | 3,962 | 24,037 | 20,075 | 506.7% |
| Gain on Sale of Capital Assets | 223 | 2,517 | 36 | 35 | 259 | 2,552 | 2,293 | 885.3% |
| Total Revenues | 431,720 | 477,920 | 367,967 | 374,548 | 799,687 | 852,468 | 52,781 | 6.6% |
| Expenses | | | | | | | | |
| General Government | 31,319 | 42,785 | — | — | 31,319 | 42,785 | 11,466 | 36.6% |
| Public Protection | 206,163 | 214,903 | — | — | 206,163 | 214,903 | 8,740 | 4.2% |
| Public Ways and Facilities | 76,289 | 80,369 | — | — | 76,289 | 80,369 | 4,080 | 5.3% |
| Culture and Recreation | 19,771 | 23,809 | — | — | 19,771 | 23,809 | 4,038 | 20.4% |
| Community Development | 30,412 | 29,188 | — | — | 30,412 | 29,188 | (1,224) | (4.0)% |
| Interest on Long-term Debt | 14,413 | 14,101 | — | — | 14,413 | 14,101 | (312) | (2.2)% |
| Sewer, Water and Solid Waste | — | — | 170,021 | 197,561 | 170,021 | 197,561 | 27,540 | 16.2% |
| Transit | — | — | 53,937 | 57,864 | 53,937 | 57,864 | 3,927 | 7.3% |
| Airports | — | — | 31,192 | 33,262 | 31,192 | 33,262 | 2,070 | 6.6% |
| Fresno Convention Center | — | — | 8,855 | 8,701 | 8,855 | 8,701 | (154) | (1.7)% |
| Community Sanitation | — | — | 10,077 | 10,093 | 10,077 | 10,093 | 16 | 0.2% |
| Parks and Recreation | — | — | 283 | 502 | 283 | 502 | 219 | 77.4% |
| Stadium | — | — | 2,710 | 2,600 | 2,710 | 2,600 | (110) | (4.1)% |
| Total Expenses | 378,367 | 405,155 | 277,075 | 310,583 | 655,442 | 715,738 | 60,296 | 9.2% |
| Increase in Net Position Before Transfers and Special Item | 53,353 | 72,765 | 90,892 | 63,965 | 144,245 | 136,730 | (7,515) | (5.2)% |
| Transfers | (4,820) | (5,363) | 4,820 | 5,363 | — | — | — | —% |
| Special Item - Loss on Receivable/Transfer of Asset * | (8,152) | — | — | — | (8,152) | — | 8,152 | (100.0)% |
| Change in Net Position | 40,381 | 67,402 | 95,712 | 69,328 | 136,093 | 136,730 | 637 | 0.5% |
| Net Position - Beginning | 984,701 | 1,011,095 | 1,308,564 | 1,399,041 | 2,293,265 | 2,410,136 | 116,871 | 5.1% |
| Cumulative Effect of Accounting Change - GASB 75 | (13,987) | — | (5,236) | — | (19,223) | — | 19,223 | (100.0)% |
| Net Position - Beginning Restated | 970,714 | 1,011,095 | 1,303,328 | 1,399,041 | 2,274,042 | 2,410,136 | 136,094 | 6.0% |
| Net Position - Ending | \$ 1,011,095 | \$ 1,078,497 | \$ 1,399,040 | \$ 1,468,369 | \$ 2,410,135 | \$ 2,546,866 | \$ 136,731 | 5.7% |

* Loss on transfer of building asset to City. Please see fiscal year 2018 CAFR, Note 13 for additional details.

Analysis of Changes in Government-Wide Net Position

The City's overall Net Position improved to a record \$2,546.9 million: a \$136.7 million (5.7%) increase over fiscal year 2018's Net Position of \$2,410.1 million. Most notably, the Unrestricted Net Position showed the most growth; going from \$484.3 million in fiscal year 2018 to \$519.9 million in fiscal year 2019.

Several factors contributed to the overall increase in Net Position:

- City Revenues rose \$52.8 million (6.6%), going from \$799.7 million in fiscal year 2018 to \$852.5 million in fiscal year 2019. The growth in revenues was driven by increases of \$22.0 million (6.0%) in Charges for Services (specifically, Public Protection Charges for Services), and \$28.8 million (58.2%) in Operating Grants, mostly in the Public Ways and Facilities category as well as the Transit Fund.
- City Expenses grew from \$655.4 million incurred in fiscal year 2018 to \$715.7 million in fiscal year 2019. The increase was almost evenly split between Governmental Activities and Business-Type Activities. Governmental Activities Expenses grew \$26.8 million (7.1%), while Business-Type Activities Expenses rose \$33.5 million (12.1%). The primary causes behind the increase in Governmental Activities Expenses were \$11.5 million growth in General Government expenses and a \$8.8 million rise in Public Protection expenses. On the Business-Type Activities side, growth in the Water Fund's Expenses of \$20.4 million explain most of that function's expense increase.
- Total Assets grew from \$3,959.7 million in fiscal year 2018 to \$4,008.4 million in fiscal year 2019, a \$48.7 million (1.2%) increase. The growth in Total Assets was due to a \$50.3 million increase in the Net Pension Asset (from \$318.2 million in fiscal year 2018 to \$368.5 million in fiscal year 2019: a 15.8% increase) as a result of strong investment returns generated by the Retirement Systems.
- Total Deferred Outflows of Resources rose \$2.6 million (3.1%) from fiscal year 2018's figure of \$83.6 million, primarily as a result of \$12.0 million in Deferred Outflows - Pensions increases that were partially offset by \$8.2 million of Pension Contribution decreases.
- Total Liabilities fell \$64.1 million (4.2%) from \$1,531.3 million in fiscal year 2018 to \$1,467.1 million in fiscal year 2019. The overall drop in Total Liabilities was entirely attributable to a decrease of \$72.4 million in Long-Term Liabilities Due in More than One Year; specifically, the defeasance of \$132.5 million in Sewer Fund bonds which was partially offset by additional loans received from the State Water Resources Control Board by the Water Fund.
- A \$21.3 million (20.9%) decrease in the Deferred Inflows of Resources, specifically, the Pension Revenue Applicable to Future Years.

Governmental Activities

In fiscal year 2019, Governmental Activities increased their Net Position by \$67.4 million (6.7%) to \$1,078.5 million. The growth in Net Position occurred primarily within the Unrestricted Net Position, which improved by \$62.3 million to fiscal year 2019's Net Position of \$105.7 million.

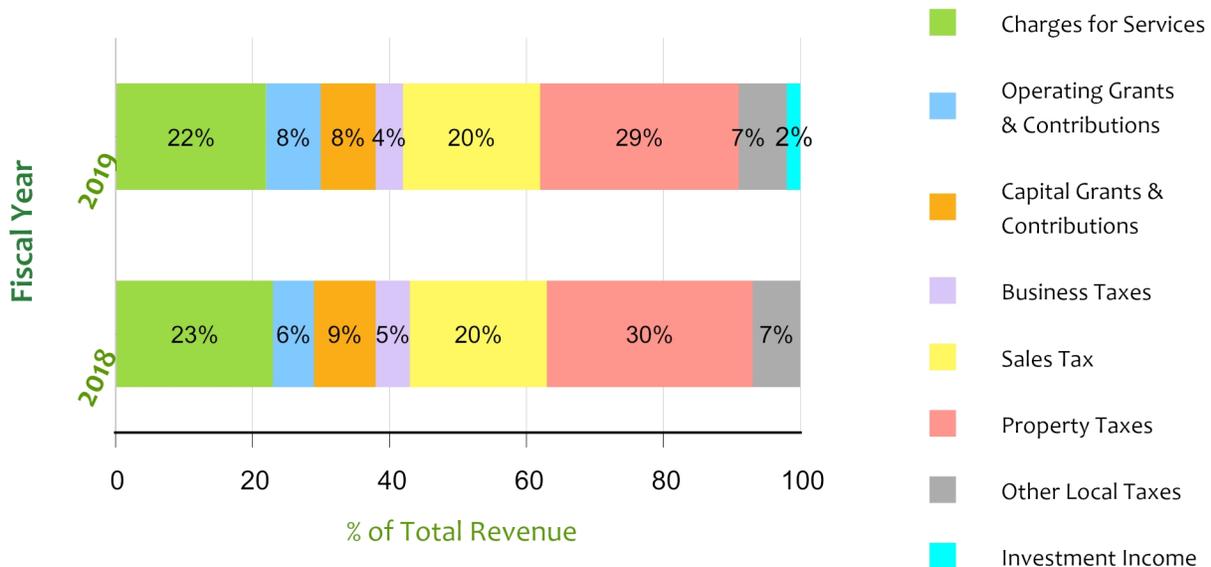
Key factors affecting the Net Position were:

- Revenues went from \$431.7 million in fiscal year 2018 to \$477.9 million in fiscal year 2019: a \$46.2 million (10.7%) increase. The increase was due primarily to \$7.1 million, or 7.3%, of growth in the Charges for Services category and \$26.4 million, or 9.8%, of growth in the General Revenues category. Within the Charges for Services, the increase primarily occurred in the Public Protection category (\$8.7 million, or 26.9%): specifically, increases in Police Event Services Fees, Public Safety Inspection Fees, and Fire Sprinkler Fees. The rise in General Revenues came primarily from three sources: a \$11.4 million increase in Sales Taxes, a \$8.1 million increase in Property Taxes, and a \$7.1 million increase in Investment Income.
- Expenses grew from \$378.4 million in fiscal year 2018 to \$405.2 million in fiscal year 2019, led by a 36.6% increase in General Government expenses (from \$31.3 million in fiscal year 2018 to \$42.8 million in fiscal year 2019) and a 4.2% increase in Public Protection expenses (from \$206.2 million in fiscal year 2018 to \$214.9 million in fiscal year 2019). Most of the increases in the General Government and Public Protection categories can be attributed to increased personnel costs.
- Total Assets increased by \$65.8 million (4.1%) from fiscal year 2018's Total Assets balance of \$1,597.1 million. An increase of \$36.2 million (14.1%) in the Net Pension Asset to \$292.8 million and an increase in Restricted Cash of \$36.2 million (1,561.6%) were the primary drivers in the overall growth of Total Assets.
- Total Liabilities increased by 3.5%, or \$19.8 million, from fiscal year 2018's Total Liabilities of \$573.1 million. A rise in total Long-Term Liabilities (Due Within a Year and Due in More than One Year, combined) of \$11.7 million (2.1%), supplemented by growth of \$8.4 million (49.7%) in Accrued Liabilities, explains the overall increase in Total Liabilities.

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.

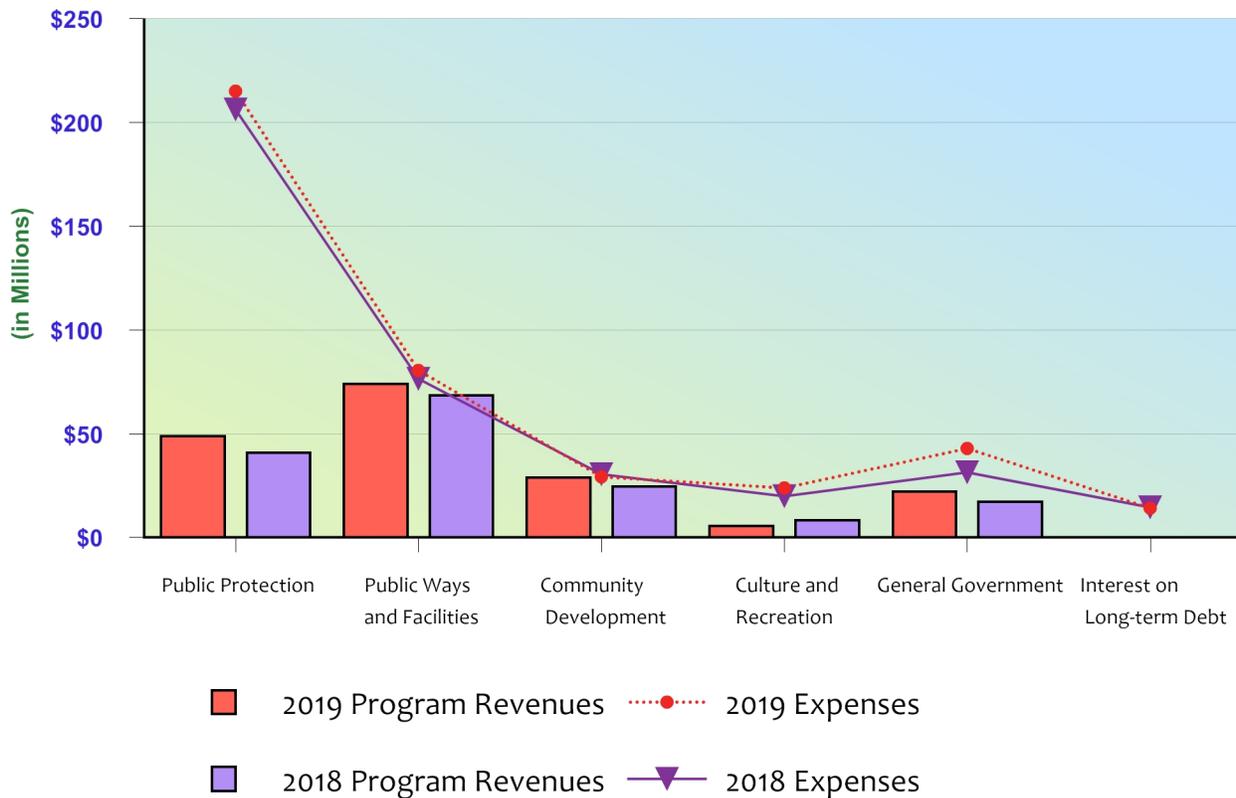
Governmental Activities Revenue by Type (2 Year Comparative)



Governmental Activities Expenses by Type (2 Year Comparative)



Program Revenues and Expenses - Governmental Activities (2 Year Comparative)



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

General Fund

Fund Balance in the General Fund increased from \$51.9 million in fiscal year 2018 to \$69.0 million in fiscal year 2019. It is significant to note that the Unassigned Fund Balance increased from \$19.5 million in fiscal year 2018 to \$25.3 million in fiscal year 2019: a \$5.8 million (29.6%) increase.

Fiscal year 2019's revenues showed marked growth when compared to fiscal year 2018's revenues; increasing by \$23.5 million (7.6%) from fiscal year 2018's total of \$309.4 million. The increase was primarily in the Taxes and Charges for Services revenues, which were up \$19.1 million (7.2%) and \$4.8 million (18.3%) respectively. The main driver in the overall increase in Taxes revenues came from \$9.5 million of growth in Sales Tax revenue, which was the result of increased economic activity. An improved economy also drove Property Tax revenues, which grew \$7.6 million. Increased economic activity was also the reason behind the rise in Charges for Services, primarily development fees generated by additional construction.

While General Fund revenues were up, General Fund expenditures remained relatively constant when compared to the previous fiscal year. General Fund expenditures grew by \$1.8 million, or 0.6%, to the fiscal year 2019 expenditure total of \$289.6 million. The change in expenditures can be explained by three factors:

- Growth in Public Protection expenditures, which increased from \$207.9 million in fiscal year 2018 to \$212.8 million in fiscal year 2019: a \$4.8 million, or 2.3%, 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.
- Growth in General Government expenditures, which rose \$6.6 million (32.8%). \$3.9 million of the overall increase in this category was due to additional personnel costs; both in the form of new positions added and pay increases to existing staff. This increase in personnel costs was supplemented by a \$1.0 million increase in vehicle repair costs and a \$0.8 million increase in inventory expenditures.
- A decline in Capital Outlay expenditures of \$9.3 million (83.5%). The decline was due to expenditures made in fiscal year 2018 for which there were no corresponding expenditures made in fiscal year 2019.

The increase in revenues and stable expenditures produced a large increase in Total Assets, which grew \$15.8 million (16.6%) to \$110.8 million. The majority of the increase was in Restricted Cash, which rose \$35.4 million (2,156.3%) due to the deposit of \$7.7 million of Sales Tax revenues into the General Fund Emergency Reserve, per the fiscal year 2019 Adopted Budget.

Significant committed fund balance amounts of the General Fund include:

- \$34.3 million for the General Fund Emergency Reserve, and
- \$2.7 million for the 27th Pay Period Reserve.

General Fund Budget to Actual Comparison

The fiscal year 2019 Adopted Budget was made up of \$408.3 million of budgeted revenues and \$374.2 million of appropriations. After various amendments were made throughout the fiscal year, the General Fund ended the fiscal year with \$417.6 million of budgeted revenues and \$383.5 million of appropriations. Actual results on a budgetary (cash) basis of accounting were \$436.6 million of revenues and \$362.1 million of expenditures. Thus, the actual revenues were \$19.0 million (4.6%) over the fiscal year-end budgeted revenues, while the actual expenditures were \$21.4 million (5.6%) under fiscal year-end appropriations.

The major differences between the budget and the actual results are noted on the next page:

| Comparison of Revenues and Expenditures - Budget to Actual / General Fund (in thousands) | | | | | |
|--|--------------------------|-----------------------|-------------------------------|----------------------------------|--|
| | Budgeted Original | Budgeted Final | Actual Budgetary Basis | Over (Under) Final Budget | Explanation |
| Revenues: | | | | | |
| Property Taxes | \$131,683 | \$131,683 | \$137,164 | \$5,481 | A stronger local economy led to an increase in assessed values, which resulted in actual Property Tax revenues above estimated levels. |
| Sales Taxes | \$100,821 | \$100,821 | \$103,263 | \$2,442 | A stronger local economy with a diversifying economic base produced sales tax that was higher than budgetary estimates. |
| Charges for Services | \$32,038 | \$32,471 | \$35,349 | \$2,878 | Development fees from increased construction generated \$2.2 million above budgetary estimates. |
| Expenditures: | | | | | |
| Fire Department | \$56,072 | \$56,092 | \$57,954 | \$1,862 | Fire overtime costs were above appropriated amounts. |
| Transfers to Other Funds | \$33,385 | \$33,660 | \$34,688 | \$1,028 | A transfer of \$1.4 million made to close the North Central Fire Contract Fund which was not included in budgetary estimates. |
| Capital Outlay | \$12,348 | \$17,633 | \$8,813 | \$(8,820) | Fire Station 18 construction costs (\$3.5 million), a Community Senior Center (\$2.7 million), and a City parking garage improvements (\$1.4 million) were budgeted but not spent. |

A more detailed look at the budget versus actual comparison for the General Fund can be found on page 164 in the Required Supplementary Information section.

With the adoption of the fiscal year 2019 budget, General Fund revenue estimates now include a recognition period for Sales Tax revenues that goes from September through August. The change brought a one-time revenue of \$7.7 million into the General Fund, resulting in 13 months of Sales Tax receipts being recorded in fiscal year 2019. The City Council (Council) directed that the \$7.7 million be deposited in the General Fund Emergency Reserve (Reserve), which brought the Reserve to a 10% of appropriations level which is required under the City's Reserve Management Act. With the General Fund Emergency Reserve at 10% of appropriations, repayments of RDA loans that were being deposited in the Reserve have become a General Fund revenue stream.

Grants Special Revenue Fund

Fund Balance in the Grants Special Revenue Fund fell from \$68.7 million in fiscal year 2018 to \$68.0 million in fiscal year 2019. The drop in Total Fund Balance was concentrated in the Restricted Fund Balance, which declined \$1.1 million (1.5%). The decline in Fund Balance was due primarily to a drop of \$2.8 million (97.6%) in Transfers from Other Funds, which reflects match payments and project closeout payments made in fiscal year 2018 for which there were not corresponding payments in fiscal year 2019.

Overall, fiscal year 2019 revenues in the Grants Special Revenue Fund exhibited a modest \$0.8 million (2.9%) increase from the \$28.8 million shown in fiscal year 2018. All of the revenue growth was generated by an increase in State Grant revenues, particularly a new \$3.1 million Homeless Emergency Aid Program grant.

Expenditures reflected a decrease, falling \$1.1 million (3.9%) from fiscal year 2018's level of \$28.1 million to fiscal year 2019's total of \$27.0 million. The decline was due to the completion in fiscal year 2018 of

several construction projects funded by federal grants for which there were not corresponding expenditures in fiscal year 2019.

Other Governmental Funds

Fund Balance for the Other Governmental Funds rose \$7.5 million between fiscal year 2018 and fiscal year 2019 (\$112.9 million versus \$120.3 million, respectively). The growth in the Fund Balance was primarily due to a \$4.8 million increase in fund balance for the Urban Growth Management (UGM) Impact Fee Fund. The UGM Impact Fee Fund Balance increase was fueled by a \$4.1 million increase in unrestricted cash that was the product of the fund's Operating Income.

Business-Type Activities

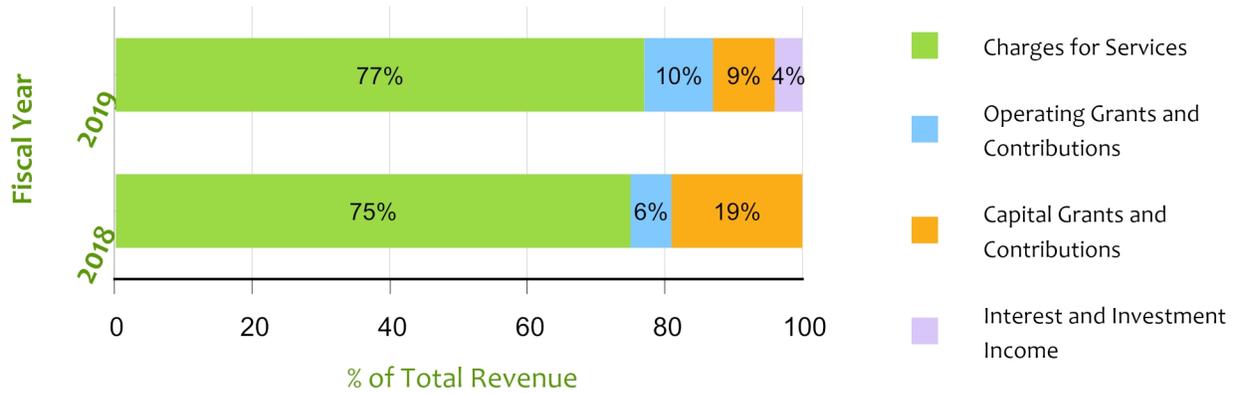
Business-Type Activities for fiscal year 2019 increased their Net Position by \$69.3 million (5.0%) over fiscal year 2018's Business-Type Activities Net Position of \$1,399.0 million. Key factors affecting the Net Position were:

- Total Assets decreased by \$17.1 million (0.7%) over fiscal year 2018's Total Asset balance of \$2,362.6 million. The decrease was primarily due to a decline of \$83.6 million (28.5%) in Restricted Cash, which was used to defease the majority of the Sewer 2008 bonds. Partially offsetting that decrease was growth in Unrestricted Cash of \$42.8 million (21.5%), primarily from Water as a result of operations, and growth of \$14.0 million (22.8%) in the Pension Asset.
- Total Liabilities fell by 8.8%, or \$83.9 million, from fiscal year 2018's Total Liabilities of \$958.2 million. The decline was primarily due to a \$76.3 million (9.3%) drop in Long -Term Liabilities Due in More than One Year mainly caused by the partial defeasance of the Sewer 2008 bonds.
- Revenues went from \$368.0 million in fiscal year 2018 to \$374.5 million in fiscal year 2019: a \$6.6 million (1.8%) increase. The growth can be attributed to increased Investment Earnings (which went from \$2.6 million in fiscal year 2018 to \$15.6 million in fiscal year 2019), a rise of \$11.7 million in the Water Fund's Charges for Services, and an increase of \$16.6 million in Transit Operating Grants. Offsetting these increases was a \$43.7 million (81.9%) decline in the Transit Fund's Capital Grants, which fell due to the completion of the Bus Rapid Transit infrastructure.
- Expenses went from \$277.1 million in fiscal year 2018 to \$310.6 million in fiscal year 2019. The primary driver behind this increase was \$20.4 million (27.7%) of growth in the Water Fund's expenses, caused by the new Surface Water Treatment Plant coming online.

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.

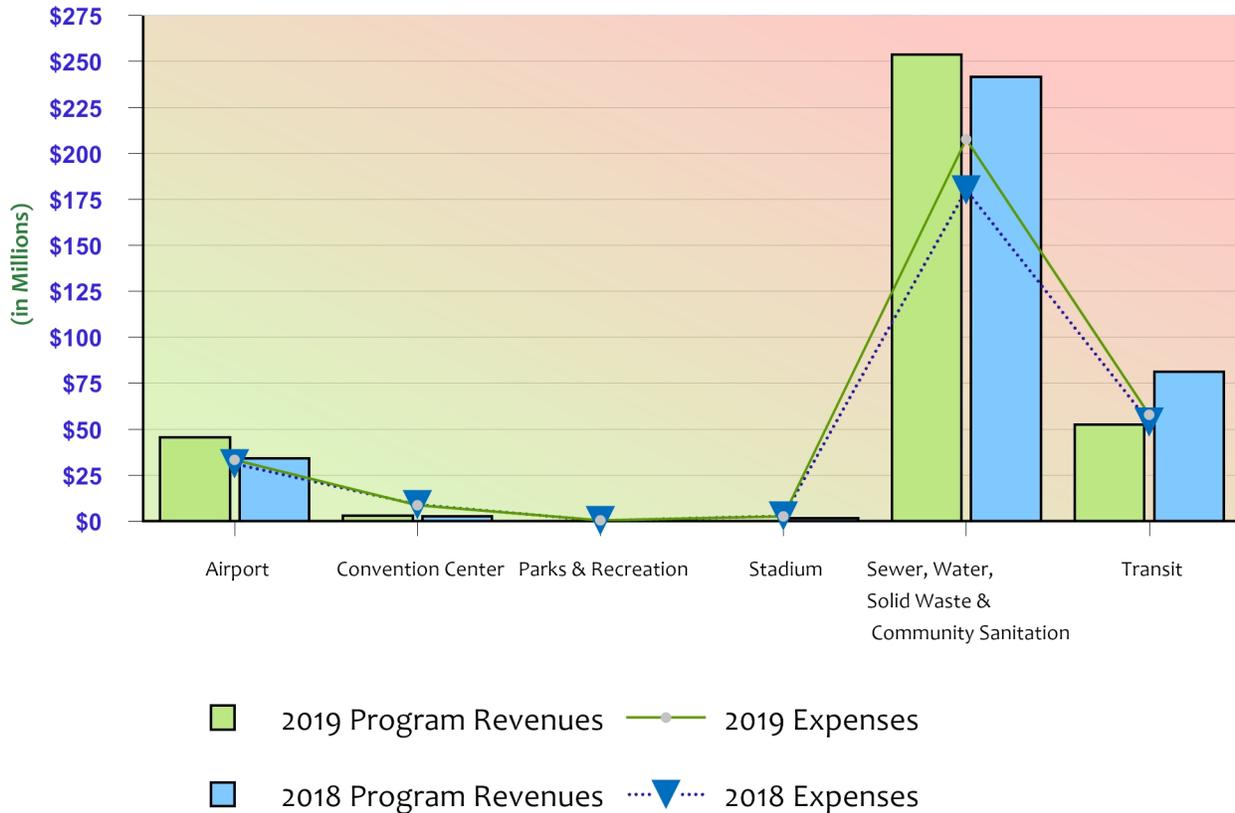
Business-Type Activities Revenue by Type (2 Year Comparative)



Business-Type Activities Expenses by Type (2 Year Comparative)



Business-Type Activities Program Revenues and Expenses (2 Year Comparative)



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

Water

Water’s Net Position showed an increase over fiscal year 2018’s levels. Net Position grew from \$424.0 million in fiscal year 2018 to \$458.3 million in fiscal year 2019, a \$34.2 million (8.1%) increase. The change in net position was driven by the following factors:

- Water revenues increased from \$107.4 million in fiscal year 2018 to \$119.0 million in fiscal year 2019, a \$11.6 million (10.8%) increase. The increase was primarily driven by a \$14.8 million rise in Customer User Charges, which was partially offset by a \$2.3 million decrease in the revenue associated with the CVP Litigation Settlement Receivable (please see Note 12, pages 148-149 for further information on this settlement).

The additional Customer User Charge revenue was the product of a five-year Water rate increase plan's implementation. 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 5's rate was implemented in July 2018.

- Operating expenses in the Water Fund increased by \$16.0 million (23.5%) to \$83.7 million in fiscal year 2019. The expense growth was mainly generated by a \$9.3 million (23.9%) increase in Cost of Services: primarily a \$6.6 million increase in repairs expenses and a \$2.5 million increase in chemicals costs associated with the new Southeast Surface Water Treatment Plant. Overall expense growth was also supplemented by a \$6.1 million (60.7%) increase in Administration costs: composed mainly of a \$2.1 million increase in developer refunds and a \$1.6 million adjustment for Bad Debt Expense.
- Total Assets grew from \$896.4 million in fiscal year 2018 to \$947.2 million in fiscal year 2019, a \$50.7 million (5.7%) increase. A \$16.5 million (2.2%) increase in Capital Assets (resulting from the completion of the Southeast Surface Water Treatment Plant and associated water pipelines) was augmented by a \$26.9 million increase in Unrestricted Cash.
- Total Liabilities rose by \$15.2 million (3.2%) from \$471.7 million in fiscal year 2018 to \$486.9 million in fiscal year 2019. The overall growth in Total Liabilities was fueled by a \$25.1 million (8.1%) increase in Notes Payable related to the State Water Resources Board loans received to finance the Southeast Surface Water Treatment Plant.

Sewer

The Sewer Fund's Net Position increased by \$20.9 million (3.1%), from \$663.3 million in fiscal year 2018 to \$684.2 million in fiscal year 2019. The driver behind the net position increase was an decrease of \$139.1 million (49.5%) in Total Liabilities from fiscal year 2018's figure of \$280.7 million. Specifically, Sewer saw a decrease of \$135.3 million in Bonds Payable as a result of regular debt service payments and the \$132.5 million partial defeasance of the Sewer 2008 bonds in September 2018.

The effect that the decrease in Total Liabilities had on the Sewer Fund's Net Position was partially offset by a decrease of \$115.9 million (12.3%) in Total Assets to \$828.3 million. The overall decrease was fueled by a \$130.7 million decrease in Restricted Cash, which was used to fund the defeasance of the Sewer 2008 bonds. The drop in Restricted Cash was partially offset by a \$28.0 million increase in Unrestricted Cash. The increase in Unrestricted Cash was another byproduct of the defeasance. As a result of the reduced debt load, Interest Expense dropped by \$4.2 million (67.5%). This decrease, coupled with additional Interest Income of \$3.5 million, produced an additional \$7.7 million of Non-Operating Income over fiscal year 2018's figure of \$(4.1) million. All of this Non-Operating Income growth went to Unrestricted Cash.

The Unrestricted Cash was also bolstered by Operating Income of \$10.7 million. However, the Operating Income was down from the fiscal year 2018 Operating Income of \$21.2 million. While revenues were down slightly (\$0.6 million, or 0.7%) due to a decrease in Customer User Charges, Operating Expenses grew by \$10.0 million (16.5%). The Operating Expense growth primarily consisted of an increase in Repairs and Maintenance expenses (\$5.1 million) and a \$1.3 million adjustment for Bad Debt Expense.

Solid Waste Management

The Solid Waste Management Fund's Net Position grew modestly from fiscal year 2018's figure of \$44.8 million to fiscal year 2019's figure of \$45.9 million: a \$1.1 million (2.5%) increase. An increase in Net Investment in Capital Assets (\$1.6 million, or 23.6%) was offset by a decline in Unrestricted Net Position (\$0.5 million, or 1.3%). The growth in Net Investment in Capital Assets was due primarily to a \$2.2 million (3,349.5%) increase in the fund's Construction in Progress. The increase in Construction in Progress is the result of the construction of additional monitoring wells at the City's landfill as required under post-closure activity overseen by the Environmental Protection Agency. The decline in Unrestricted Net Position was mainly due to an Operating Loss of \$0.9 million, which was virtually identical to the Operating Loss incurred in fiscal year 2018.

Transit

Transit (known as Fresno Area Express, or FAX) experienced an increase in ridership for the second straight year. FAX transported 10.6 million passengers in fiscal year 2019, an 8.2% increase from fiscal year 2018's ridership of 9.8 million passengers. FAX management attributes the increase to a growing acceptance and utilization of new service that has been implemented over the past few years, particularly Bus Rapid Transit service.

The additional passengers and the new service have not yet had an impact on the Transit Fund's Net Position. Net Position fell \$5.6 million (5.1%) from \$110.0 million in fiscal year 2018 to \$104.4 million in fiscal year 2019. The decline in Net Position was entirely due to growth in Total Liabilities of \$6.3 million (14.3%). The growth in Total Liabilities was fueled by \$3.6 million (12.8%) increase in Unearned Revenue; particularly, Proposition 1B - Public Transportation Modernization, Improvement, and Service Enhancement Account Funds.

The growth in passengers also did not have an impact on revenues, which decreased \$1.4 million (13.0%) to \$9.3 million due to a decline in both Refunds (\$0.9 million) and Donations (\$0.5 million) revenues. However, new service added in the past few years did have a substantial impact on the Transit Fund's Cost of Services expenses, which increased \$3.9 million (11.2%). The Cost of Services increase was the result of growing Personnel costs for staff manning the new services.

Airports

Fiscal year 2019 origin and destination passengers numbered a record 1,857,848: 13.6% higher than prior year passengers of 1,635,323. Airports has set passenger records for four consecutive fiscal years. Additionally, the fiscal year 2019 percentage increase was the largest over the last twenty years.

While the increase in passenger traffic was significant, the change in the Airports Fund's Net Position was driven by other factors. Total Net Position was \$189.4 million: \$14.5 million (8.3%) higher than fiscal year 2018's Net Position of \$174.9 million. As has been historically the case with the Airports Fund, the largest contributor to the Net Position was Capital Contributions. Capital Contributions increased by \$9.3 million (211.6%) to \$13.8 million. The increase reflected grant reimbursements for capital work mainly done on one of Fresno Yosemite International Airport's primary taxiways.

The increase in passengers was reflected in Operating Revenues. Operating Revenues (particularly Landing Fees and Parking revenues) grew \$1.7 million (7.2%) to \$25.8 million. However, that revenue increase was more than offset by growth in Operating Expenses, which rose 11.5% (\$3.3 million) to a total of \$32.1 million. The growth in expenses was caused by increases in marketing expenses (specifically, incentives payments to airlines for new air service) and personnel costs for new staff added to address the impact of passenger growth.

In order to fund the upcoming construction of a parking garage, the Airports Fund issued a \$35 million private placement bond with the California Infrastructure and Economic Development Bank in May 2019. The additional debt was the cause of Total Liabilities increasing by \$35.6 million (59.2%) to \$95.8 million. While the bond issue increased the Total Liabilities, the proceeds (recorded as Restricted Cash) were a large factor in the Total Assets increase of \$49.9 million (21.2%) to \$285.6 million. Also contributing to the overall Total Assets growth was an increase in Capital Assets (mostly, Construction in Progress) of \$11.5 million (6.5%) to \$188.5 million.

Convention Center

The Convention Center saw a slight decrease in activity during fiscal year 2019 when compared to fiscal year 2018. Event days went from 300 in fiscal year 2018 to 296 in fiscal year 2019. However, total attendance grew from 417,918 in fiscal year 2018 to 478,541 in fiscal year 2019. In fact, fiscal year 2019's figure was the highest attendance at the Convention Center since fiscal year 2013. Convention Center management attributes the growth in attendance to successful multi-night runs of several Broadway shows.

The growth in attendance, was reflected in an improved Convention Center Net Position. Net Position increased from \$(5.9) million in fiscal year 2018 to \$(4.0) million in fiscal year 2019, a \$2.0 million (33.1%) improvement. The greater attendance impacted revenues, which rose from \$3.3 million in fiscal year 2018 to \$3.8 million in fiscal year 2019 (a \$0.5 million, or 14.4%, increase). While revenues rose, Operating Expenses fell \$0.6 million (8.4%) from fiscal year 2018's expenses of \$7.3 million. A decrease of \$1.0 million (30.0%) in Depreciation Expense caused by a Convention Center capital asset reaching the end of its depreciable period drove the overall drop in Operating Expenses.

An increase of \$2.3 million (3.5%) in Accumulated Depreciation was the major contributor to an overall decline in Total Assets of \$2.2 million (7.1%) from fiscal year 2018's Total Assets figure of \$31.2 million. Offsetting the decline in Total Assets was a drop of \$4.2 million (11.2%) in Total Liabilities. The decrease in Total Liabilities was mainly caused by a \$3.6 million decline in Bonds Payable as a result of scheduled debt service payments.

Stadium

The Stadium Fund continued to build on the improvement in Net Position it displayed in fiscal year 2018. Net Position grew from \$2.4 million in fiscal year 2018 to \$3.3 million in fiscal year 2019. Two factors drove the overall increase in Net Position:

- A \$1.7 million (5.6%) decrease in Total Liabilities, primarily Bonds Payable as a result of scheduled debt service payments.
- A \$0.9 million (2.6%) decrease in Total Assets, primarily \$1.1 million of increased Accumulated Depreciation.

Of particular note was the use of \$4.1 million of the \$5.5 million that was contributed by the City, the baseball team's former owner, and the baseball team's current owner for capital improvements on the stadium. The City and the current owner are required to contribute \$300,000/year into a Capital Improvement Fund in future fiscal years for the term of the lease.

Internal Service Funds

The Net Position deficit in the Internal Service Funds was reduced by \$9.6 million (28.6%) to \$(23.9) million in fiscal year 2019. The reduction in the Net Position deficit was primarily due to an increase in revenues. Fiscal year 2019's revenues for the Internal Service Funds increased by \$3.9 million (2.6%) from fiscal year 2018's revenues of \$150.0 million. The main contributors to this revenue increase were the Fleet Replacement Fund's Non-Recurring Revenue (which rose \$1.5 million) and the Information Services Fund's Request Equipment Charge (which rose \$1.6 million). Operating Expenses remained relatively constant with those incurred in the previous fiscal year: increasing \$0.9 million (0.6%) to \$146.1 million. The increased revenue and flat expenses resulted in greater Operating Income towards the Net Position. The Net Position in the Internal Services Funds was also aided by an increase of \$2.1 million in Interest Income above the prior fiscal year's total of \$0.7 million.

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, 2019, amount to \$2,712.0 million (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 City's capital assets net increase for the current fiscal year was approximately 0.5% (a 0.1% increase for Governmental Activities, a 0.7% increase for Business-Type Activities) as shown in the table on the following page. Capital assets for June 30, 2018 amounted to \$2,698.0 million (net of accumulated depreciation). The net increase for 2018 was approximately 4.1% (a 2.7% increase for Governmental Activities and a 5.1% increase for Business-Type Activities).

Changes in Capital Assets, Net of Depreciation

(in thousands)

| Asset Category | Governmental Activities | | Business-Type Activities | | Total Government-Wide | |
|---------------------------------|-------------------------|------------------|--------------------------|--------------------|-----------------------|--------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Land | \$260,055 | \$260,250 | \$49,467 | \$48,891 | \$309,521 | \$309,141 |
| Intangibles (Indefinite Life) | — | — | 17,095 | 17,147 | 17,095 | 17,147 |
| Buildings and Improvements, Net | 133,655 | 153,939 | 577,842 | 560,668 | 711,497 | 714,607 |
| Machinery and Equipment, Net | 60,044 | 64,098 | 47,660 | 42,050 | 107,704 | 106,148 |
| Infrastructure | 439,985 | 422,911 | 526,796 | 718,445 | 966,781 | 1,141,356 |
| Construction In Progress | 62,179 | 55,916 | 523,229 | 367,720 | 585,408 | 423,636 |
| Total | \$955,918 | \$957,114 | \$1,742,089 | \$1,754,921 | \$2,698,006 | \$2,712,035 |

Major capital asset events during the fiscal year ended June 30, 2019, some of which were in progress during the fiscal year ended June 30, 2018, included the following:

† **Southeast Surface Water Treatment Facility**

The construction of the Southeast Surface Water Treatment Facility (SESWTF) was completed in 2019. Treated surface water from the SESWTF provides an additional 72,000 acre-feet per year of treated water for use by residential and commercial customers throughout the City, thus helping to alleviate groundwater depletion. The total capitalized value of the SESWTF was \$195.9 million, funded mostly through a State of California Water Resources Control Board revolving loan.

† **Fulton Mall Improvements**

The Fulton Street reconstruction improved the half mile stretch of the Fulton Mall between Tuolumne Street and Inyo Street. The old pedestrian mall was removed and reintroduced with two-way vehicular traffic on Fulton and the side streets of Merced, Mariposa, and Kern. Street reconstruction included new two-way streets, parallel parking, wide sidewalks, and mid-block pedestrian crossings identified with special paving treatments. The project also included the restoration and reinstallation of all existing art pieces and many original water features. The total value of the Fulton Mall Improvements was \$22.2 million, funded mostly through Federal grants.

† **Stadium Improvements**

In a joint effort between the City of Fresno and current and former owners, significant improvements were made to Fresno's Downtown Stadium. Improvements included the construction of a left field bar area, construction of a right field kid's splash zone, and an upgrade to the club level. Minor improvements included renovations to the women's restroom and an upgrade to field netting. Funds were raised as part of a contract between the City of Fresno and the current and former Stadium owners, consisting of \$3 million from the City of Fresno, \$1.25 million from the seller, and \$1 million from the buyer. Total value of the Stadium Improvements was \$5.25 million.

† **Road Repaving and Overlays Throughout the City**

The City of Fresno Public Works Department completed several overlay and repaving projects as part of the City's annual maintenance program for City streets. The projects are performed by City staff within the Public Works Streets Maintenance Division or by private contractors through the bid and contract award process. The program is an important preventative maintenance strategy to extend the life of streets in good shape before they reach failure and require a more costly reconstruction approach. The total capitalized value of roadway overlays and repaving was \$9.6 million, funded mostly through Federal grants.

At June 30, 2019, the City had commitments related to various construction projects associated with Governmental Activities totaling \$12.8 million. Commitments connected with Proprietary Activities at fiscal year-end amounted to \$51.2 million. The most significant of the Governmental Activities projects were the construction of the South East District Police Station (\$5.9 million) and street overlays at various locations (\$2.7 million). The most significant of the Proprietary Activities projects were the Southwest Recycled Water Distribution System (\$32.8 million) and Water Main Renewal and Extensions (\$2.9 million). A complete list of projects appear in Note 12(H), page 154 under Construction and Other Significant Commitments.

Debt Administration

At the end of fiscal year 2019, the City had total long-term bond obligations, notes, and leases payable outstanding of \$975.1 million. Of this amount, \$116.2 million are obligation bonds, backed by the full faith and credit of the City, while \$697.8 million are revenue bonds and notes of the City's business enterprises and \$2.9 million are tax allocation debt issued by the Successor Agency of the Redevelopment Agency. The remaining \$158.2 million includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2019, the City's total bonded debt decreased by \$187.2 million. This decrease was due to both normal debt service payments made during the year and the \$132.5 million partial defeasance of the Sewer Fund's 2008 bonds. The City took the following actions in fiscal year 2019:

- Drew down from the California State Water Resources Control Board an additional \$47.8 million in already-approved loans for water transport projects.
- Borrowed an additional \$18.6 million through the Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp. \$8.3 million was for public safety vehicles, \$9.5 million was for a new Citywide data system, and \$0.8 million was for vehicles for both the Development and Resource Management Department and the Parks, After School, Recreation and Community Service Department.
- Issued \$35 million in privately placed bonds with the California Infrastructure and Economic Development Bank for the purpose of constructing a parking garage at the Fresno Yosemite International Airport.

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 | | |
|---|-------------|------------|------------|
| | 2019 | 2018 | 2017 |
| General Bonded Debt (Par Amount) | \$ 116,160 | \$ 124,245 | \$ 131,840 |
| General Bonded Debt Per Capita | \$ 216.44 | \$ 230.80 | \$ 250.73 |
| Debt Service Tax Rate Per \$100 Taxable Valuation | \$ 0.32 | \$ 0.36 | \$ 0.40 |

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 of 20% of the assessed value of property in the City, the City realizes that it cannot currently support debt of that magnitude with its current tax base and is very cautious about issuing general obligation debt. Currently, there are no general obligation bonds outstanding other than Pension Obligation Bonds issued in 2002.

In April 2017, as part of the analysis for issuing new bonds to refinance several of the City's Lease Revenue Bonds, the following ratings were assigned:

| | |
|---------------------------------|----|
| Moody's Investors Service, Inc. | A3 |
| Standard and Poor's Corporation | A+ |
| Fitch Ratings | A |

Since the close of the 2019 fiscal year, the City has issued no additional debt.

FINANCIAL OUTLOOK

Management believes that the City will continue to improve its financial position in fiscal year 2020. Several developments have occurred after the conclusion of fiscal year 2019, which provide management confidence in their belief.

- The City finished fiscal year 2019 with a cash balance in its General Fund Emergency Reserve of \$34.3 million. The figure represents 10% of General Fund appropriations, which marks the first time since the adoption of reserve management policies that the Emergency Reserve has been at a level required under those policies.
- Unemployment in Fresno is at near-historic low, reaching a rate of 5.8% in October 2019. The relatively high level of employment has a positive impact on Sales Tax and Property Tax revenues.
- The Convention Center saw its highest level of attendance since fiscal year 2013, and its highest ticket sale figure in the past ten fiscal years. Multi-night runs of various musicals drove the attendance and box office figures. With several more multi-night engagements planned over the next two years, management is optimistic that the Convention Center will continue to experience the growth that it saw in fiscal year 2019.

- The remaining \$27.3 million in Sewer 2008 bonds were defeased in September 2019. The elimination of the 2008 Sewer bonds will produce approximately \$13 million/year of positive cash flow to the Sewer Fund.

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 was the case in fiscal year 2018, the type of revenue being received remains problematic for the long-term financial health of the organization.

| Revenues | | | | | |
|-----------------------|-------------|-------------|--------------------|-------------------|--|
| <i>(in thousands)</i> | | | | | |
| Category | 2018 | 2019 | Change (\$) | Change (%) | |
| Charges for Services | \$ 370,231 | \$ 392,269 | \$ 22,038 | 6.0% | |
| Operating Grants | \$ 49,427 | \$ 78,188 | \$ 28,761 | 58.2% | |
| Capital Grants | \$ 108,153 | \$ 70,774 | \$ (37,379) | -34.6% | |
| General Revenues | \$ 271,875 | \$ 311,237 | \$ 39,362 | 14.5% | |

As the table shows, grant revenues (Operating and Capital Grants combined) make up almost 17.5% of the City's revenues, which is slightly down from the percentage of total revenues that grants made up in fiscal year 2018. The continued reliance on grant revenues to fund operations and capital needs is likely to continue to limit the organization in its delivery of services to the City's residents.

- While the Emergency Reserve cash balance has grown, it is still below where it should be for an organization of the City's size. As noted previously, the Emergency Reserve had a cash balance of \$34.3 million as of June 30, 2019. Given that an average payroll for the General Fund is about \$8.7 million every two weeks, the anticipated Emergency Reserve cash balance represents almost four General Fund payrolls. Thus, the need to maintain (and, as circumstances allow, further build) the Emergency Reserve remains in spite of the progress that has been made thus far.
- Transit saw an additional 800,000 passengers ride the bus system in fiscal year 2019. However, operating revenues declined by 13%. Even more troubling, expenses rose by 8% as operating costs for the various new services were incurred for the entire fiscal year. Clearly, the additional passengers and the new services are not generating revenue at a level to offset their costs. This situation will bear monitoring to insure that the Transit Fund's financial condition does not deteriorate to the point where service level decisions will need to be made.
- The City has not made much progress on addressing a large amount of deferred maintenance that exists with most of its facilities, particularly those funded through General Revenues. A challenge going forward will be to find the funds and the 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 2019's results can be viewed as incrementally improving the City's financial condition. Even though revenues grew at a healthy pace, expenses grew even faster. Fortunately, the early payment of debt and continued growth in the Pension Asset resulted in the City finishing fiscal year 2019 with a larger Net Position than what it had at the beginning of the fiscal year. Still, the results show that the lessons of the Great Recession are being forgotten and that the focus is on immediate needs more than on fiscal prudence. The challenge with this organization, as it has been for years, is to maintain fiscal discipline so that it can continue providing services in an effective and efficient manner in years when the finances are strong, when they are stable, and even when they inevitably decline.

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 or (559) 621-7071.

CITY OF FRESNO

Office of the Controller/Finance Department
2600 Fresno Street, Room 2156
Fresno, California 93721-3622

www.fresno.gov



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF FRESNO, CALIFORNIA

Statement of Net Position

June 30, 2019

(in thousands)

| | Primary Government | | |
|---|-------------------------|--------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and Investments | \$ 191,745 | \$ 241,733 | \$ 433,478 |
| Accounts Receivables, Net | 78,910 | 48,031 | 126,941 |
| Internal Balances | 19,121 | (19,121) | — |
| Inventories | 1,244 | 7,048 | 8,292 |
| Prepaid Items | 46 | 435 | 481 |
| Other Assets | 1,284 | 1,907 | 3,191 |
| Property Held for Resale | 4,761 | — | 4,761 |
| Restricted Cash | 38,564 | 209,840 | 248,404 |
| Restricted Interest Receivable | — | 469 | 469 |
| Loans Receivables, Net | 77,363 | 24,487 | 101,850 |
| Net Pension Asset | 292,794 | 75,707 | 368,501 |
| Capital Assets: | | | |
| Not Being Depreciated | 316,167 | 433,758 | 749,925 |
| Net of Accumulated Depreciation | 640,948 | 1,321,163 | 1,962,111 |
| Total Assets | 1,662,947 | 2,345,457 | 4,008,404 |
| Deferred Outflows of Resources | | | |
| Charge on Refunding | 4,411 | 847 | 5,258 |
| Deferred Pensions | 57,299 | 9,251 | 66,550 |
| Deferred OPEB | 10,248 | 4,162 | 14,410 |
| Total Deferred Outflows of Resources | 71,958 | 14,260 | 86,218 |
| Liabilities | | | |
| Accrued Liabilities | 25,407 | 30,568 | 55,975 |
| Unearned Revenue | 6,242 | 54,334 | 60,576 |
| Deposits from Others | 21 | 17,245 | 17,266 |
| Other Liabilities | — | 4,604 | 4,604 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 74,286 | 23,887 | 98,173 |
| Due in More than One Year | 486,895 | 743,622 | 1,230,517 |
| Total Liabilities | 592,851 | 874,260 | 1,467,111 |
| Deferred Inflows of Resources | | | |
| Pension Revenue Applicable to Future Years | 50,937 | 11,962 | 62,899 |
| Unamortized OPEB Expense | 12,620 | 5,126 | 17,746 |
| Total Deferred Inflows of Resources | 63,557 | 17,088 | 80,645 |
| Net Position | | | |
| Net Investment in Capital Assets | 793,963 | 1,054,185 | 1,848,148 |
| Restricted for: | | | |
| General Government | 3,336 | — | 3,336 |
| Public Protection | 4,229 | — | 4,229 |
| Public Ways and Facilities | 70,522 | — | 70,522 |
| Culture and Recreation | 2,613 | — | 2,613 |
| Community Development | 98,158 | — | 98,158 |
| Unrestricted | 105,676 | 414,184 | 519,860 |
| Total Net Position | \$ 1,078,497 | \$ 1,468,369 | \$ 2,546,866 |

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

CITY OF FRESNO, CALIFORNIA

Statement of Activities

Fiscal Year Ended June 30, 2019

(in thousands)

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | | | | |
|---------------------------------------|---|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------|
| | Expenses | Program Revenue | | | Primary Government | | |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 42,785 | \$ 19,075 | \$ 397 | \$ 3,106 | \$ (20,207) | \$ — | \$ (20,207) |
| Public Protection | 214,903 | 40,945 | 3,600 | 4,994 | (165,364) | — | (165,364) |
| Public Ways and Facilities | 80,369 | 20,461 | 26,152 | 28,023 | (5,733) | — | (5,733) |
| Culture and Recreation | 23,809 | 3,711 | 1,550 | 744 | (17,804) | — | (17,804) |
| Community Development | 29,188 | 20,347 | 8,579 | 658 | 396 | — | 396 |
| Interest on Long-term Debt | 14,101 | — | — | — | (14,101) | — | (14,101) |
| Total Governmental Activities | 405,155 | 104,539 | 40,278 | 37,525 | (222,813) | — | (222,813) |
| Business-Type Activities | | | | | | | |
| Water System | 94,066 | 119,029 | 237 | 5,254 | — | 30,454 | 30,454 |
| Sewer System | 71,793 | 81,085 | — | 7,209 | — | 16,501 | 16,501 |
| Solid Waste Management | 31,702 | 31,804 | 271 | — | — | 373 | 373 |
| Transit | 57,864 | 9,348 | 36,967 | 7,033 | — | (4,516) | (4,516) |
| Airports | 33,262 | 32,011 | 435 | 13,753 | — | 12,937 | 12,937 |
| Fresno Convention Center | 8,701 | 3,796 | — | — | — | (4,905) | (4,905) |
| Community Sanitation | 10,093 | 9,841 | — | — | — | (252) | (252) |
| Parks and Recreation | 502 | 410 | — | — | — | (92) | (92) |
| Stadium | 2,600 | 406 | — | — | — | (2,194) | (2,194) |
| Total Business-Type Activities | 310,583 | 287,730 | 37,910 | 33,249 | — | 48,306 | 48,306 |
| Total Primary Government | \$ 715,738 | \$ 392,269 | \$ 78,188 | \$ 70,774 | \$ (222,813) | \$ 48,306 | \$ (174,507) |

General Revenues:

Taxes and Licenses:

| | | | |
|---|---------------------|---------------------|---------------------|
| Property Taxes | 138,201 | 138,201 | |
| Sales Taxes - Shared Revenues | 96,939 | 96,939 | |
| Franchise Taxes | 14,493 | 14,493 | |
| Business Tax | 18,162 | 18,162 | |
| Room Tax | 13,998 | 13,998 | |
| Other Taxes | 2,855 | 2,855 | |
| Investment Earnings | 8,413 | 15,624 | 24,037 |
| Gain on Sale of Capital Assets | 2,517 | 35 | 2,552 |
| Transfers | (5,363) | 5,363 | — |
| Total General Revenues and Transfers | 290,215 | 21,022 | 311,237 |
| Change in Net Position | 67,402 | 69,328 | 136,730 |
| Net Position - Beginning | 1,011,095 | 1,399,041 | 2,410,136 |
| Net Position - Ending | \$ 1,078,497 | \$ 1,468,369 | \$ 2,546,866 |

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, 2019

(in thousands)

| | General Fund | Grants Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 14,705 | \$ 2,381 | \$ 98,569 | \$ 115,655 |
| Receivables, Net | 14,133 | — | 865 | 14,998 |
| Grants Receivable | 59 | 9,819 | 36 | 9,914 |
| Intergovernmental Receivables | 33,421 | — | 3,629 | 37,050 |
| Due From Other Funds | 9,408 | 2,445 | 5,620 | 17,473 |
| Advances to Other Funds, Net | 2,071 | 14,447 | 430 | 16,948 |
| Property Held for Resale | — | — | 4,762 | 4,762 |
| Restricted Cash | 37,004 | — | 802 | 37,806 |
| Loans, Notes, Leases, Other Receivables, Net | — | 59,193 | 18,170 | 77,363 |
| Other Assets | — | — | — | — |
| Total Assets | \$ 110,801 | \$ 88,285 | \$ 132,883 | \$ 331,969 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accrued Liabilities | \$ 8,246 | \$ 3,364 | \$ 5,138 | \$ 16,748 |
| Unearned Revenue | 1,684 | 4,092 | 102 | 5,878 |
| Due to Other Funds | 477 | 3,507 | 8,602 | 12,586 |
| Advances From Other Funds | 2,739 | — | 62 | 2,801 |
| Deposits From Others | 17 | — | 4 | 21 |
| Total Liabilities | 13,163 | 10,963 | 13,908 | 38,034 |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue - Property Tax | 8,352 | — | — | 8,352 |
| Unavailable Revenue - Sales Tax | 7,729 | — | — | 7,729 |
| Unavailable Revenue - Other | 12,598 | 9,351 | 172 | 22,121 |
| Total Deferred Inflows of Resources | 28,679 | 9,351 | 172 | 38,202 |
| Fund Balances | | | | |
| Nonspendable | 2,071 | — | — | 2,071 |
| Restricted | 10 | 68,419 | 104,168 | 172,597 |
| Committed | 37,004 | — | — | 37,004 |
| Assigned | 4,562 | — | 16,137 | 20,699 |
| Unassigned | 25,312 | (448) | (1,502) | 23,362 |
| Total Fund Balances | 68,959 | 67,971 | 118,803 | 255,733 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 110,801 | \$ 88,285 | \$ 132,883 | \$ 331,969 |

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, 2019

(in thousands)

| | |
|---|----------------------------|
| Total Governmental Fund Balances | \$ 255,733 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different because: | |
| The Net Pension Asset is not a current financial resource, and therefore, is not reported in the funds. | 292,794 |
| Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds. | 957,115 |
| Prepays in governmental activities are not current financial resources, and therefore, are not reported in the funds. | 46 |
| Deferred outflows of resources reported in the Statement of Net Position | 71,958 |
| Accrued Interest on long-term debt is not accrued in the funds, but rather, it is recognized as an expenditure when due. | (2,101) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (551,839) |
| Difference between deferred inflows of resources reported in the Statement of Net Position and unavailable revenue reported in the Balance Sheet - Governmental Funds | (25,355) |
| Prepaid bond insurance and original issue premium and discount represent costs associated with the issuance of long-term debt, which are deferred and amortized over the period the debt is outstanding. These costs are reported as expenditures of the current period in the funds. | (8,056) |
| 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. | 88,202 |
| Net Position of Governmental Activities | <u>\$ 1,078,497</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

Fiscal Year Ended June 30, 2019

(in thousands)

| | General Fund | Grants Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|-----------------------------|--------------------------|--------------------------|
| Revenues | | | | |
| Taxes | \$ 282,932 | \$ — | \$ 32,971 | \$ 315,903 |
| Licenses and Permits | 7,337 | — | — | 7,337 |
| Intergovernmental | 4,548 | 28,987 | 8,171 | 41,706 |
| Charges for Services | 30,720 | 69 | 26,624 | 57,413 |
| Fines | 3,643 | — | — | 3,643 |
| Use of Money and Property | 2,808 | 259 | 3,475 | 6,542 |
| Miscellaneous | 995 | 284 | 2,361 | 3,640 |
| Total Revenues | <u>332,983</u> | <u>29,599</u> | <u>73,602</u> | <u>436,184</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 26,770 | 302 | 1,005 | 28,077 |
| Public Protection | 212,771 | 3,663 | 9,674 | 226,108 |
| Public Ways and Facilities | 7,855 | 5,887 | 36,819 | 50,561 |
| Culture and Recreation | 14,277 | 1,562 | 2,301 | 18,140 |
| Community Development | 23,713 | 4,751 | 2,497 | 30,961 |
| Capital Outlay | 1,850 | 10,870 | 13,448 | 26,168 |
| Debt Service: | | | | |
| Principal | 2,013 | — | 16,943 | 18,956 |
| Interest | 368 | — | 14,147 | 14,515 |
| Total Expenditures | <u>289,617</u> | <u>27,035</u> | <u>96,834</u> | <u>413,486</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>43,366</u> | <u>2,564</u> | <u>(23,232)</u> | <u>22,698</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 6,983 | 68 | 34,091 | 41,142 |
| Transfers Out | (37,878) | (3,322) | (4,910) | (46,110) |
| Capital Lease Financing | 2,228 | — | — | 2,228 |
| Sale of Capital Assets | 2,382 | — | — | 2,382 |
| Total Other Financing Sources (Uses) | <u>(26,285)</u> | <u>(3,254)</u> | <u>29,181</u> | <u>(358)</u> |
| Net Changes in Fund Balances | 17,081 | (690) | 5,949 | 22,340 |
| Fund Balances - Beginning | <u>51,878</u> | <u>68,661</u> | <u>112,854</u> | <u>233,393</u> |
| Fund Balances - Ending | <u>\$ 68,959</u> | <u>\$ 67,971</u> | <u>\$ 118,803</u> | <u>\$ 255,733</u> |

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

Fiscal Year Ended June 30, 2019

(in thousands)

| | |
|--|------------------|
| Net change in fund balances - total governmental funds | \$ 22,340 |
| 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 \$30,171 were exceeded by depreciation of \$47,913 in the current period. | (17,742) |
| Some expenses, retention payable, and Net OPEB Liability 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. | (4,466) |
| 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. | 16,728 |
| 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. | (2,099) |
| 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. | 45,811 |
| Revenues recognized in the Statement of Activities in previous years and recognized in the governmental fund statements in the current year were more 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. | 535 |
| 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. | <u>6,295</u> |
| Change in net position of governmental activities | <u>\$ 67,402</u> |

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, 2019

(in thousands)

| | Business-Type Activities - Enterprise Funds | | | | |
|---|---|-----------------|------------------------|-----------------|-----------------|
| | Water System | Sewer System | Solid Waste Management | Transit | Airports |
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | \$ 100,243 | \$ 81,966 | \$ 20,406 | \$ 1,239 | \$ 29,565 |
| Interest Receivable | 1,000 | 477 | 270 | 247 | 362 |
| Accounts Receivables, Net | 17,539 | 9,731 | 4,422 | 334 | 2,146 |
| Grants Receivable | — | — | — | 2,900 | 292 |
| Inventories | 2,059 | 3,784 | — | 807 | 340 |
| Prepaid Items | 55 | 38 | 5 | 78 | 165 |
| Intergovernmental Receivables | — | 1,676 | — | 3,952 | 117 |
| Due from Other Funds | 31 | — | 10 | — | — |
| Restricted Cash | — | — | — | — | 3,127 |
| Total Current Assets | 120,927 | 97,672 | 25,113 | 9,557 | 36,114 |
| Noncurrent Assets: | | | | | |
| Restricted: | | | | | |
| Cash and Cash Equivalents | 53,449 | 47,759 | 11,017 | 26,136 | 54,474 |
| Non-Cash Equivalents | — | 2,309 | — | — | — |
| Interest Receivable | 140 | 329 | — | — | — |
| Total Restricted Assets | 53,589 | 50,397 | 11,017 | 26,136 | 54,474 |
| Other Assets: | | | | | |
| Other Receivables | 2,298 | 6,676 | — | — | — |
| Other Assets | 6 | 1,178 | — | — | 262 |
| Net Pension Asset | 14,736 | 13,661 | 9,547 | 23,536 | 6,186 |
| Unamortized CVP Water Settlement | 2,516 | — | — | — | — |
| Solid Waste Rate Payers | — | — | 12,997 | — | — |
| Advances to Other Funds, Net | 146 | 2,739 | — | — | — |
| Total Other Assets | 19,702 | 24,254 | 22,544 | 23,536 | 6,448 |
| Capital Assets: | | | | | |
| Land and Intangibles | 30,496 | 17,513 | 849 | 2,169 | 10,126 |
| Buildings, Systems and Improvements | 35,771 | 553,353 | 1,801 | 26,895 | 210,276 |
| Machinery and Equipment | 2,005 | 5,886 | 6,505 | 74,332 | 6,166 |
| Infrastructure | 714,449 | 283,079 | — | — | 66,800 |
| Construction in Progress | 199,893 | 82,964 | 2,303 | 52,893 | 29,444 |
| Less Accumulated Depreciation | (229,668) | (289,094) | (2,959) | (59,199) | (134,267) |
| Total Capital Assets, Net | 752,946 | 653,701 | 8,499 | 97,090 | 188,545 |
| Total Noncurrent Assets | 826,237 | 728,352 | 42,060 | 146,762 | 249,467 |
| Total Assets | 947,164 | 826,024 | 67,173 | 156,319 | 285,581 |
| Deferred Outflows of Resources | | | | | |
| Charge on Refunding | 319 | 239 | — | — | 16 |
| Pension Contributions | 1,243 | 1,136 | 815 | 2,153 | 632 |
| Deferred Outflows - Pension | 445 | 419 | 297 | 735 | 300 |
| Deferred Outflows - OPEB | 691 | 660 | 454 | 1,469 | 351 |
| Total Deferred Outflows of Resources | \$ 2,698 | \$ 2,454 | \$ 1,566 | \$ 4,357 | \$ 1,299 |

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

| Business-Type Activities - Enterprise Funds | | | | | |
|---|----------|------------------------|------------|------------------------|---------------------------------------|
| Fresno Convention Center | Stadium | Other Enterprise Funds | Total | Internal Service Funds | |
| \$ 1,715 | \$ 92 | \$ 1,374 | \$ 236,600 | \$ 81,226 | Assets |
| — | 36 | 26 | 2,418 | 697 | Current Assets: |
| 256 | — | 1,339 | 35,767 | 766 | Cash and Investments |
| — | — | — | 3,192 | — | Interest Receivable |
| 57 | — | — | 7,047 | 1,244 | Accounts Receivables, Net |
| 87 | — | 1 | 429 | 51 | Grants Receivable |
| — | — | — | 5,745 | — | Inventories |
| — | — | — | 41 | 1,784 | Prepays |
| 2,001 | — | — | 5,128 | — | Intergovernmental Receivables |
| 4,116 | 128 | 2,740 | 296,367 | 85,768 | Due from Other Funds |
| | | | | | Restricted Cash |
| | | | | | Total Current Assets |
| | | | | | Noncurrent Assets: |
| | | | | | Restricted: |
| 950 | 3,116 | 440 | 199,650 | 5,820 | Cash and Investments |
| — | — | — | 2,309 | — | Non-Cash Equivalents |
| — | — | — | 469 | — | Interest Receivable |
| 950 | 3,116 | 440 | 202,428 | 5,820 | Total Restricted Assets |
| | | | | | Other Assets: |
| — | — | — | 8,974 | — | Other Receivables |
| 189 | 255 | 17 | 1,907 | — | Other Assets |
| — | — | 3,423 | 71,089 | 16,612 | Net Pension Asset |
| — | — | — | 2,516 | — | Unamortized CVP Water Settlement |
| — | — | — | 12,997 | — | Solid Waste Rate Payers |
| — | — | — | 2,885 | — | Advances to Other Funds, Net |
| 189 | 255 | 3,440 | 100,368 | 16,612 | Total Other Assets |
| | | | | | Capital Assets: |
| 4,163 | 710 | 12 | 66,038 | — | Land and Intangibles |
| 87,002 | 43,211 | 4,515 | 962,824 | 10,831 | Buildings, Systems and Improvements |
| 410 | 1,599 | 67 | 96,970 | 129,064 | Machinery and Equipment |
| — | — | — | 1,064,328 | — | Infrastructure |
| 100 | 1 | 122 | 367,720 | 9,579 | Construction in Progress |
| (67,921) | (17,269) | (2,582) | (802,959) | (88,530) | Less Accumulated Depreciation |
| 23,754 | 28,252 | 2,134 | 1,754,921 | 60,944 | Total Capital Assets, Net |
| 24,893 | 31,623 | 6,014 | 2,057,717 | 83,376 | Total Noncurrent Assets |
| 29,009 | 31,751 | 8,754 | 2,354,084 | 169,144 | Total Assets |
| | | | | | Deferred Outflows of Resources |
| 173 | 33 | 67 | 847 | — | Charge on Refunding |
| — | — | 330 | 6,309 | 1,508 | Pension Contributions |
| — | — | 104 | 2,300 | 552 | Deferred Outflows - Pension |
| 8 | — | 170 | 3,803 | 987 | Deferred Outflows - OPEB |
| \$ 181 | \$ 33 | \$ 671 | \$ 13,259 | \$ 3,047 | Total Deferred Outflows of Resources |

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, 2019 (continued)

(in thousands)

| | Business-Type Activities - Enterprise Funds | | | | |
|--|---|-------------------|------------------------|-------------------|-------------------|
| | Water System | Sewer System | Solid Waste Management | Transit | Airports |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accrued Liabilities | \$ 7,708 | \$ 6,325 | \$ 1,246 | \$ 4,036 | \$ 7,494 |
| Accrued Compensated Absences and HRA | 282 | 234 | 242 | 491 | 220 |
| Liability for Self-Insurance | — | — | — | — | — |
| Unearned Revenue | 6,704 | 14,942 | 276 | 31,599 | — |
| Due to Other Funds | 174 | 208 | 491 | 104 | 33 |
| CVP Litigation Settlement | 1,821 | — | — | — | — |
| Bonds Payable | 6,020 | 1,015 | — | — | 1,850 |
| Accrued Closure Cost | — | — | 800 | — | — |
| Capital Lease Obligations | — | — | — | — | — |
| Notes Payable | 4,663 | 973 | — | — | — |
| Total Current Liabilities | 27,372 | 23,697 | 3,055 | 36,230 | 9,597 |
| Noncurrent Liabilities | | | | | |
| Accrued Compensated Absences and HRA | 1,838 | 1,864 | 1,207 | 2,572 | 1,317 |
| Capital Lease Obligations | — | — | — | — | — |
| Liability for Self-Insurance | — | — | — | — | — |
| Bonds Payable | 118,739 | 33,928 | — | — | 81,189 |
| Accreted Interest Payable on Capital | | | | | |
| Appreciation Bonds | — | — | — | — | — |
| Notes Payable | 334,238 | 63,739 | — | — | — |
| Pollution Remediation Obligation | — | — | — | — | 529 |
| Other Liabilities | — | 4,604 | — | — | — |
| Accrued Closure Costs | — | — | 13,097 | — | — |
| Net OPEB Liability | 5,453 | 5,204 | 3,584 | 11,591 | 2,773 |
| Deposits Held for Others | 1,095 | 8,576 | — | — | 431 |
| Total Noncurrent Liabilities | 461,363 | 117,915 | 17,888 | 14,163 | 86,239 |
| Total Liabilities | 488,735 | 141,612 | 20,943 | 50,393 | 95,836 |
| Deferred Inflows of Resources | | | | | |
| Unamortized Pension Expense | 1,998 | 1,867 | 1,310 | 4,059 | 1,186 |
| Unamortized OPEB Expense | 851 | 812 | 559 | 1,809 | 433 |
| Total Deferred Inflows of Resources | 2,849 | 2,679 | 1,869 | 5,868 | 1,619 |
| Net Position | | | | | |
| Net Investment in Capital Assets | 289,605 | 554,286 | 8,499 | 97,090 | 105,521 |
| Unrestricted (Deficit) | 168,673 | 129,901 | 37,428 | 7,325 | 83,904 |
| Total Net Position (Deficit) | \$ 458,278 | \$ 684,187 | \$ 45,927 | \$ 104,415 | \$ 189,425 |

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

| Business-Type Activities - Enterprise Funds | | | | | |
|---|-----------------|------------------------|---------------------|------------------------|--------------------------------------|
| Fresno Convention Center | Stadium | Other Enterprise Funds | Totals | Internal Service Funds | |
| | | | | | Liabilities |
| | | | | | Current Liabilities: |
| \$ 1,272 | \$ 301 | \$ 255 | \$ 28,637 | \$ 8,488 | Accrued Liabilities |
| 16 | — | 53 | 1,538 | 445 | Accrued Compensated Absences and HRA |
| — | — | — | — | 39,009 | Liability for Self-Insurance |
| 88 | — | — | 53,609 | 1,088 | Unearned Revenue |
| 3 | — | 171 | 1,184 | 6,167 | Due to Other Funds |
| — | — | — | 1,821 | — | CVP Litigation Settlement |
| 3,422 | 1,575 | 55 | 13,937 | — | Bonds Payable |
| — | — | — | 800 | — | Accrued Closure Cost |
| — | — | — | — | 5,784 | Capital Lease Obligations |
| — | — | — | 5,636 | — | Notes Payable |
| <u>4,801</u> | <u>1,876</u> | <u>534</u> | <u>107,162</u> | <u>60,981</u> | Total Current Liabilities |
| | | | | | Noncurrent Liabilities |
| 44 | — | 384 | 9,226 | 4,821 | Accrued Compensated Absences and HRA |
| — | — | — | — | 19,698 | Capital Lease Obligations |
| — | — | — | — | 93,681 | Liability for Self-Insurance |
| 22,420 | 26,652 | 1,709 | 284,637 | — | Bonds Payable |
| | | | | | Accreted Interest Payable on Capital |
| 3,796 | — | — | 3,796 | — | Appreciation Bonds |
| — | — | — | 397,977 | — | Notes Payable |
| — | — | — | 529 | — | Pollution Remediation Obligation |
| — | — | — | 4,604 | — | Other Liabilities |
| — | — | — | 13,097 | — | Accrued Closure Costs |
| 62 | — | 1,340 | 30,007 | 7,791 | Net OPEB Liability |
| 2,035 | — | — | 12,137 | 5,109 | Deposits Held for Others |
| <u>28,357</u> | <u>26,652</u> | <u>3,433</u> | <u>756,010</u> | <u>131,100</u> | Total Noncurrent Liabilities |
| <u>33,158</u> | <u>28,528</u> | <u>3,967</u> | <u>863,172</u> | <u>192,081</u> | Total Liabilities |
| | | | | | Deferred Inflows of Resources |
| — | — | 728 | 11,148 | 2,795 | Unamortized Pension Expense |
| 10 | — | 209 | 4,683 | 1,217 | Unamortized OPEB Expense |
| <u>10</u> | <u>—</u> | <u>937</u> | <u>15,831</u> | <u>4,012</u> | Total Deferred Inflows of Resources |
| | | | | | Net Position |
| (1,312) | 58 | 438 | 1,054,185 | 35,461 | Net Investment in Capital Assets |
| (2,666) | 3,198 | 4,083 | 431,846 | (59,363) | Unrestricted (Deficit) |
| <u>\$ (3,978)</u> | <u>\$ 3,256</u> | <u>\$ 4,521</u> | <u>\$ 1,486,031</u> | <u>\$ (23,902)</u> | Total Net Position (Deficit) |

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.

(17,662)

Net position of Business-Type Activities \$ 1,468,369

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

Fiscal Year Ended June 30, 2019

(in thousands)

| | Business-Type Activities - Enterprise Funds | | | | |
|--|---|--------------|------------------------|------------|------------|
| | Water System | Sewer System | Solid Waste Management | Transit | Airports |
| Operating Revenues: | | | | | |
| Charges for Services | \$ 119,029 | \$ 81,085 | \$ 31,804 | \$ 9,348 | \$ 25,764 |
| Operating Expenses: | | | | | |
| Cost of Services | 48,427 | 31,484 | 18,246 | 38,685 | 13,356 |
| Administration | 16,190 | 14,351 | 13,884 | 13,831 | 7,698 |
| Depreciation | 19,124 | 24,554 | 612 | 5,782 | 11,025 |
| Total Operating Expenses | 83,741 | 70,389 | 32,742 | 58,298 | 32,079 |
| Operating Income (Loss) | 35,288 | 10,696 | (938) | (48,950) | (6,315) |
| Non-Operating Revenue (Expenses): | | | | | |
| Operating Grants | 237 | — | 271 | 36,967 | 436 |
| Interest Income | 4,974 | 5,548 | 1,326 | 897 | 1,986 |
| Interest Expense | (11,100) | (2,007) | — | — | (1,416) |
| Passenger Facility Charges | — | — | — | — | 3,887 |
| Customer Facility Charges | — | — | — | — | 2,360 |
| Gain (Loss) on Disposal of Capital Assets | 1 | — | — | (9) | 30 |
| Total Non-Operating Revenue (Expenses) | (5,888) | 3,541 | 1,597 | 37,855 | 7,283 |
| Income (Loss) Before Contributions & Transfers | 29,400 | 14,237 | 659 | (11,095) | 968 |
| Capital Contributions | 5,254 | 7,209 | — | 7,033 | 13,754 |
| Transfers In | — | — | 1,520 | — | — |
| Transfers Out | (406) | (558) | (1,055) | (1,498) | (231) |
| Change in Net Position | 34,248 | 20,888 | 1,124 | (5,560) | 14,491 |
| Total Net Position (Deficit) - Beginning | 424,030 | 663,299 | 44,803 | 109,975 | 174,934 |
| Total Net Position (Deficit) - Ending | \$ 458,278 | \$ 684,187 | \$ 45,927 | \$ 104,415 | \$ 189,425 |

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

| Business-Type Activities - Enterprise Funds | | | | | |
|---|----------|------------------------|------------|------------------------|--|
| Fresno Convention Center | Stadium | Other Enterprise Funds | Totals | Internal Service Funds | |
| \$ 3,796 | \$ 405 | \$ 10,251 | \$ 281,482 | \$ 153,906 | Operating Revenues: |
| | | | | | Charges for Services |
| 3,597 | — | 5,688 | 159,483 | 116,060 | Operating Expenses: |
| 753 | 111 | 4,867 | 71,685 | 23,104 | Cost of Services |
| 2,316 | 1,058 | 186 | 64,657 | 6,938 | Administration |
| | | | | | Depreciation |
| 6,666 | 1,169 | 10,741 | 295,825 | 146,102 | Total Operating Expenses |
| (2,870) | (764) | (490) | (14,343) | 7,804 | Operating Income (Loss) |
| | | | | | Non-Operating Revenue (Expenses): |
| — | — | — | 37,911 | — | Operating Grants |
| 26 | 193 | 138 | 15,088 | 2,831 | Interest Income |
| (1,432) | (1,431) | (67) | (17,453) | (535) | Interest Expense |
| — | — | — | 3,887 | — | Passenger Facility Charges |
| — | — | — | 2,360 | — | Customer Facility Charges |
| (603) | — | — | (581) | (242) | Gain (Loss) on Disposal of Capital Assets |
| (2,009) | (1,238) | 71 | 41,212 | 2,054 | Total Non-Operating Revenue (Expenses) |
| (4,879) | (2,002) | (419) | 26,869 | 9,858 | Income (Loss) Before Contributions & Transfers |
| — | — | — | 33,250 | 677 | Capital Contributions |
| 6,849 | 2,913 | — | 11,282 | 1,156 | Transfers In |
| — | (83) | (1,518) | (5,349) | (2,121) | Transfers Out |
| 1,970 | 828 | (1,937) | 66,052 | 9,570 | Change in Net Position |
| (5,948) | 2,428 | 6,458 | | (33,472) | Total Net Position (Deficit) - Beginning |
| \$ (3,978) | \$ 3,256 | \$ 4,521 | | \$ (23,902) | Total Net Position (Deficit) - Ending |

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.

| | |
|--|------------------|
| | 3,276 |
| Change in net position of Business-Type Activities | <u>\$ 69,328</u> |

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

CITY OF FRESNO, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2019

(in thousands)

| | Business-Type Activities - Enterprise Funds | | | | |
|---|---|-------------------|------------------------|------------------|------------------|
| | Water System | Sewer System | Solid Waste Management | Transit | Airports |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash Received from Customers | \$ 114,818 | \$ 80,524 | \$ 31,103 | \$ 7,012 | \$ 24,876 |
| Cash Received from Interfund Services Provided | 163 | 31 | 97 | 53 | — |
| Cash Payments (to) from Suppliers for Services | 161,908 | (7,547) | (6,605) | (9,335) | (8,959) |
| Cash Paid for Interfund Services Used | (11,241) | (8,773) | (14,807) | (8,810) | (3,364) |
| Cash Payments to Employees for Services | (14,668) | (13,260) | (11,390) | (31,754) | (8,108) |
| Cash Payments for Claims and Refunds | — | — | — | — | — |
| Net Cash Provided by (Used for) Operating Activities | 250,980 | 50,975 | (1,602) | (42,834) | 4,445 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Capital Contributions | 5,254 | 5,081 | — | 3,958 | 13,753 |
| Passenger and Customer Facility Charges | — | — | — | — | 6,247 |
| Interest Payments on Capital Debt | (11,211) | (5,596) | — | — | (2,555) |
| Proceeds from Issuance of Capital Debt | 34,601 | 13,220 | — | — | 35,000 |
| Payment for Cost of Issuance | — | — | — | — | — |
| Principal Payments on Capital Debt-Bonds | (5,730) | (10,090) | — | — | (1,740) |
| Retirement of Debt | — | (132,540) | — | — | — |
| Principal Payments on Capital Debt-Notes | (7,598) | (964) | — | — | — |
| Principal Payments on Capital Lease Obligations | — | — | — | — | — |
| Proceeds (Loss) from Sale of Capital Assets | 1 | — | — | — | 30 |
| Acquisition and Construction of Capital Assets | (238,865) | (27,691) | (2,194) | (7,465) | (20,066) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (223,548) | (158,580) | (2,194) | (3,507) | 30,669 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | |
| Operating Grants | 237 | — | 279 | 44,654 | 1,736 |
| Borrowing Receipt from (Payment to) Other Funds | — | — | — | — | — |
| Transfers In | — | — | 1,520 | — | — |
| Transfers Out | (407) | (558) | (1,055) | (1,498) | (230) |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | (170) | (558) | 744 | 43,156 | 1,506 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest and Dividends Received (Paid) on Investments | 4,607 | 5,424 | 1,315 | 822 | 1,914 |
| Net Cash Provided by (Used for) Investing Activities | 4,607 | 16,862 | 1,315 | 822 | 1,914 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 31,869 | (91,301) | (1,737) | (2,363) | 38,534 |
| Cash and Cash Equivalents, Beginning of Year | 121,823 | 221,026 | 33,160 | 29,738 | 48,632 |
| Cash and Cash Equivalents, End of Year | \$ 153,692 | \$ 129,725 | \$ 31,423 | \$ 27,375 | \$ 87,166 |

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

Business-Type Activities - Enterprise Funds

| Fresno Convention Center | Stadium | Other Enterprise Funds | Totals | Internal Service Funds | |
|--------------------------|----------|------------------------|------------|------------------------|---|
| \$ 3,851 | \$ 493 | \$ 9,711 | \$ 272,388 | \$ 38,029 | CASH FLOWS FROM OPERATING ACTIVITIES: |
| — | — | — | 344 | 135,719 | Cash Received from Customers |
| (2,461) | (25) | (2,962) | 124,014 | (28,636) | Cash Received from Interfund Services Provided |
| — | — | (3,169) | (50,164) | (6,249) | Cash Payments to Suppliers for Services |
| (1,883) | — | (4,653) | (85,716) | (22,756) | Cash Paid for Interfund Services Used |
| — | — | — | — | (96,425) | Cash Payments to Employees for Services |
| (493) | 468 | (1,073) | 260,866 | 19,682 | Cash Payments for Claims and Refunds |
| | | | | | Net Cash Provided by (Used for) Operating Activities |
| | | | | | CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: |
| — | — | — | 28,046 | 10,170 | Capital Contributions |
| — | — | — | 6,247 | — | Passenger and Customer Facility Charges |
| (1,915) | (1,692) | (86) | (23,055) | (495) | Interest Payments on Capital Debt |
| — | — | — | 82,821 | — | Proceeds from Issuance of Capital Debt |
| — | — | 6 | 6 | — | Payment for Cost of Issuance |
| (3,260) | (1,490) | (50) | (22,360) | — | Principal Payments on Capital Debt-Bonds |
| — | — | — | (132,540) | — | Retirement of Debt |
| (271) | — | — | (8,833) | — | Principal payments on Capital Debt-Notes |
| — | — | — | — | (3,911) | Principal Payments on Capital Lease Obligations |
| — | — | — | 31 | 276 | Proceeds from Sale of Capital Assets |
| (469) | (4,060) | (46) | (300,856) | (21,364) | Acquisition and Construction of Capital Assets |
| (5,915) | (7,242) | (176) | (370,493) | (15,324) | Net Cash Provided by (Used for) Capital and Related Financing Activities |
| | | | | | CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: |
| — | — | — | 46,906 | — | Operating Grants |
| — | — | — | — | 2,330 | Borrowing Receipt from (Payment to) Other Funds |
| 6,849 | 2,913 | — | 11,282 | 1,156 | Transfers In |
| — | (84) | (1,518) | (5,350) | (2,121) | Transfers Out |
| 6,849 | 2,829 | (1,518) | 52,838 | 1,365 | Net Cash Provided by (Used for) Non-Capital Financing Activities |
| | | | | | CASH FLOWS FROM INVESTING ACTIVITIES: |
| 26 | 190 | 156 | 14,454 | 2,736 | Interest and Dividends Received (Paid) on Investments |
| 26 | 190 | 156 | 25,892 | 2,736 | Net Cash Provided by (Used for) Investing Activities |
| 467 | (3,755) | (2,611) | (30,897) | 8,459 | Net Increase (Decrease) in Cash and Cash Equivalents |
| 4,199 | 6,963 | 4,425 | 469,966 | 78,587 | Cash and Cash Equivalents, Beginning of Year |
| \$ 4,666 | \$ 3,208 | \$ 1,814 | \$ 439,069 | \$ 87,046 | Cash and Cash Equivalents, End of Year |

(Continued)

CITY OF FRESNO, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2019 (Continued)

(in thousands)

| | Business-Type Activities - Enterprise Funds | | | | |
|---|---|-------------------|------------------------|--------------------|------------------|
| | Water System | Sewer System | Solid Waste Management | Transit | Airports |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | | |
| Operating income (loss) | \$ 35,288 | \$ 10,696 | \$ (938) | \$ (48,950) | \$ (6,315) |
| Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation expense | 19,124 | 24,554 | 612 | 5,782 | 11,025 |
| Change in assets and liabilities: | | | | | |
| Decrease (increase) in accounts receivable | (2,321) | (294) | (190) | (101) | (69) |
| Decrease (increase) in other receivables | (996) | 973 | 931 | — | — |
| Decrease (increase) in due from other funds | (31) | — | (10) | 1,107 | — |
| Decrease (increase) in due from other governments | — | (976) | — | (344) | 25 |
| Decrease (increase) in material and supplies inventory | (181) | (307) | — | 24 | (20) |
| Decrease (increase) in prepaid items | 29 | 52 | (5) | (10) | 159 |
| Decrease (increase) in net pension asset & deferred outflows | (2,966) | (2,654) | (1,922) | (5,276) | (1,470) |
| Decrease (increase) in advances to other funds | (3) | 1,570 | — | — | — |
| Decrease (increase) in prepaid insurance | 6 | 38 | — | — | 22 |
| (Decrease) increase in accounts payable | 202,180 | 17,484 | (51) | 2,610 | 503 |
| (Decrease) increase in salaries payable | 155 | 224 | 40 | 134 | 83 |
| (Decrease) increase in due to other funds | 18 | 39 | (35) | (8) | 5 |
| (Decrease) increase in other liabilities | — | (1,056) | — | — | — |
| (Decrease) increase in retention payable | — | — | 39 | (127) | — |
| (Decrease) increase in accrued closure costs | — | — | (538) | — | — |
| (Decrease) increase in unearned revenue | — | — | — | 489 | — |
| (Decrease) increase in liability for self-insurance | — | — | — | — | — |
| (Decrease) increase in deposits | — | — | — | — | 31 |
| (Decrease) increase in pollution remediation liability | — | — | — | — | (47) |
| (Decrease) increase in Net OPEB liability | 1,001 | 956 | 658 | 2,129 | 509 |
| (Decrease) increase in deferred inflows of resources | (323) | (324) | (193) | (293) | 4 |
| Net Cash Provided by (Used For) Operating Activities | \$ 250,980 | \$ 50,975 | \$ (1,602) | \$ (42,834) | \$ 4,445 |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position: | | | | | |
| Cash and Investments: | | | | | |
| Unrestricted | \$ 100,243 | \$ 81,966 | \$ 20,406 | \$ 1,239 | \$ 29,565 |
| Restricted - Current and Noncurrent | 53,449 | 50,068 | 11,017 | 26,136 | 57,601 |
| Total cash and investments | 153,692 | 132,034 | 31,423 | 27,375 | 87,166 |
| Less: Non-cash equivalents | — | 2,309 | — | — | — |
| Cash and Cash Equivalents at End of Year on Statement of Cash Flows | \$ 153,692 | \$ 129,725 | \$ 31,423 | \$ 27,375 | \$ 87,166 |
| Noncash Investing, Capital, and Financing Activities: | | | | | |
| Acquisition/construction of capital assets on accounts payable | \$ 4,242 | \$ 3,028 | \$ 67 | \$ 608 | \$ 1,390 |
| Amortization of bond premium, discount and loss on refunding | (330) | (193) | — | — | (48) |
| Borrowing under capital lease | — | — | — | — | — |
| Decrease (increase) in fair value of investments | 1,350 | (1,338) | 272 | 439 | 428 |
| Developer and other capital contributions | — | — | — | 494 | — |
| Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable | 2,465 | — | — | — | — |

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

Business-Type Activities - Enterprise Funds

| Fresno Convention Center | Stadium | Other Enterprise Funds | Totals | Internal Service Funds |
|--------------------------|---------------|------------------------|-------------------|------------------------|
| \$ (2,870) | \$ (764) | \$ (490) | \$ (14,343) | \$ 7,804 |
| 2,316 | 1,058 | 186 | 64,657 | 6,938 |
| 143 | 88 | (49) | (2,793) | 11 |
| — | — | — | 908 | — |
| — | — | — | 1,066 | 336 |
| — | — | — | (1,295) | — |
| (10) | — | — | (494) | (137) |
| 31 | — | — | 256 | 25 |
| (7) | — | (778) | (15,073) | (3,523) |
| — | 21 | — | 1,588 | — |
| — | — | 1 | 67 | — |
| 49 | 64 | (65) | 222,774 | 5,886 |
| (80) | — | (82) | 474 | 802 |
| (6) | — | (7) | 6 | 1 |
| — | — | — | (1,056) | — |
| — | 1 | — | (87) | — |
| — | — | — | (538) | — |
| 22 | — | — | 511 | 39 |
| — | — | — | — | 326 |
| (92) | — | — | (61) | (15) |
| — | — | — | (47) | — |
| 12 | — | 246 | 5,511 | 1,430 |
| (1) | — | (35) | (1,165) | (241) |
| <u>\$ (493)</u> | <u>\$ 468</u> | <u>\$ (1,073)</u> | <u>\$ 260,866</u> | <u>\$ 19,682</u> |

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:

| |
|--|
| Operating income (loss) |
| Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities: |
| Depreciation expense |
| Change in assets and liabilities: |
| Decrease (increase) in accounts receivable |
| Decrease (increase) in other receivables |
| Decrease (increase) in due from other funds |
| Decrease (increase) in due from other governments |
| Decrease (increase) in material and supplies inventory |
| Decrease (increase) in prepaid items |
| Decrease (increase) in net pension asset & deferred outflows |
| Decrease (increase) in advances to other funds |
| Decrease (increase) in prepaid insurance |
| (Decrease) increase in accounts payable |
| (Decrease) increase in salaries payable |
| (Decrease) increase in due to other funds |
| (Decrease) increase in other liabilities |
| (Decrease) increase in retention payable |
| (Decrease) increase in accrued closure costs |
| (Decrease) increase in unearned revenue |
| (Decrease) increase in liability for self-insurance |
| (Decrease) increase in deposits |
| (Decrease) increase in pollution remediation liability |
| (Decrease) increase in Net OPEB liability |
| (Decrease) increase in deferred inflows of resources |

Net Cash Provided by (Used For) Operating Activities

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:

Cash and Investments:

| | | | | |
|-----------------|-----------------|-----------------|-------------------|------------------|
| \$ 1,715 | \$ 92 | \$ 1,374 | \$ 236,600 | \$ 81,226 |
| 2,951 | 3,116 | 440 | 204,778 | 5,820 |
| <u>4,666</u> | <u>3,208</u> | <u>1,814</u> | <u>441,378</u> | <u>87,046</u> |
| — | — | — | 2,309 | — |
| <u>\$ 4,666</u> | <u>\$ 3,208</u> | <u>\$ 1,814</u> | <u>\$ 439,069</u> | <u>\$ 87,046</u> |

| |
|-------------------------------------|
| Unrestricted |
| Restricted - Current and Noncurrent |
| Total cash and investments |

Less: Non-cash equivalents

Cash and Cash Equivalents at End of Year on Statement of Cash Flows

Noncash Investing, Capital, and Financing Activities:

| | | | | | |
|-------|-------|-------|----------|--------|---|
| \$ — | \$ — | \$ 26 | \$ 9,361 | \$ 694 | Acquisition/construction of capital assets on accounts payable |
| (303) | (237) | (18) | (1,129) | — | Amortization of bond premium, discount and loss on refunding |
| — | — | — | — | 5,270 | Borrowing under capital lease |
| — | 87 | (70) | 1,168 | (680) | Decrease (increase) in fair value of investments |
| — | — | — | 494 | — | Developer and other capital contributions |
| — | — | — | 2,465 | — | Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable |

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, 2019
(in thousands)

| | Pension Trust Funds | Successor Agency to the Fresno Redevelopment Agency Private- Purpose Trust Fund | Agency Funds |
|--|------------------------|---|-----------------|
| Assets | | | |
| Cash and Investments | \$ 6,846 | \$ 4,881 | \$ 7,987 |
| Restricted Cash and Investments Held by Fiscal Agent | — | 930 | 757 |
| Total Cash and Investments | <u>6,846</u> | <u>5,811</u> | <u>8,744</u> |
| Receivables: | | | |
| Receivables for Investments Sold | 67,509 | — | — |
| Interest and Dividends Receivable | 7,544 | — | 23 |
| Other Receivables | 6,855 | 46 | — |
| Due from Other Governments | — | — | 757 |
| Due from Other Funds | — | — | 640 |
| Total Receivables | <u>81,908</u> | <u>46</u> | <u>1,420</u> |
| Investments, at Fair Value: | | | |
| Short-Term Investments | 44,391 | — | — |
| Domestic Equity | 855,868 | — | — |
| Corporate Bonds | 377,826 | — | — |
| International Developed Market Equities | 546,427 | — | — |
| International Emerging Market Equities | 103,495 | — | — |
| Government Bonds | 251,695 | — | — |
| Direct Lending | 309,995 | — | — |
| Real Estate | 475,477 | — | — |
| Total Investments | <u>2,965,174</u> | <u>—</u> | <u>—</u> |
| Collateral Held for Securities Lent | 180,544 | — | — |
| Capital Assets, Net of Accumulated Depreciation | 1,657 | — | — |
| Other Assets | 245 | — | — |
| Property Held for Resale | — | 293 | — |
| Total Assets | <u>3,236,374</u> | <u>6,150</u> | <u>10,164</u> |
| Deferred Outflows of Resources | | | |
| Charge on Refunding | — | 17 | — |
| Pension Contributions | — | 135 | — |
| Total Deferred Outflows of Resources | <u>—</u> | <u>152</u> | <u>—</u> |
| Liabilities | | | |
| Accrued Liabilities | 25,123 | 134 | 876 |
| Collateral Held for Securities Lent | 180,544 | — | — |
| Due To Other Funds | — | — | 1 |
| Deposits Held for Others | — | — | 9,287 |
| Other Liabilities | 3,492 | — | — |
| Long-Term Debt: | | | |
| Due Within One Year | — | 430 | — |
| Due in More than One Year | — | 2,498 | — |
| Due To Other Funds (City of Fresno) | — | 17,032 | — |
| Net Pension Liability | — | 473 | — |
| Total Liabilities | <u>209,159</u> | <u>20,567</u> | <u>10,164</u> |
| Deferred Inflows of Resources | | | |
| Unamortized Pension Expense | — | 75 | — |
| Net Position | | | |
| Restricted for Pension Benefits | 3,027,215 | — | — |
| Held in Trust for Redevelopment Dissolution | — | (14,340) | — |
| Total Net Position | <u>\$ 3,027,215</u> | <u>\$ (14,340)</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

Fiscal Year Ended June 30, 2019

(in thousands)

| | Pension Trust Funds | Successor Agency to the Fresno Redevelopment Agency Private- Purpose Trust Fund |
|--|------------------------|---|
| Additions | | |
| Contributions: | | |
| Employer | \$ 35,232 | \$ — |
| System Members | 20,113 | — |
| Total Contributions | <u>55,345</u> | <u>—</u> |
| Investment Income: | | |
| Net Appreciation in Fair Value of Investments | 123,070 | — |
| Interest | 27,329 | 20 |
| Dividends | 26,137 | — |
| Other Investment Related | 123 | 73 |
| Total Investment Income | <u>176,659</u> | <u>93</u> |
| Less Investment Expense | <u>(25,206)</u> | <u>—</u> |
| Total Net Investment Income | <u>151,453</u> | <u>93</u> |
| Securities Lending Income: | | |
| Securities Lending Earnings | 5,064 | — |
| Less Securities Lending Expense | <u>(4,255)</u> | <u>—</u> |
| Net Securities Lending Income | <u>809</u> | <u>—</u> |
| Property Taxes | — | 4,000 |
| Other Income | — | 900 |
| Total Additions | <u>207,607</u> | <u>4,993</u> |
| Deductions | | |
| Benefit Payments (including post retirement supplemental benefits) | 125,928 | — |
| Refund of Contributions | 2,179 | — |
| Redevelopment Expenses | — | 158 |
| General and Administrative Expenses | 3,561 | 290 |
| Remittances to County | — | 1,840 |
| Interest on Debt | — | 411 |
| Total Deductions | <u>131,668</u> | <u>2,699</u> |
| Change in Net Position | 75,939 | 2,294 |
| Net Position - Beginning | <u>2,951,276</u> | <u>(16,634)</u> |
| Net Position - Ending | <u>\$ 3,027,215</u> | <u>\$ (14,340)</u> |

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

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NOTES TO THE FINANCIAL STATEMENTS

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.

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 inter-governmental 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 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.

The City reports on the following major governmental funds, proprietary (enterprise) 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.

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 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:

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 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 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 the RDA's 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.

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 annual budgets for all governmental and business-type funds (except Financing Authorities/Corporations and City Debt Service) on the cash basis of accounting plus encumbrances. These budgets are adopted on a cash basis of accounting plus encumbrances. 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, 2019, encumbrances totaled \$4.6 million in the General Fund, \$13.0 million in the Grants Special Revenue Fund and \$18.4 million 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.

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. 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 are legally enforceable liabilities 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 as well as disclosures of the unused letters of credit; disclosures of assets pledged as collateral for any City debt and the significant events of default, termination, and subjective acceleration clauses related to debt agreements. This statement is effective for reporting periods beginning after June 15, 2018, which for the City is the fiscal year ending June 30, 2019. The implementation of this standard was determined to not have an impact on the financial statements.

2. **GASB Statement No. 88** - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments*

The primary objective of GASB Statement No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The effect on the City in implementing this Statement is minimal, mostly consisting of separating already reported debt into its component parts. There is no financial effect with respect to the implementation of this Statement. 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. 89** - *Accounting for Interest Cost Incurred Before the End of a Construction Period*

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for the interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with Statement No. 62, which is superseded by this statement. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for reporting periods beginning after December 15, 2019, which for the City is June 30, 2021. The City chose early implementation of this statement. Under this GASB Statement, the City will no longer book capitalized interest with respect to construction cost and said interest will no longer be capitalized as part of the assets implementation costs.

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. 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, 2020.

2. 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 requires 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, 2021.

3. GASB Statement No. 90 - *Majority Equity Interests*

The primary objectives of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. A majority equity interest that meets the definition for an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or a permanent fund. Those government funds should measure the majority equity interest at fair value. This statement is effective for reporting periods beginning after December 15, 2018, which for the City is June 30, 2020.

4. GASB Statement No. 91 - *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement clarifies the existing definition of a conduit debt obligation; establishes that conduit debt obligation is not a liability of the issuer; establishes that standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, which for the City is June 30, 2022.

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), and 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 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 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.

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 - \$4.8 million) and some to the Successor Agency (\$0.5 million), 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, 2019, the adjusted value of the property was \$4.3 million.

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.

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 capitalized. 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.

| Asset Category | Capitalization Threshold |
|--|---------------------------------|
| Land | All Land |
| Buildings, Improvements, and Machinery & Equipment | More than \$15,000 |
| Infrastructure | More than \$50,000 |

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition 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. In prior years, interest cost incurred during the construction phase of capital assets of Business-Type Activities was included as part of the capitalized value of the assets constructed. GASB Statement 89 (see page 59) removes the requirement to capitalize these interest costs. Because the City chose early implementation of GASB Statement 89, no interest was capitalized during fiscal year 2019. Amortization of assets acquired under capital lease is included in depreciation and amortization.

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:

| Asset Category | Useful Life (Years) |
|----------------------------|----------------------------|
| 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.

Airports Department capitalizes noise mitigation costs consistent with GASB Statement No. 51 - *Intangible Assets*. Water Rights, in the Water Fund, 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 measures are installed 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. As of fiscal year end 2019, \$17.2 million has been capitalized as an intangible asset. Included in this amount are noise mitigation assets of \$1.5 million and Water Rights in the amount of \$15.7 million.

Capital Leases

Property, plant and equipment include the following property held under capital lease obligation at June 30, 2019 (in thousands):

| | Governmental Activities |
|--------------------------------|------------------------------------|
| Machinery and Equipment | \$ 34,664 |
| Less: Accumulated Depreciation | (15,141) |
| Net Machinery and Equipment | <u>\$ 19,523</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 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 accrued 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

1. 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, 2019, the ending balance of refunding charges yet to be amortized into expense consists of the following (in thousands):

| Bonds | Charge on Refunding |
|---|----------------------------|
| Governmental Activities: | |
| Lease Revenue Bonds 2008 A, NNLB | |
| Lease Revenue Bonds 2017 A&B, NNLB | \$ 126 |
| Lease Revenue Bonds 2017, CH/Garage/Met/Bee/Granite | 27 |
| Lease Revenue Bonds 2017, Parks Impact | 964 |
| Lease Revenue Bonds 2017, Various Capital Projects | 20 |
| Lease Revenue Bonds 2017, City Hall Chiller | 93 |
| Lease Revenue Bonds 2017, Public Safety | 3,181 |
| Total Governmental Activities | 4,411 |
| Business-Type Activities: | |
| Water System Revenue Refunding Bonds 2003 | 20 |
| Water System Revenue Bonds 2010 | 299 |
| Sewer System Revenue Bonds 2008 A | 239 |
| Airport Revenue Refunding Bonds 2013 | 16 |
| Lease Revenue Bonds 2017, Convention Center | (10) |
| Convention Center Improvements 2008 E&F | 77 |
| Lease Revenue Bonds 2017, Stadium | 33 |
| Lease Revenue Bonds 2017, Exhibit Hall | 105 |
| Lease Revenue Bonds 2017, Golf Course | 68 |
| Total Business-Type Activities | 847 |
| Fiduciary Funds: | |
| Successor Agency to the Fresno Redevelopment Agency: | |
| Tax Allocation Bonds Series 2003, Mariposa Project Area | 17 |
| Total Charge on Refunding | \$ 5,275 |

2. Pension

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, which represent contributions made after the measurement period in accordance with GASB Statement No. 71.

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 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, 2019 consists of the following unavailable resources (in thousands):

| | Deferred Inflows of Resources | | | |
|--|-------------------------------|-----------------------------|--------------------------|--------------------------|
| | General Fund | Grants Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
| Property Taxes | \$ 8,352 | \$ — | \$ — | \$ 8,352 |
| Sales Taxes | 7,729 | — | — | 7,729 |
| Franchise Taxes | 2,640 | — | — | 2,640 |
| Business Tax | 2,899 | — | — | 2,899 |
| Measure C and Other Tax | — | — | 136 | 136 |
| Code Enforcement Revenue | 5,315 | — | — | 5,315 |
| Grant Revenue | 48 | 9,351 | 36 | 9,435 |
| Parking Citations, Fines and Other Revenue | 1,696 | — | — | 1,696 |
| Total | <u>\$ 28,679</u> | <u>\$ 9,351</u> | <u>\$ 172</u> | <u>\$ 38,202</u> |

Q. 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.

R. Fund Balance (Deficit)

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:

1. **Nonspendable** - Includes amounts that are either not in spendable form or are legally or 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.
2. **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.
3. **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, 2019, the Reserve balance identified as Committed Fund Balance was at \$37.0 million, including \$34.3 million for the General Fund Emergency Reserve and \$2.7 million for the 27th Pay Period Reserve.

On December 7, 2017, with the adoption of Resolution No. 2017-334, the Act was again amended. The Resolution stated that any real or personal asset sale of City property with proceeds greater than \$15,000, which would otherwise be deposited into the General Fund, shall instead be deposited into an Asset Sale/Special Windfall Reserve Fund. Proceeds deposited into this new fund are amortized over a five-to-ten year period and used to provide a revenue stream for General Fund items deemed necessary to deliver core City services for the protection and benefit of the citizens of Fresno. Monies from the Asset Sale/Special Windfall Reserve Fund are currently being used to increase spending on salaries of additional police dispatchers.

In addition to the City's Emergency Reserve, the Committed Fund Balance as of June 30, 2019 also consists of \$2.7 million designated exclusively for use in a year when a 27th 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 27th pay period is fiscal year 2028.

4. **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.
5. **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, 2019 consist of the following (in thousands):

| | General Fund | Grants Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|------------------|-----------------------------------|--------------------------------|--------------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Advances Receivable from Other Funds | \$ 2,071 | \$ — | | \$ 2,071 |
| Restricted: | | | | |
| Debt Service | — | — | 1,874 | 1,874 |
| CDBG and Home Loans | — | 60,063 | — | 60,063 |
| Revitalization | — | — | 169 | 169 |
| Street Works | — | — | 9,599 | 9,599 |
| Transportation | — | — | 14,374 | 14,374 |
| Pedestrian and Bicycle Program | — | — | 712 | 712 |
| Prop 42 Traffic Congestion Relief | — | — | 932 | 932 |
| AD #131 UGM Reimbursement | — | — | 1,722 | 1,722 |
| Forfeitures | — | — | 215 | 215 |
| CASP Program Senate Bill 1186 | — | — | 383 | 383 |
| Grants | — | 3,339 | — | 3,339 |
| Police and Fire Grants | — | 2,655 | — | 2,655 |
| Parks Grants-Senior Hot Meals | 10 | 1,438 | — | 1,448 |
| Streets and Traffic Grants | — | 924 | — | 924 |
| DARM Grants | — | — | — | — |
| Impact Fees | — | — | 28,307 | 28,307 |
| Special Assessment Projects | — | — | 13,220 | 13,220 |
| Low to Moderate Income Housing | — | — | 32,661 | 32,661 |
| Committed: | | | | |
| 27th Payperiod Reserve | 2,670 | — | — | 2,670 |
| Emergency Reserve General Fund | 34,334 | — | — | 34,334 |
| Assigned: | | | | |
| Public Works Maintenance | 567 | — | — | 567 |
| Median Island Maintenance | — | — | 4 | 4 |
| Parks Maintenance | 517 | — | 474 | 991 |
| Right of Ways Acquisition | — | — | 516 | 516 |
| Street Tree Fees | — | — | 57 | 57 |
| Public Protection | — | — | 2,702 | 2,702 |
| Public Works Projects | — | — | 2,122 | 2,122 |
| General Purpose | 379 | — | — | 379 |
| Enterprise Zone | — | — | 4 | 4 |
| City Hall Improvements | — | — | 168 | 168 |
| Various Capital Projects | — | — | 5,635 | 5,635 |
| Miscellaneous Paving | — | — | 4,089 | 4,089 |
| PD Capital Projects | — | — | 123 | 123 |
| Parking Garage 7 | — | — | 188 | 188 |
| Woodward & Japanese Garden Projects | — | — | 49 | 49 |
| Police Administration & Patrol | 414 | — | — | 414 |
| Current Planning Development | 2,685 | — | — | 2,685 |
| Housing | — | — | 6 | 6 |
| Unassigned | 25,312 | (448) | (1,502) | 23,362 |
| Total Fund Balances | \$ 68,959 | \$ 67,971 | \$ 118,803 | \$ 255,733 |

S. Net Position/(Deficit)

Net position/(deficit) represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources in the Government-Wide and Proprietary Fund Statements 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.

T. 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.

U. Regulatory Assets and Liabilities

At June 30, 2019, the Statement of Net Position Business-Type Activities reflects approximately \$2.5 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. In October 2019, the remaining liability was paid off. See Note 16F (page 161) for more information.

V. Pensions

For purposes of measuring the net pension asset, 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 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.

W. 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.

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 web page 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, 2019 (in thousands):

| (in thousands) | | Primary Government | | | |
|---|-------------------------|--------------------------|---------------------|---------------------|--|
| Category | Governmental Activities | Business-Type Activities | Fiduciary Funds | Total | |
| Cash and Investments | \$ 191,745 | \$ 241,733 | \$ 19,714 | \$ 453,192 | |
| Restricted Cash and Investments | 38,564 | 209,840 | 1,687 | 250,091 | |
| Pension Trust Investments at Fair Value | — | — | 2,965,174 | 2,965,174 | |
| Collateral Held for Securities Lent | — | — | 180,544 | 180,544 | |
| Total | \$ 230,309 | \$ 451,573 | \$ 3,167,119 | \$ 3,849,001 | |

2. Cash and Deposits

At year-end, the City's bank balance was \$64.3 million 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, 2019 financial statements was \$68.8 million. The difference is due to deposits in transit and outstanding checks.

3. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3: Inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon unobservable sources and may require estimation.

The City uses the market approach as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Securities listed on the fair value hierarchy are valued by the custodial bank using Data Feed purchased from Interactive Date Corporation (IDC). The Level 2 Data Feed provides end of day independent valuations utilizing rules based on logic and standard valuation techniques. It maximizes the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves, and market corroborated inputs.

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

| Pooled Investments by Fair Value Level | June 30, 2019 | Level 1 | Level 2 |
|--|----------------------|-------------------|-------------------|
| Federal Farm Credit Bank Bonds | \$ 35,060 | \$ — | \$ 35,060 |
| Federal Home Loan Bank Bonds | 70,337 | — | 70,337 |
| Federal Home Loan Mortgage Corporation Bonds | 111,885 | — | 111,885 |
| Federal National Mortgage Association Bonds | 34,574 | — | 34,574 |
| Collateralized Mortgage Obligations | 5,037 | — | 5,037 |
| U.S. Treasury Securities | 79,956 | 79,956 | — |
| U.S. Sovereign Bonds | 5,537 | — | 5,537 |
| Medium Term Corporate Notes | 160,520 | — | 160,520 |
| Negotiable Certificate of Deposits | 10,192 | — | 10,192 |
| Total Pooled Investments by Fair Value | 513,098 | 79,956 | 433,142 |
| Pooled Investments Not Subject to the Fair Value Hierarchy | | | |
| State Local Agency Investment Fund | 10,223 | | |
| Time Deposits | 4,400 | | |
| Municipal Bonds | 17,818 | | |
| Supranational | 4,990 | | |
| Money Market Funds | 15,000 | | |
| Total Pooled Investments Not Subject to the Fair Value Hierarchy | 52,431 | | |
| Total Pooled Investments | 565,529 | | |
| Investments Held Outside the Treasurer's Pool by Fair Value Level | | | |
| U.S. Treasury Securities | 22,617 | 22,617 | |
| Investments Held Outside the Treasurer's Pool Not Subject to the Fair Value Hierarchy | | | |
| Guaranteed Investment Contracts | 2,309 | | |
| Money Market Mutual Funds | 44,055 | | |
| Total Investments Held Outside the Treasurer's Pool Not Subject to the Fair Value Hierarchy | 46,364 | | |
| Total Investments Held Outside the Treasurer's Pool | 68,981 | | |
| Grand Total of Investments | \$ 634,510 | \$ 102,573 | \$ 433,142 |

Note: There are no level 3 investments

According to GASB Statement No. 72, money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less should be measured at amortized cost, and as such, are not shown in the fair value hierarchy. Additionally, the City's investment in LAIF is not presented, as the amount available for withdrawal is based on the amortized cost.

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.

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

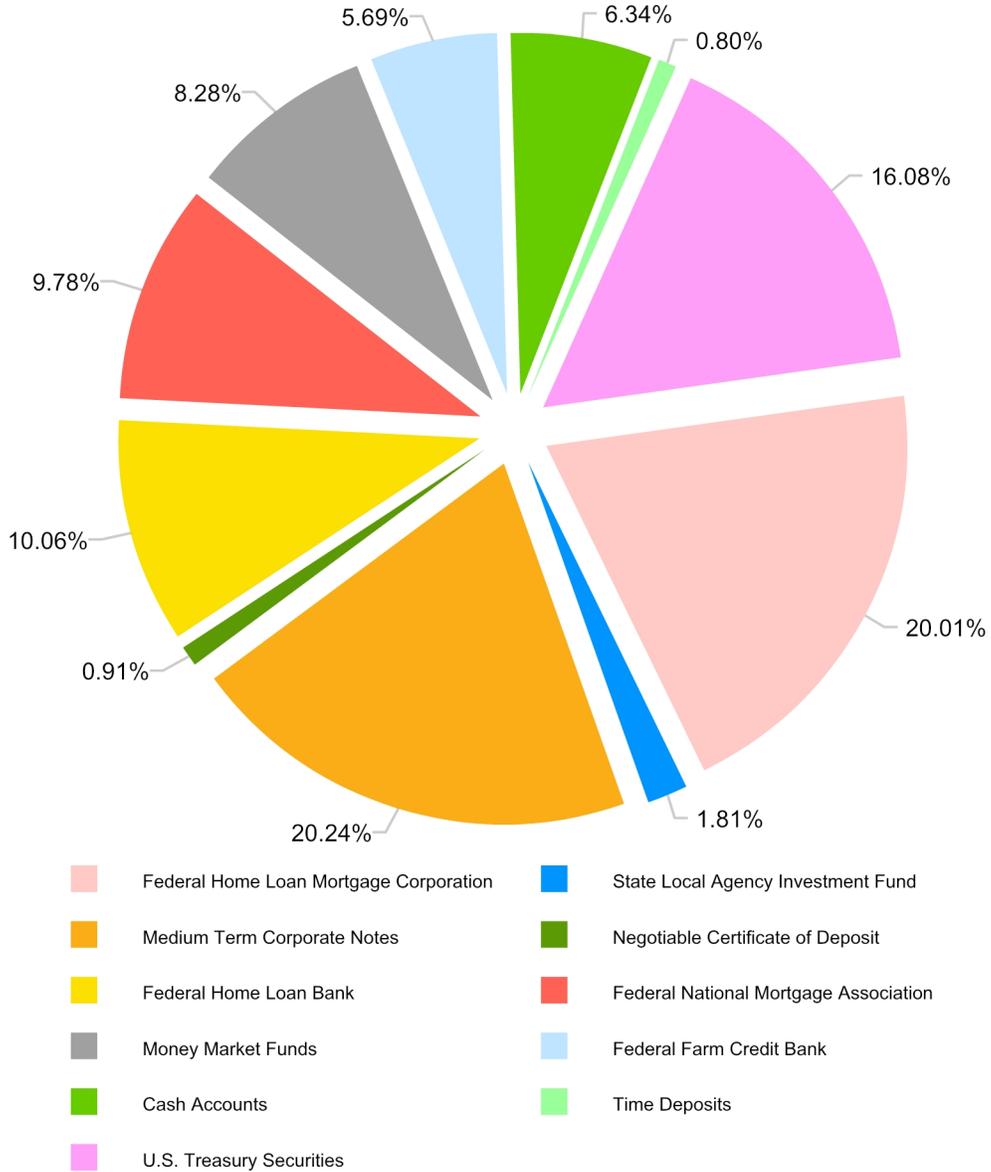
The City maintains a formal investment policy, which is adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of preservation of principal, adequacy of liquidity, and achievement of an average market rate of return.

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.

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, 2018 and June 30, 2019:

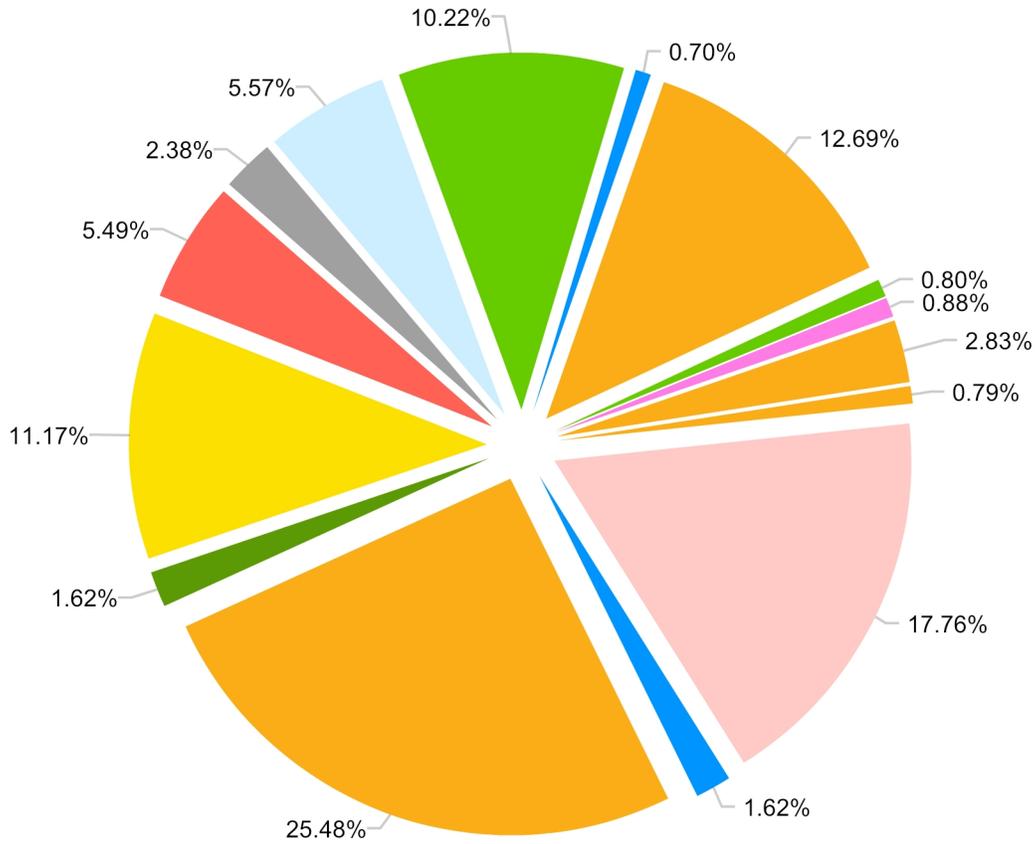
City of Fresno Treasurer's Pool (Fair Value)

June 30, 2018



City of Fresno Treasurer's Pool (Fair Value)

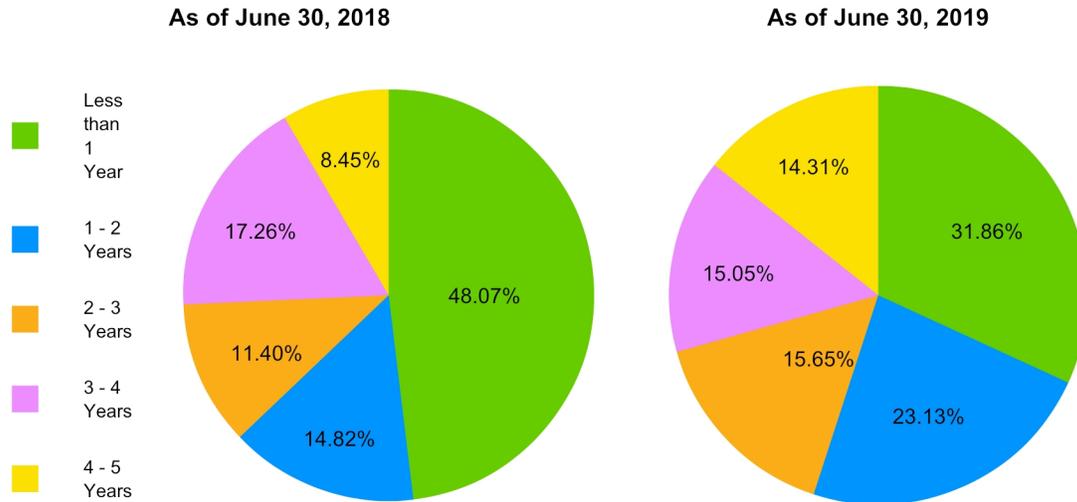
June 30, 2019



- Federal Home Loan Mortgage Corporation
- Medium Term Corporate Notes
- Federal Home Loan Bank
- Money Market Funds
- Cash Accounts
- U.S. Treasury Securities
- U.S. Sovereign Bonds
- Supranational
- State Local Agency Investment Fund
- Negotiable Certificate of Deposit
- Federal National Mortgage Association
- Federal Farm Credit Bank
- Time Deposits
- Collateralized Mortgage Obligations
- Municipal Bonds

City of Fresno

Treasurer's Pool Maturity Schedule



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.

The City has 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. During fiscal year 2019, total interest of \$2.0 million was earned from the following instruments:

- Guaranteed Investment Contracts - \$0.8 million
- Federal Agency Bonds - \$0.8 million
- Money Market Funds - \$0.4 million

The City also invested the \$116 million that has been placed in escrow for the defeasance of the 2008 Sewer Bonds. These funds were invested in Federal Housing securities that had a duration of 12 months. The investment of these escrowed monies had earned \$798,314 in interest as of June 30, 2019. The earnings represent interest earned since the last semi-annual interest payment plus a deferred discount net of fees.

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. 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 (in thousands):

| Treasurer's Pool Investments | | | |
|--|--------------------------------|-------------------|-------------------|
| Issuer | Investment Type | Amount | % of Total |
| Treasurer's Pool Investments: | | | |
| Federal Farm Credit Bank | U.S. Government Agency | \$ 35,060 | 5.57% |
| Federal Home Loan Bank | U.S. Government Agency | 70,337 | 11.17% |
| Federal Home Loan Mortgage Corp. (FHLMC) | U.S. Government Agency | 111,885 | 17.76% |
| Federal National Mortgage Association (FNMA) | U.S. Government Agency | 34,574 | 5.49% |
| Collateralized Mortgage Obligations | U.S. Government Agency | 5,036 | 0.80% |
| | | <u>\$ 256,892</u> | <u>40.79%</u> |
| Investments with Trustees: | | | |
| FSA Capital Management Services, LLC | Guaranteed Investment Contract | <u>\$ 2,309</u> | <u>3.35%</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.

Interest rate risk for the Treasurer's Pool and for investments with trustees is disclosed in the following table. As of June 30, 2019, the City had the following cash and investments in its portfolio (in thousands):

| 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 | \$ 64,343 | | | | |
| Treasurer's Pool Investments | | | | | |
| U.S. Government Agencies: | | | | | |
| Federal Farm Credit Bank | 35,060 | \$ — | \$ 35,060 | \$ — | \$ — |
| Federal Home Loan Bank | 70,337 | 10,002 | 60,335 | — | — |
| Federal Home Loan Mortgage Corp. | 111,885 | 29,885 | 82,000 | — | — |
| Federal National Mortgage Association | 34,574 | 19,904 | 14,670 | — | — |
| Collateralized Mortgage Obligations | 5,036 | — | 5,036 | — | — |
| Subtotal of U.S. Government Agencies | 256,892 | 59,791 | 197,101 | — | — |
| U.S. Treasury Securities | 79,957 | 19,883 | 60,074 | — | — |
| U.S. Sovereign Bonds | 5,538 | — | 5,538 | — | — |
| Medium Term Corporate Notes | 160,520 | 23,961 | 136,559 | — | — |
| Negotiable Certificate of Deposit | 10,192 | — | 10,192 | — | — |
| State Local Agency Investment Fund (CA LAIF) | 10,223 | 10,223 | — | — | — |
| Time Deposits | 4,400 | 4,400 | — | — | — |
| Municipal Bonds | 17,818 | — | 17,818 | — | — |
| Supranational | 4,990 | — | 4,990 | — | — |
| Money Market Mutual Funds | 15,000 | 15,000 | — | — | — |
| Total Treasurer's Pool | 629,873 | \$ 133,258 | \$ 432,272 | \$ — | \$ — |
| Investments Held Outside the Treasurer's Pool | | | | | |
| Debt Service Funds/Bond Proceeds: | | | | | |
| Guaranteed Investment Contracts | 2,309 | \$ — | \$ — | \$ — | \$ 2,309 |
| Mutual Funds | 44,055 | 44,055 | — | — | — |
| U.S. Government & Agency Securities | 22,617 | 22,617 | — | — | — |
| | | \$ 66,672 | \$ — | \$ — | \$ 2,309 |
| Other Deposits | 9,421 | | | | |
| Outstanding Checks | (5,430) | | | | |
| Deposits in Transit | 438 | | | | |
| Pension Trust Assets (See separate CAFRs) | 3,145,718 | | | | |
| Total Cash and Investments | \$ 3,849,001 | | | | |

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 (in thousands) | Minimum Legal Rating | Rating at Year-End | % of Treasurer's Pool |
|--|--------------------------|----------------------------|-----------------------|-----------------------------|
| Treasurer's Pool Investments: | | | | |
| U.S. Government Agency Securities: | | | | |
| Federal Farm Credit Bank | \$ 35,060 | A | AA+ | 5.57% |
| Federal Home Loan Bank | 70,337 | A | AA+ | 11.17% |
| Federal Home Loan Mortgage Corporation | 111,885 | A | AA+ | 17.76% |
| Federal National Mortgage Association | 34,574 | A | AA+ | 5.49% |
| Collateralized Mortgage Obligations | 5,037 | A | AA | 0.80% |
| U.S. Treasury Securities | 79,956 | A | AAA | 12.69% |
| U.S. Sovereign Bonds | 5,537 | A | AA+U | 0.88% |
| Medium Term Corporate Notes: | | | | |
| American Honda Finance | 5,262 | A | A | 0.84% |
| Apple Inc | 8,745 | A | AA+ | 1.39% |
| Bank of America | 5,013 | A | A- | 0.80% |
| Bank of New York | 3,116 | A | A | 0.49% |
| Berkshire Hathaway Inc | 5,081 | A | AA | 0.81% |
| Caterpillar, Inc. | 5,043 | A | A | 0.80% |
| Chevron Corp | 5,189 | A | AA | 0.82% |
| Citibank NA | 10,098 | A | A+ | 1.60% |
| Credit Suisse Ag/Nassau | 4,916 | A | A1 | 0.78% |
| Estee Lauder Co | 5,026 | A | A+ | 0.80% |
| General Electric Corp * | 5,044 | A | BBB+ | 0.80% |
| Harvard Pres & Fellows | 4,038 | A | AAA | 0.64% |
| HSBC USA Inc. | 14,984 | A | A | 2.38% |
| IBM Credit Corp | 5,985 | A | A | 0.95% |
| JPMorgan Chase & Company | 2,999 | A | A- | 0.48% |
| Merck & Co. Inc | 4,988 | A | AA | 0.79% |
| New York Life | 5,111 | A | AA+ | 0.81% |
| Oracle | 5,007 | A | AA- | 0.79% |
| Pricoa Global Funding | 5,219 | A | AA- | 0.83% |
| Royal Bank Canada Global | 15,975 | A | AA- | 2.54% |
| Toyota Motor Credit Corp | 3,061 | A | AA- | 0.49% |
| U.S. Bancorp | 10,166 | A | A+ | 1.61% |
| U.S. Bank NA Cincinnati | 5,215 | A | AA- | 0.83% |
| Wells Fargo Bank | 15,239 | A | A+ | 2.42% |

* Investment in General Electric Corp notes sold July 19, 2019.

| Issuer | Amount (in thousands) | Minimum Legal Rating | Rating at Year-End | % of Treasurer's Pool |
|---|--------------------------|----------------------------|-----------------------|-----------------------------|
| Municipal Bonds | | | | |
| California Housing Finance Agency | 3,545 | NA | AA | 0.56% |
| California Department of Water Resources | 4,003 | NA | AA | 0.64% |
| State of California | 5,056 | NA | AA+ | 0.80% |
| State of California | 5,214 | NA | AA- | 0.83% |
| Supranational | | | | |
| International Bank for Reconstruction & Dev | 4,990 | AA | AAA | 0.79% |
| Negotiable Certificate of Deposit | 10,192 | NA | Unrated | 1.62% |
| State Local Agency Investment Pool | 10,223 | NA | Unrated | 1.62% |
| Time Deposits | 4,400 | NA | Unrated | 0.70% |
| Money Market Mutual Funds | 15,000 | NA | Unrated | 2.38% |
| Total Treasurer's Pool Investments | <u>\$ 565,529</u> | | | <u>89.79%</u> |

| Issuer | Amount (in thousands) | Minimum Legal Rating | Rating at Year-End | % of Investments with Trustees |
|--|--------------------------|----------------------------|-----------------------|--------------------------------------|
| Investments with Trustees: | | | | |
| Guaranteed Investment Contracts | \$ 2,309 | NA | Unrated | 3.35% |
| Mutual Funds | 44,055 | NA | Unrated | 63.86% |
| U.S. Government & Treasury Securities | 22,617 | NA | AAA | 32.79% |
| Total Investments with Trustees | <u>\$ 68,981</u> | | | <u>100.00%</u> |

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.

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. 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, 2019. As of June 30, 2019, the City's deposits with institutions in excess of federal depository insurance limits were \$63.1 million 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, 2019, 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, 2019, was \$24.6 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2019, had a balance of \$105.7 billion. Of that amount, 1.77% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 173 days as of June 30, 2019.

LAIF has the following restrictions on withdrawals:

- For same day transactions, the requesting agency must contact LAIF by 10 a.m. PST.
- Transaction calls received after 10 a.m. are processed the following business day.
- A requesting agency can only conduct a maximum of 15 transactions (combination of deposits and withdrawals) per month.
- 24-hour notice is needed for withdrawals of \$10 million or more.
- The minimum transaction amount is \$5,000, with amounts above the minimum transacted in increments of \$1,000.
- 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, 2019 consist of the following (in thousands):

| Investments at Fair Value | |
|----------------------------------|--------------|
| Domestic Equity | \$ 855,867 |
| International Developed Market | 546,427 |
| International Emerging Market | 103,495 |
| Real Estate | 475,477 |
| Government Bonds | 251,695 |
| Corporate Bonds | 377,826 |
| Short-Term Investments | 44,391 |
| Direct Lending | 309,995 |
| Total Investments at Fair Value | \$ 2,965,173 |

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:

| Asset Class | Minimum | Target | Maximum |
|---|---------|--------|---------|
| Domestic Large Cap Equities | 13.0% | 17.0% | 27.0% |
| Domestic Small Cap Equities | 2.0% | 8.0% | 9.0% |
| International Developed Market Equities | 13.0% | 20.0% | 27.0% |
| International Emerging Market Equities | 0.0% | 7.0% | 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% | 10.0% | 20.0% |
| Value Add Real Estate/REITs | 1.0% | 5.0% | 9.0% |
| Infrastructure | 0.0% | 2.0% | 10.0% |
| MLPs | 0.0% | 5.0% | 10.0% |
| Private Equity | 0.0% | 3.0% | 10.0% |
| Direct Lending/Private Debt | 0.0% | 8.0% | 10.0% |
| Cash & Equivalents | 0.0% | 0.0% | 0.0% |
| | | 100.0% | |

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.

F. Restricted Assets

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 is interest earned with the trustee.

Restricted assets are as follows at June 30, 2019 (in thousands):

| | Cash and Investments Current and Noncurrent | Interest Receivable | Total |
|---------------------------------|--|------------------------|-------------------|
| Governmental Activities: | | | |
| General Fund | \$ 37,004 | \$ — | \$ 37,004 |
| Nonmajor Governmental Funds | 802 | — | 802 |
| Internal Service Funds | 758 | — | 758 |
| Subtotal | <u>38,564</u> | <u>—</u> | <u>38,564</u> |
| Business-Type Activities | | | |
| Water System | 53,449 | 140 | 53,589 |
| Sewer System | 50,068 | 329 | 50,397 |
| Solid Waste Management | 11,017 | — | 11,017 |
| Transit | 26,136 | — | 26,136 |
| Airports | 57,601 | — | 57,601 |
| Convention Center | 2,951 | — | 2,951 |
| Stadium | 3,116 | — | 3,116 |
| Nonmajor Enterprise Funds | 440 | — | 440 |
| Internal Service Funds | 5,062 | — | 5,062 |
| Subtotal | <u>209,840</u> | <u>469</u> | <u>210,309</u> |
| Fiduciary: | | | |
| Private-Purpose Trust Fund | 930 | — | 930 |
| Agency Funds | 757 | — | 757 |
| Subtotal | <u>1,687</u> | <u>—</u> | <u>1,687</u> |
| Total | <u>\$ 250,091</u> | <u>\$ 469</u> | <u>\$ 250,560</u> |

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.

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, 2019, are \$2.8 million for the General Fund, \$2.2 million for Water System, \$2.2 million for Sewer System, \$1.6 million for Solid Waste Management, \$0.1 million for Airports, and \$3.6 million for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2019 are \$12.1 million for Grants Special Revenue Fund and \$1.8 million for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are \$74.2 million for Governmental notes and loans and \$19.4 million 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, (in thousands) as of June 30, 2019 were as follows:

| | Interest | Accounts Receivable | Grants Receivables | Property Taxes | Other Inter-governmental | Loans Receivable | Total |
|--|-----------------|---------------------|--------------------|------------------|--------------------------|------------------|-------------------|
| Governmental Activities | | | | | | | |
| General Fund | \$ 383 | \$ 13,750 | \$ 59 | \$ 10,233 | \$ 23,188 | \$ — | \$ 47,613 |
| Grants Special Revenue Fund | — | — | 9,819 | — | — | 59,193 | 69,012 |
| Other Governmental Funds | 660 | 205 | 36 | — | 3,629 | 18,170 | 22,700 |
| Internal Service Funds | 555 | 144 | — | — | — | — | 699 |
| Subtotal | \$ 1,598 | \$ 14,099 | \$ 9,914 | \$ 10,233 | \$ 26,817 | \$ 77,363 | \$ 140,024 |
| Advances to Successor Agency and Due to (from) Fiduciary Funds | | | | | | | 16,249 |
| Total | | | | | | | \$ 156,273 |
| Business-Type Activities | | | | | | | |
| Water System | \$ 1,140 | \$ 17,539 | \$ — | \$ — | \$ — | \$ 4,814 | \$ 23,493 |
| Sewer System | 806 | 9,731 | — | — | 1,676 | 6,676 | 18,889 |
| Solid Waste Management | 270 | 4,422 | — | — | — | 12,997 | 17,689 |
| Transit | 247 | 334 | 2,900 | — | 3,952 | — | 7,433 |
| Airports | 362 | 2,146 | 292 | — | 117 | — | 2,917 |
| Fresno Convention Center | — | 256 | — | — | — | — | 256 |
| Stadium | 36 | — | — | — | — | — | 36 |
| Other Enterprise Funds | 26 | 1,339 | — | — | — | — | 1,365 |
| Internal Service Funds | 142 | 622 | — | — | — | — | 764 |
| Subtotal | \$ 3,029 | \$ 36,389 | \$ 3,192 | \$ — | \$ 5,745 | \$ 24,487 | \$ 72,842 |
| Advances to Successor Agency | | | | | | | 145 |
| Total | | | | | | | \$ 72,987 |

Receivables are presented on the Statement of Net Position as follows (in thousands):

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------|
| Accounts Receivables, Net | \$ 78,910 | \$ 48,031 | \$ 126,941 |
| Restricted Interest Receivable | — | 469 | 469 |
| Loans, Notes, Leases and Other Receivables, Net | 77,364 | 24,487 | 101,851 |
| Total | <u>\$ 156,274</u> | <u>\$ 72,987</u> | <u>\$ 229,261</u> |

Note 5. Property, Plant and Equipment - Capital Assets

A. Citywide Capital Assets

The following is a summary of capital assets as of June 30, 2019 (in thousands):

| | Primary Government | | | Total |
|--|-------------------------|--------------------------|-----------------|---------------------|
| | Governmental Activities | Business-Type Activities | Fiduciary Funds | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 260,250 | \$ 48,891 | \$ — | \$ 309,141 |
| Intangibles (Indefinite Life) | — | 17,147 | — | 17,147 |
| Construction in Progress | 55,916 | 367,720 | — | 423,636 |
| Total Capital Assets Not Being Depreciated | 316,166 | 433,758 | — | 749,924 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 307,658 | 962,873 | — | 1,270,531 |
| Machinery and Equipment | 172,196 | 97,091 | 2,847 | 272,134 |
| Infrastructure | 1,404,519 | 1,064,329 | — | 2,468,848 |
| Total Capital Assets Being Depreciated | 1,884,373 | 2,124,293 | 2,847 | 4,011,513 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (153,719) | (402,205) | — | (555,924) |
| Machinery and Equipment | (108,098) | (55,041) | (1,190) | (164,329) |
| Infrastructure | (981,608) | (345,884) | — | (1,327,492) |
| Total Accumulated Depreciation | (1,243,425) | (803,130) | (1,190) | (2,047,745) |
| Total Capital Assets Being Depreciated, Net | 640,948 | 1,321,163 | 1,657 | 1,963,768 |
| Total Capital Assets, Net | \$ 957,114 | \$ 1,754,921 | \$ 1,657 | \$ 2,713,692 |

B. Governmental Activities

Capital asset activity related to governmental activities for the fiscal year ended June 30, 2019 was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|--------------------|------------------|--------------------|--------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 260,055 | \$ 855 | \$ (660) | \$ 260,250 |
| Construction in Progress | 62,179 | 29,026 | (35,289) | 55,916 |
| Total Capital Assets Not Being Depreciated | <u>322,234</u> | <u>29,881</u> | <u>(35,949)</u> | <u>316,166</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 285,840 | 31,396 | (9,578) | 307,658 |
| Machinery and Equipment | 178,168 | 16,024 | (21,996) | 172,196 |
| Infrastructure | 1,396,212 | 18,801 | (10,494) | 1,404,519 |
| Total Capital Assets Being Depreciated | <u>1,860,220</u> | <u>66,221</u> | <u>(42,068)</u> | <u>1,884,373</u> |
| Less: Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (152,185) | (8,279) | 6,745 | (153,719) |
| Machinery and Equipment | (118,124) | (11,414) | 21,440 | (108,098) |
| Infrastructure | (956,227) | (35,158) | 9,777 | (981,608) |
| Total Accumulated Depreciation | <u>(1,226,536)</u> | <u>(54,851)</u> | <u>37,962</u> | <u>(1,243,425)</u> |
| Total Capital Assets Being Depreciated, Net | <u>633,684</u> | <u>11,370</u> | <u>(4,106)</u> | <u>640,948</u> |
| Total Capital Assets, Net | <u>\$ 955,918</u> | <u>\$ 41,251</u> | <u>\$ (40,055)</u> | <u>\$ 957,114</u> |

Depreciation was charged to functions as follows (in thousands):

| Function | Depreciation Amount |
|---|---------------------|
| General Government | \$ 8,060 |
| Public Protection | 5,732 |
| Public Ways and Facilities | 36,259 |
| Culture and Recreation | 4,200 |
| Community Development | 600 |
| Total Governmental Activities Depreciation Expense | <u>\$ 54,851</u> |

C. Business-Type Activities

Capital asset activity related to Business-Type Activities for the fiscal year ended June 30, 2019 was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|---------------------|-------------------|---------------------|---------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 49,467 | \$ 27 | \$ (603) | \$ 48,891 |
| Intangibles Indefinite Life | 17,095 | 52 | — | 17,147 |
| Construction in Progress | 523,229 | 78,803 | (234,312) | 367,720 |
| Total Capital Assets Not Being Depreciated | 589,791 | 78,882 | (234,915) | 433,758 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 974,949 | 17,214 | (29,290) | 962,873 |
| Machinery and Equipment | 110,754 | 1,150 | (14,813) | 97,091 |
| Infrastructure | 849,235 | 215,168 | (74) | 1,064,329 |
| Total Capital Assets Being Depreciated | 1,934,938 | 233,532 | (44,177) | 2,124,293 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (397,107) | (34,388) | 29,290 | (402,205) |
| Machinery and Equipment | (63,094) | (6,751) | 14,804 | (55,041) |
| Infrastructure | (322,439) | (23,519) | 74 | (345,884) |
| Total Accumulated Depreciation | (782,640) | (64,658) | 44,168 | (803,130) |
| Total Capital Assets Being Depreciated, Net | 1,152,298 | 168,874 | (9) | 1,321,163 |
| Total Capital Assets, Net | \$ 1,742,089 | \$ 247,756 | \$ (234,924) | \$ 1,754,921 |

Depreciation was charged to functions as follows (in thousands):

| Function | Depreciation Amount |
|--|---------------------|
| Water System | \$ 19,124 |
| Sewer System | 24,554 |
| Solid Waste Management | 612 |
| Transit | 5,782 |
| Airports | 11,025 |
| Fresno Convention Center | 2,316 |
| Stadium | 1,058 |
| Other Enterprise Funds | 187 |
| Total Business-Type Activities Depreciation Expense | \$ 64,658 |

D. Fiduciary Funds

Capital asset activity related to fiduciary funds for the fiscal year ended June 30, 2019 was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-------------------|-----------------|-------------|-----------------|
| Capital Assets Not Being Depreciated: | | | | |
| Construction in Progress | \$ — | \$ — | \$ — | \$ — |
| Capital Assets Being Depreciated: | | | | |
| Machinery and Equipment | 2,933 | — | (86) | 2,847 |
| Less: Accumulated Depreciation for: | | | | |
| Machinery and Equipment | (1,000) | (276) | 86 | (1,190) |
| Total Capital Assets Being Depreciated, Net | <u>1,933</u> | <u>(276)</u> | <u>—</u> | <u>1,657</u> |
| Total Capital Assets, Net | <u>\$ 1,933</u> | <u>\$ (276)</u> | <u>\$ —</u> | <u>\$ 1,657</u> |

Depreciation was charged to functions as follows (in thousands):

| Function | Depreciation Amount |
|--|---------------------|
| Fire & Police Retirement System Pension Trust Funds | \$ 138 |
| Employee Retirement System Pension Trust Funds | 138 |
| Total Business-Type Activities Depreciation Expense | <u>\$ 276</u> |

E. Construction in Progress

At June 30, 2019, Construction in Progress consisted of the following (in thousands):

| Project Title | Construction Costs To Date* |
|---------------------------------------|-----------------------------|
| Governmental Activities: | |
| General Street Projects | \$ 43,182 |
| Regional Park Improvements | 1,851 |
| Other Miscellaneous Projects | 10,883 |
| Total Governmental Activities | \$ 55,916 |
| Business-Type Activities: | |
| Water Capital Projects | \$ 199,893 |
| Sewer/Wastewater Capital Projects | 82,964 |
| Airports Capital Projects | 29,444 |
| Transit Capital Projects | 52,893 |
| Miscellaneous Projects | 2,526 |
| Total Business-Type Activities | \$ 367,720 |
| Total Construction in Progress | \$ 423,636 |

*Due to the early adoption of GASB Statement No. 89, the City discontinued the capitalization of interest with respect to construction costs.

F. Fully Depreciated Assets

During the 2019 fiscal year, a detailed analysis of City-owned property was performed. All assets that were fully depreciated and no longer in service were removed. The retirement of fully depreciated assets City-wide totaled to \$83.3 million.

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, 2019 (in thousands):

| | Primary Government | | | Total Primary Government |
|--|-------------------------|--------------------------|-----------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Fiduciary Funds | |
| Long-Term Debt | | | | |
| Revenue and Other Bonds | \$ 233,010 | \$ 259,177 | \$ — | \$ 492,187 |
| Bonds From Direct Placements | — | 35,000 | — | 35,000 |
| Tax Allocation Bonds | — | — | 1,538 | 1,538 |
| Notes Payable From Direct Borrowings | 2,033 | 403,612 | 1,355 | 407,000 |
| Subtotal Net Principal Due | 235,043 | 697,789 | 2,893 | 935,725 |
| Accreted Interest | — | 3,796 | — | 3,796 |
| Issuance Premiums (Discounts) | 9,341 | 4,396 | (3) | 13,734 |
| Subtotal Accreted Interest, Issuance Prem/(Disc) | 9,341 | 8,192 | (3) | 17,530 |
| Capital Lease Obligations | 39,338 | — | — | 39,338 |
| Total Long-Term Debt | 283,722 | 705,981 | 2,890 | 992,593 |
| Other Long-Term Liabilities | | | | |
| Retention Payable | 590 | — | — | 590 |
| Compensated Absences and Health Retirement Arrangement (HRA) | 63,319 | 12,440 | 38 | 75,797 |
| Net OPEB Liability | 80,858 | 32,842 | — | 113,700 |
| Liabilities for Self-Insurance | 132,690 | — | — | 132,690 |
| CVP Litigation Settlement | — | 1,820 | — | 1,820 |
| Accrued Closure Cost | — | 13,897 | — | 13,897 |
| Pollution Remediation | — | 529 | — | 529 |
| Total Other Long-Term Liabilities | 277,457 | 61,528 | 38 | 339,023 |
| Total Long-Term Liabilities Government-Wide Statement of Net Position | \$ 561,179 | \$ 767,509 | \$ 2,928 | \$ 1,331,616 |
| Due Within One Year | \$ 74,286 | \$ 23,888 | \$ 430 | \$ 98,604 |
| Due Within More Than One Year | 486,893 | 743,621 | 2,498 | 1,233,012 |
| Total Long-Term Liabilities Government-Wide Statement of Net Position | \$ 561,179 | \$ 767,509 | \$ 2,928 | \$ 1,331,616 |

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.

Activity of Long-Term Liabilities - Governmental (In Thousands)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|-------------------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable (Revenue and Other Bonds): | | | | | |
| Lease Revenue Bonds, Series 2004 | \$ 13,135 | \$ — | \$ 790 | \$ 12,345 | \$ 835 |
| Taxable Pension Obligation Bonds Refunding Series 2002 | 124,245 | — | 8,085 | 116,160 | 8,605 |
| Lease Revenue Bonds 2017A, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements | 29,020 | — | 3,035 | 25,985 | 3,180 |
| Lease Revenue Bonds, Series 2017A, City Hall Chilled | 2,710 | — | — | 2,710 | — |
| Lease Revenue Bonds, Series 2017A Parks Projects | 22,965 | — | 695 | 22,270 | 730 |
| Lease Revenue Bonds, Series 2017A&B, NNLB | 12,945 | — | 2,365 | 10,580 | 2,465 |
| Lease Revenue Bonds, Series 2017A, Police and Fire/Public Safety | 32,065 | — | 1,015 | 31,050 | 1,065 |
| Lease Revenue Bonds, Series 2017A, Various | 12,435 | — | 525 | 11,910 | 550 |
| Total Revenue and Other Bonds | <u>249,520</u> | <u>—</u> | <u>16,510</u> | <u>233,010</u> | <u>17,430</u> |
| Less: Unamortized Amounts: | | | | | |
| For Issuance Premiums/(Discounts) | 10,746 | — | 1,405 | 9,341 | — |
| Notes Payable From Direct Borrowings: | | | | | |
| California Infrastructure Bank - City | 1,639 | — | 78 | 1,561 | 81 |
| HUD Sec 108 Note Reg. Med Center 1997-A | — | — | — | — | — |
| HUD Sec 108 Note FMAAA | 255 | — | 255 | — | — |
| HUD Sec 108 Note Neighborhood Streets/Parks | 572 | — | 100 | 472 | 107 |
| Total Notes Payable From Direct Borrowings | <u>2,466</u> | <u>—</u> | <u>433</u> | <u>2,033</u> | <u>188</u> |
| Capital Leases | <u>28,271</u> | <u>18,560</u> | <u>7,493</u> | <u>39,338</u> | <u>8,048</u> |
| Total Long-Term Debt | <u>291,003</u> | <u>18,560</u> | <u>25,841</u> | <u>283,722</u> | <u>25,666</u> |
| Other Liabilities: | | | | | |
| Retention Payable | 444 | 146 | — | 590 | 590 |
| Compensated Absences and Health Retirement Arrangement | 59,658 | 13,344 | 9,683 | 63,319 | 9,022 |
| Net OPEB Liability | 66,009 | 14,849 | — | 80,858 | — |
| Liability for Self-Insurance | 132,365 | 76,131 | 75,806 | 132,690 | 39,009 |
| Total Other Liabilities | <u>258,476</u> | <u>104,470</u> | <u>85,489</u> | <u>277,457</u> | <u>48,621</u> |
| Governmental Long-Term Liabilities Total | <u>\$ 549,479</u> | <u>\$ 123,030</u> | <u>\$ 111,330</u> | <u>\$ 561,179</u> | <u>\$ 74,287</u> |

Activity of Long-Term Liabilities - Business-Type (In Thousands)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|------------------|-------------------|-------------------|------------------------|
| Business-Type Activities: | | | | | |
| Bonds Payable (Revenue and Other Bonds): | | | | | |
| Water System Revenue Refunding Bonds 2003 | \$ 2,555 | \$ — | \$ 1,245 | \$ 1,310 | \$ 1,310 |
| Water System Revenue Bonds 2010 | 128,170 | — | 4,485 | 123,685 | 4,710 |
| Sewer System Revenue Bonds 1993 A | 17,070 | — | 10,090 | 6,980 | 45 |
| Sewer System Revenue Bonds 2008 A | 159,845 | — | 132,540 | 27,305 | 970 |
| Lease Revenue Bonds 1998 - Exhibit Hall Expansion | 2,352 | — | 275 | 2,077 | 262 |
| Airport Revenue Refunding Bonds 2013 | 28,120 | — | 1,475 | 26,645 | 1,535 |
| Lease Revenue Bonds 2001 A and B - Stadium | 15,175 | — | 755 | 14,420 | 805 |
| Airport Revenue Bonds 2007 - Cons. Rental Car | 21,335 | — | 265 | 21,070 | 315 |
| Lease Revenue Bonds 2008 - Convention Center | 9,280 | — | 1,790 | 7,490 | 1,910 |
| Lease Revenue Bonds 2017A - Exhibit Hall Expansion | 11,665 | — | 830 | 10,835 | 865 |
| Lease Revenue Bonds 2017A - Convention Center | 4,035 | — | 365 | 3,670 | 385 |
| Lease Revenue Bonds 2017A - Stadium | 12,860 | — | 735 | 12,125 | 770 |
| Lease Revenue Bonds 2017A - Riverside Golf Course | 1,615 | — | 50 | 1,565 | 55 |
| Total Revenue and Other Bonds | 414,077 | — | 154,900 | 259,177 | 13,937 |
| Bonds Payable From Direct Placements: | | | | | |
| Airport Revenue Bonds 2019 - Airport Parking | — | 35,000 | — | 35,000 | — |
| Plus Accreted Interest: | | | | | |
| Accreted Interest on Capital Appreciation Bonds | 3,961 | 310 | 475 | 3,796 | — |
| Less: Unamortized Amounts | | | | | |
| For Issuance Premiums/(Discounts) | 7,115 | — | 2,719 | 4,396 | — |
| Notes Payable From Direct Borrowings: | | | | | |
| Construction of Water Supply Disinfection Buildings | 1,410 | — | 90 | 1,320 | 92 |
| Improvements on the Enterprise and Jefferson Canals | 901 | — | 58 | 843 | 59 |
| Water Meter Project | 41,124 | — | 2,570 | 38,554 | 2,570 |
| Southeast Surface Water Treatment Facility | 153,560 | 16,148 | 3,000 | 166,708 | — |
| Tertiary Treatment Facility | 32,250 | — | 964 | 31,286 | 974 |
| Convention Center: Employee Benefits Cost Reimbursement Settlement | 271 | — | 271 | — | — |
| Enterprise Canal Raw Water Pipeline | 19,522 | 727 | 532 | 19,717 | 539 |
| Regional Transmission Mains | 48,612 | 11,873 | — | 60,485 | — |
| Kings River Pipeline | 46,768 | 5,853 | 1,348 | 51,273 | 1,402 |
| Southwest Quadrant Recycled Water Dist. System | 20,206 | 13,220 | — | 33,426 | — |
| Total Notes Payable From Direct Borrowings | 364,624 | 47,821 | 8,833 | 403,612 | 5,636 |
| Total Long-Term Debt | 789,777 | 83,131 | 166,927 | 705,981 | 19,573 |
| Other Long-Term Liabilities: | | | | | |
| Compensated Absences & Health Retirement Arrangement | 12,110 | 2,342 | 2,012 | 12,440 | 1,694 |
| Net OPEB Liability | 26,811 | 6,031 | — | 32,842 | — |
| CVP Litigation Settlement | 5,971 | — | 4,151 | 1,820 | 1,821 |
| Accrued Closure Cost | 14,435 | — | 538 | 13,897 | 800 |
| Pollution Remediation | 576 | — | 47 | 529 | — |
| Total Other Long-Term Liabilities | 59,903 | 8,373 | 6,748 | 61,528 | 4,315 |
| Business-Type Long-Term Liabilities Total | \$ 849,680 | \$ 91,504 | \$ 173,675 | \$ 767,509 | \$ 23,888 |

Activity of Long-Term Liabilities - Fiduciary (In Thousands)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|--------------|---------------|-------------------|------------------------|
| Fiduciary Funds: | | | | | |
| Successor Agency to the Fresno Redevelopment Agency: | | | | | |
| Tax Allocation Bonds: | | | | | |
| Series 2003, Mariposa Project Area | 1,869 | — | 331 | 1,538 | 353 |
| Total Tax Allocation Bonds | 1,869 | — | 331 | 1,538 | 353 |
| Less: Unamortized Amounts: | | | | | |
| For Issuance Premiums/(Discounts) | (5) | — | 2 | (3) | — |
| Total Unamortized Amounts | (5) | — | 2 | (3) | — |
| Notes Payable From Direct Borrowings: | | | | | |
| California Infrastructure Bank | 1,422 | — | 67 | 1,355 | 70 |
| Total Notes Payable From Direct Borrowings | 1,422 | — | 67 | 1,355 | 70 |
| Total Long-Term Debt | 3,286 | — | 400 | 2,890 | 423 |
| Other Liabilities: | | | | | |
| Compensated Absences | 74 | 24 | 60 | 38 | 7 |
| Total Other Long-Term Liabilities | 74 | 24 | 60 | 38 | 7 |
| Fiduciary Funds Long-Term Liabilities Total | \$ 3,360 | \$ 24 | \$ 460 | \$ 2,928 | \$ 430 |

The following is a description of Long-Term Liabilities which had activity in 2019 (in thousands):

| | Series | Purpose | Rate Range | Issue Date | Maturity Date | Note | Annual Principal | Outstanding Principal | Issuance Disc/(Prem) Accreted Int | Net Principal Due | Payments to Maturity | FY2019 Debt Service Payment |
|--|---|---|----------------|------------|---------------|--|---------------------|-----------------------|-----------------------------------|-------------------|----------------------|-----------------------------|
| Governmental | | | | | | | | | | | | |
| Revenue and Other Bonds | | | | | | | | | | | | |
| Taxable Pension Obligation Bonds 2002 | \$205,335 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 2019 \$13,354 of PTO revenue was used. In addition to PTO revenue, \$0 of General Fund and \$2,837 of Enterprise Fund/Internal Service Fund revenues were used to make the 2019 debt service payment of \$16,191. | \$8,605 to \$15,195 | 116,160 | 0 | 116,160 | 161,899 | 16,191 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A&B, No Neighborhood Left Behind (NNLB) | A = \$11,010 tax-exempt; B = \$1,940 taxable | Refinance No Neighborhood Left Behind Projects | 2.64% 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. Lease revenue of \$2,970 was equal to debt service in 2019. | \$2,465 to \$2,830 | 11,296 | (716) | 10,580 | 11,853 | 2,970 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Chiller) 2017 A, City Hall Chiller | A = \$2,710 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. Lease revenue of \$136 was equal to debt service in 2019. | \$610 to \$2,100 | 3,054 | (344) | 2,710 | 3,357 | 135 |
| Fresno Joint Powers Financing Authority: Lease Financing Refunding 2017 A&B, City Hall, Garage #7, Bee Bldg & Granite Park | A = \$10,125 tax-exempt; B = \$21,980 taxable | Refinance City Hall, Parking Garage #7, Fresno Bee Building and Granite Park | 2.64% 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. Lease revenue of \$4,192 was equal to debt service in 2019. | \$1,645 to \$3,565 | 26,215 | (230) | 25,985 | 32,259 | 4,192 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Various Capital Projects | A = \$12,435 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. Lease revenue of \$1,147 was equal to debt service in 2019. | \$40 to \$1,785 | 13,490 | (1,580) | 11,910 | 18,349 | 1,147 |
| Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2004 A,B,C, Various Capital Projects | A = \$15,810 tax-exempt; B = \$8,100 tax-exempt; C = \$28,870 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 \$1,542 was equal to debt service in 2019. | \$835 to \$1,400 | 12,359 | (14) | 12,345 | 16,743 | 1,542 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Parks Projects) 2017 A, Parks Impact Fee Projects | A = \$22,965 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. Lease revenue of \$1,822 was equal to debt service in 2019. | \$730 to \$1,755 | 25,098 | (2,828) | 22,270 | 34,595 | 1,821 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Police and Fire/Public Safety | A = \$32,065 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. Lease revenue of \$2,562 was equal to debt service in 2019. | \$1,065 to \$2,300 | 34,679 | (3,629) | 31,050 | 48,421 | 2,562 |
| Revenue and Other Bonds Total | | | | | | | | 242,351 | (9,341) | 233,010 | 327,476 | 30,560 |

| | Series | Purpose | Rate Range | Issue Date | Maturity Date | Note | Annual Principal | Outstanding Principal | Issuance Disc/(Prem) Accreted Int | Net Principal Due | Payments to Maturity | FY2019 Debt Service Payment |
|---|----------------|--|------------------|------------|---------------|--|------------------|-----------------------|-----------------------------------|-------------------|----------------------|-----------------------------|
| Notes Payable | | | | | | | | | | | | |
| HUD: Fresno/Madera Area Agency on Aging (FMAAA) | \$1,500 Loaned | Section 108 Notes to be used to acquire and improve FMAAA facilities | N/A | 6/14/2000 | 8/1/2019 | Annual principal payments, semiannual interest payments. Note balance was prepaid on 04/18/2019. | N/A | 0 | 0 | 0 | 0 | 264 |
| HUD: Neighborhood Streets/Parks | \$1,500 Loaned | Section 108 Note to be used for improvements to various neighborhood streets & parks | 5.930% to 6.120% | 8/8/2002 | 8/1/2022 | Annual principal payments, semiannual interest payments. | \$107 to \$130 | 472 | 0 | 472 | 532 | 131 |
| Roeding Business Park | \$2,441 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. | \$81 to \$131 | 1,561 | 0 | 1,561 | 2,010 | 134 |
| Notes Payable Total | | | | | | | | 2,033 | 0 | 2,033 | 2,542 | 529 |
| Governmental Total | | | | | | | | 244,384 | (9,341) | 235,043 | 330,018 | 31,089 |

Business-Type

| Revenue and Other Bonds | | | | | | | | | | | | |
|--|---------------------------|--|-----------------|-----------|----------|---|--------------------|-----------|------------|-----------|------------|------------|
| Water System Revenue Refunding Bonds 2003 A | A = \$16,155 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. | \$1,310 | \$ 1,317 | \$ (7) | \$ 1,310 | \$ 1,379 | \$ 1,379 |
| Water System Revenue Bonds (Non-Taxable) 2010 A-1, Water | A-1 = \$66,810 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. | \$4,710 to \$7,455 | \$ 33,377 | \$ (1,032) | \$ 32,345 | \$ 37,850 | \$ 6,406 |
| Water System Revenue Bonds (Taxable Build America Bonds) 2010 A-2, Water | A-2 = \$91,340 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 2019, a federal Build America Bonds subsidy of \$1,001 was received and \$1,001 was accrued. | \$4,090 to \$7,715 | \$ 90,065 | \$ 1,275 | \$ 91,340 | \$ 179,505 | \$ 6,097 |
| Sewer System Revenue Bonds 1993 A | A = \$196,280 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 to \$6,050 | \$ 6,977 | \$ 3 | \$ 6,980 | \$ 7,552 | \$ 10,684 |
| Sewer System Revenue Bonds 2008 A, Sewer | A = \$159,845 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. Redeemed \$132,540 on 09/01/2018. | \$970 to \$2,205 | \$ 27,965 | \$ (660) | \$ 27,305 | \$ 42,139 | \$ 137,182 |

| | Series | Purpose | Rate Range | Issue Date | Maturity Date | Note | Annual Principal | Outstanding Principal | Issuance Disc/(Prem) Accreted Int | Net Principal Due | Payments to Maturity | FY2019 Debt Service Payment |
|---|---|---|----------------|------------|---------------|---|--------------------|-----------------------|-----------------------------------|-------------------|----------------------|-----------------------------|
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Convention Center | A = \$4,260 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. During 2019, the City chose to make these lease payments from the General Fund in the amount of \$567, which was equal to debt service in 2019. 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 these future payments, which the Authority will then use to make the debt service payment. | \$385 to \$540 | \$ 4,115 | \$ (445) | \$ 3,670 | \$ 4,542 | \$ 567 |
| Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Conv. Ctr.) 2008 F, Convention Center | F = \$21,410 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 2019, the City chose to make these lease payments from the General Fund in the amount of \$2,412, 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 to \$2,175 | \$ 7,475 | \$ 15 | \$ 7,490 | \$ 8,695 | \$ 2,412 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Exhibit Hall Expansion Project Refunding | A = \$11,665 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. Lease revenue of \$1,413, which was equal to debt service in 2019. 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 these future payments, which the Authority will then use to make the debt service payment. | \$865 to \$1,330 | \$ 12,262 | \$ (1,427) | \$ 10,835 | \$ 14,027 | \$ 1,413 |
| Fresno Joint Powers Financing Authority: Lease Revenue Bonds 1998, Exhibit Hall Expansion Project | \$32,610 tax-exempt | Construction of an exhibit hall | N/A | 9/1/1998 | 9/1/2028 | Current Interest Serial Bonds (\$25,395) and Capital Appreciation Serial Bonds (\$7,215). 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 2019, the City chose to make these lease payments from the General Fund in the amount of \$ 750, which was equal to the debt service payment. All remaining bonds are Capital Appreciation Bonds, so interest is accreted. 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. | \$162 to \$262 | \$ 5,786 | \$ (3,709) | \$ 2,077 | \$ 7,500 | \$ 750 |
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Stadium Project | A = \$13,510 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. During 2019, the City chose to make these lease payments from the General Fund in the amount of \$1,378, 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. | \$770 to \$1,300 | \$ 13,789 | \$ (1,664) | \$ 12,125 | \$ 16,408 | \$ 1,378 |
| Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2001 A & B, Stadium Project | A = \$23,615 tax-exempt; B = \$22,235 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. During 2019, the City chose to make these lease payments from the General Fund in the amount of \$1,817, 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. | \$805 to \$1,700 | \$ 14,438 | \$ (18) | \$ 14,420 | \$ 21,809 | \$ 1,818 |

| | Series | Purpose | Rate Range | Issue Date | Maturity Date | Note | Annual Principal | Outstanding Principal | Issuance Disc/(Prem) Accreted Int | Net Principal Due | Payments to Maturity | FY2019 Debt Service Payment |
|--|---|--|-----------------|------------|---------------|--|--------------------|-----------------------|-----------------------------------|-------------------|----------------------|-----------------------------|
| Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Riverside Golf Course) 2017 A, Riverside Golf Course | A = \$1,615 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. During 2019, the City chose to make these lease payments from the General Fund in the amount of \$129, 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. | \$55 to \$125 | \$ 1,764 | \$ (199) | \$ 1,565 | \$ 2,426 | \$ 129 |
| Airport Revenue Refunding Bonds 2013, Concourse Expansion | A = \$10,810 Non-AMT; B = \$22,820 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 2019 \$1,600 of PFC and \$1,172 of eligible Airports operation revenues were used to make the debt service payment. | \$1,535 to \$5,335 | \$ 26,969 | \$ (324) | \$ 26,645 | \$ 35,796 | \$ 2,772 |
| Airport Revenue Bonds 2007, Consolidated Rental Car Facility | \$22,000 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 2019 \$ 1,502 of CFC revenues was used to fully cover the debt service payment. | \$315 to \$2,265 | \$ 21,070 | \$ 0 | \$ 21,070 | \$ 36,282 | \$ 1,502 |
| Airport Revenue Bonds 2019, Airport Parking | \$35,000 taxable | Construction of a parking garage | 3.450% | 5/3/2019 | 7/1/2048 | Bonds privately placed with the California Infrastructure and Development Bank (I-Bank). Interest rate includes 3.15% charged by the I-Bank for interest plus 0.30% charged by the I-Bank as a fee. Repayment of bonds solely from operation of the City Airport System. Principal due annually, interest due semiannually. No payments were made in Fiscal Year 2019. | \$756 to \$1,802 | \$ 35,000 | \$ 0 | \$ 35,000 | \$ 55,877 | \$ 0 |
| Revenue and Other Bonds Total | | | | | | | | \$ 302,369 | \$ (8,192) | \$ 294,177 | \$ 471,787 | \$ 174,489 |
| Notes Payable | | | | | | | | | | | | |
| Water: Safe-Drinking Water Program | \$51,405 Loaned | Contract between the State Water Resources Control Board and the City for installation of water meters throughout the City of Fresno | 0.000% | 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. | \$2,570 | \$ 38,554 | \$ 0 | \$ 38,554 | \$ 38,554 | \$ 2,570 |
| Water: Safe Drinking Water Program | \$1,947 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. | \$61 to \$119 | \$ 1,320 | \$ 0 | \$ 1,320 | \$ 1,525 | \$ 122 |
| Water: Safe Drinking Water Program | \$1,245 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 \$39. | \$39 to \$76 | \$ 843 | \$ 0 | \$ 843 | \$ 975 | \$ 78 |

| | Series | Purpose | Rate Range | Issue Date | Maturity Date | Note | Annual Principal | Outstanding Principal | Issuance Disc/(Prem) Accreted Int | Net Principal Due | Payments to Maturity | FY2019 Debt Service Payment |
|---|------------------|---|------------|------------|---------------|---|---|-----------------------|-----------------------------------|-------------------|----------------------|-----------------------------|
| Water: Drinking Water State Revolving Fund Project 1010007-029C | \$26,520 Loaned | Contract between the State Water Resources Control Board and the City for construction of the Friant-Kern Canal Raw Water 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 of \$852. Project is not yet complete. Debt service payments will adjust until Project is complete. | \$539 to \$842 | \$ 19,717 | \$ 0 | \$ 19,717 | \$ 24,721 | \$ 851 |
| Water: Drinking Water State Revolving Fund Project 1010007-028C | \$195,489 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. \$3 million of the loan was forgiven by the State Water Resources Control Board. | No amortization schedule available until project is complete. | \$ 166,708 | \$ 0 | \$ 166,708 | \$ 166,708 | \$ 4,287 |
| Water: Drinking Water State Revolving Fund Project 1010007-030C | \$75,900 Loaned | Contract between the State Water Resources Control Board and the City for construction of a raw water pipeline to replace the Enterprise Canal for the Northeast Surface Water Treatment Facility | 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. | \$ 60,485 | \$ 0 | \$ 60,485 | \$ 60,485 | \$ 836 |
| Water: Drinking Water State Revolving Fund Project 1010007-031C | \$65,875 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 of \$2,217. Project is not yet complete. Debt service payments will adjust until Project is complete. | \$1,402 to \$2,190 | \$ 51,273 | \$ 0 | \$ 51,273 | \$ 64,286 | \$ 2,140 |
| Sewer: Clean Water State Revolving Fund Project | \$33,212 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 \$1,286. | \$973 to \$1,282 | \$ 31,286 | \$ 0 | \$ 31,286 | \$ 36,027 | \$ 1,286 |
| Sewer: Clean Water State Revolving Fund Project No. 8061-110 | \$52,475 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. | \$ 33,426 | \$ 0 | \$ 33,426 | \$ 33,426 | \$ 0 |
| Convention Center: Management Agreement | \$781 Loaned | Management Agreement between the City of Fresno and SMG to settle a conflict with employee benefits costs incurred by SMG | N/A | 1/1/2009 | 12/31/2018 | Principal and interest due in monthly installments of \$4 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. | N/A | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 275 |
| Notes Payable Total | | | | | | | | \$ 403,612 | \$ 0 | \$ 403,612 | \$ 426,707 | \$ 12,445 |
| Business-Type Total | | | | | | | | \$ 705,981 | \$ (8,192) | \$ 697,789 | \$ 898,494 | \$ 186,934 |

| | Series | Purpose | Rate Range | Issue Date | Maturity Date | Note | Annual Principal | Outstanding Principal | Issuance Disc/(Prem) Accreted Int | Net Principal Due | Payments to Maturity | FY2019 Debt Service Payment |
|--|--------------------|--|------------------|------------|---------------|---|------------------|-----------------------|-----------------------------------|-------------------|----------------------|-----------------------------|
| Fiduciary | | | | | | | | | | | | |
| Tax Allocation Bonds | | | | | | | | | | | | |
| Tax Allocation Refunding Bonds 2003, Mariposa Project Area | \$5,005 tax-exempt | Refund the Agency's 1993 Tax Allocation Bonds (Mariposa Project Area) | 5.500% 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 \$435 was equal to debt service in 2019. | \$353 to \$418 | \$ 1,535 | \$ 3 | \$ 1,538 | \$ 1,761 | \$ 435 |
| Tax Allocation Bonds Total | | | | | | | | \$ 1,535 | \$ 3 | \$ 1,538 | \$ 1,761 | \$ 435 |
| Notes Payable | | | | | | | | | | | | |
| RDA: Roeding Business Park | \$2,118 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. | \$70 to \$114 | \$ 1,355 | \$ 0 | \$ 1,355 | \$ 1,744 | \$ 117 |
| Notes Payable Total | | | | | | | | \$ 1,355 | \$ 0 | \$ 1,355 | \$ 1,744 | \$ 117 |
| Fiduciary Total | | | | | | | | \$ 2,890 | \$ 3 | \$ 2,893 | \$ 3,505 | \$ 552 |
| Grand Total | | | | | | | | \$ 953,255 | \$ (17,530) | \$ 935,725 | \$ 1,232,017 | \$ 218,575 |

B. Debt Service Requirements - excluding capital leases

The annual debt service requirements excluding capital lease obligations for the City's long-term debt outstanding as of June 30, 2019 are as follows (in thousands):

| Year Ending June 30 | Governmental Activities | | Business-Type Activities | | | Fiduciary Funds | |
|----------------------------|-------------------------|-------------------|--------------------------|-----------------------|-------------------|-------------------|-----------------|
| | Principal | Interest | Principal | Interest Accretion | Interest | Principal | Interest |
| 2020 | \$ 17,430 | \$ 13,117 | \$ 13,937 | \$ 488 | \$ 15,372 | \$ 353 | \$ 86 |
| 2021 | 18,640 | 12,128 | 19,726 | 504 | 14,539 | 370 | 67 |
| 2022 | 17,620 | 11,094 | 15,459 | 516 | 13,647 | 397 | 46 |
| 2023 | 19,215 | 10,103 | 16,237 | 528 | 12,809 | 418 | 23 |
| 2024 | 18,630 | 9,009 | 14,756 | 539 | 11,959 | — | — |
| 2025-2029 | 95,495 | 28,728 | 64,112 | 2,848 | 49,040 | — | — |
| 2030-2034 | 27,110 | 8,072 | 56,525 | — | 27,343 | — | — |
| 2035-2039 | 18,870 | 2,215 | 50,710 | — | 11,503 | — | — |
| 2040-2044 | — | — | 7,715 | — | 521 | — | — |
| 2045-2049 | — | — | — | — | — | — | — |
| 2050-2054 | — | — | — | — | — | — | — |
| Subtotal | 233,010 | 94,466 | 259,177 | 5,423 | 156,733 | 1,538 | 222 |
| | Direct | Direct | Direct | | Direct | Direct | |
| | Borrowings | Borrowings | Borrowings | | Borrowings | Borrowings | |
| | Principal | Interest | Principal | | Interest | Principal | Interest |
| 2020 | 188 | 79 | 5,636 | | 2,271 | 70 | 47 |
| 2021 | 197 | 70 | 6,437 | | 2,640 | 73 | 44 |
| 2022 | 207 | 59 | 6,505 | | 2,568 | 75 | 41 |
| 2023 | 220 | 49 | 6,576 | | 2,495 | 78 | 39 |
| 2024 | 93 | 41 | 6,648 | | 2,420 | 80 | 36 |
| 2025-2029 | 515 | 155 | 34,370 | | 10,925 | 447 | 134 |
| 2030-2034 | 613 | 56 | 35,897 | | 8,812 | 532 | 48 |
| 2035-2039 | — | — | 24,709 | | 6,547 | — | — |
| 2040-2044 | — | — | 27,102 | | 4,038 | — | — |
| 2045-2049 | — | — | 284,732 | | 1,256 | — | — |
| 2050-2054 | — | — | — | | — | — | — |
| Subtotal | 2,033 | 509 | 438,612 | | 43,972 | 1,355 | 389 |
| Issuance | | | | | | | |
| Premiums/ | | | | | | | |
| (Discounts) | 9,341 | — | 4,396 | — | — | (3) | — |
| Unaccreted Interest | — | — | — | (1,627) | — | — | — |
| Total | \$ 244,384 | \$ 94,975 | \$ 702,185 | \$ 3,796 | \$ 200,705 | \$ 2,890 | \$ 611 |

C. Debt Compliance

There are a number of limitations and restrictions contained in the various loan, note and bond indentures. The City believes it is in compliance with all significant limitations, restrictions and covenants.

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.

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 that took place in 2017, the City's Debt Management Policy was reviewed to ensure 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 that in any year exceeds the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation. This general limitation has several important exceptions as described below. It is important to remember that this limitation applies not only to traditional bonds, but could apply 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. In determining whether the arrangement under consideration might pose a problem under the debt limit it is useful to ask the following questions:

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?
- Does the arrangement call for payments by a city, county, or school district (as opposed to other types of governmental agencies)?

If the answer to these two questions is "yes," then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have

been recognized by California courts: the Offner-Dean lease exception, the special fund doctrine, and the “obligations imposed by law” exception.

As of June 30, 2019, the City’s debt limit (20% of valuation subject to taxation) was \$7.32 billion. This number was calculated by taking the Total Assessed Values (Gross) from the County of Fresno Tax Rate Book, page 14 x 20%. This is in comparison with debt limits of \$6.89 billion in 2018. The City’s legal debt margin is equal to the City’s debt 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, in general, the earnings from the investment of tax-exempt bond proceeds that 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 each general obligation bond and lease revenue bond issue subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprise has issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. In addition, the Successor Agency to the former Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities. As of June 30, 2019, neither the City or the Successor Agency had an arbitrage liability.

G. State Loan Program (Projects Currently In Progress)

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, 2019, the City has received \$166,707,976 in proceeds. This amount is net of \$3,000,000 in loan forgiveness by the State Water Resources Control Board. The loan forgiveness was part of the loan agreement with the State. Debt service payments will be funded from revenues of the Water Enterprise. Once construction is completed, annual debt services are estimated to be \$8,302,895.

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, 2019, the City has received \$33,425,983 in proceeds. Debt service payments will be funded from revenues of the Sewer Enterprise. Once construction is completed, annual debt is estimated to be \$2,028,979.

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, 2019, the City has received \$20,248,879 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. Even though the project was not fully completed, the City was required to make a principal payment of \$532,160 during the current fiscal year. Once construction is fully completed, the annual debt is estimated to be \$1,116,533.

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, 2019, the City has received \$52,621,268 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. Even though the project was not fully completed, the City was required to make a principal payment of \$1,347,949 during the current fiscal year. Once construction is fully completed, the annual debt is estimated to be \$2,773,546.

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, 2019, the City has received \$60,485,034 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. Once construction is completed, the annual debt is estimated to be \$3,195,506.

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. Prior lease agreements with outstanding balances are with DeLage Landen, PNC Equipment Financing, Dell Financial Services, Kansas State Bank and Community Leasing Partners.

On December 13, 2013, the City entered into a Master Lease Agreement with Dell Financial Services to lease/purchase computers. Each lease schedule represents a separate lease with annual upfront payment terms provided by the lender at the time the computers are purchased. To date, there have been forty-two lease schedules executed totaling \$988,238 with interest rates ranging from 4.99% to 10.15% and terms between three and five years. As of June 30, 2019, four of these leases remain outstanding.

On January 13, 2017, the City entered into a Master Equipment Lease-Purchase Agreement with Banc of America Public Capital Corp. (BAPCC). The purpose of the lease is to finance new and replacement equipment throughout the City. To date, there have been nineteen lease schedules executed totaling \$25,184,972 with interest rates ranging from 1.92% to 3.16% and terms between five and ten years. Early in fiscal year 2019, the City reached the maximum amount available to borrow under this master lease which was \$25 million. As a result, the City entered into a new agreement with BAPCC on December 6, 2018. This new master lease will expire at an aggregate of \$65 million financed or December 31, 2021, whichever comes first. As of June 30, 2019, there have been four lease schedules funded under the new master lease totaling \$4,078,676 with interest rates ranging between 2.43% and 2.83%.

On April 10, 2019, the City entered into a new \$9.5 million lease purchase agreement with Key Government Finance, Inc. at rate of 3.88%. The funds will be used to replace outdated network and storage equipment.

The following table lists the City's Capital Lease Obligations by lender as of June 30, 2019 (in thousands):

| Lender | Date of Loan | Term (Years) | Purchased | Interest Rate | Annual (P&I Payment) |
|-------------------------------------|--------------|--------------|---|---------------|----------------------|
| Community First National Bank | 6/12/2015 | 5 | Various Equipment | 2.31% | 206 |
| Community First National Bank | 7/13/2015 | 10 | 2015 Smeal Engines on Spartan Metrostar Chassis (4) | 2.92% | 210 |
| Community First National Bank | 9/22/2015 | 10 | 2015 Smeal Engines on Metrostar (3) & Aerial on Gladiator (1) | 2.69% | 340 |
| Community First National Bank | 2/22/2016 | 10 | 2012 Smeal Engine & 2016 Water Tender on Kenworth | 2.09% | 157 |
| Community First National Bank | 4/13/2016 | 5 | 2016 Toyota Camrys (2) | 1.75% | 10 |
| Community First National Bank | 6/2/2016 | 5 | 2016 Light Vehicles & Upfitting | 1.87% | 232 |
| De Lage Landen Public Finance | 12/1/2010 | 10 | 2009 Spartan 1500 Fire Trucks (3) | 3.07% | 200 |
| Dell Financial Services | 7/1/2016 | 4 | Dell OptiPlex 7040 SFF Computers (3) | 5.01% | 1 |
| Dell Financial Services | 9/1/2016 | 4 | Dell OptiPlex 7040 Computers (7) & 19" Monitors (10) | 5.01% | 2 |
| Dell Financial Services | 1/8/2018 | 3 | Dell OptiPlex 7040 Computers (7) | 5.63% | 2 |
| Dell Financial Services | 9/1/2018 | 5 | Dell OptiPlex 5050SFF(36) & Latitude 3580 (6) | 5.63% | 10 |
| Key Government Finance, Inc. | 4/10/2019 | 5 | City-Wide Date System | 3.88% | 1,462 |
| Kansas State Bank Public Finance | 9/26/2014 | 5 | Police & Parks Vehicles | 3.39% | 398 |
| Kansas State Bank Public Finance | 9/10/2015 | 5 | Police Vehicles | 3.39% | 648 |
| PNC Equipment Finance, LLC | 10/4/2012 | 8 | Self-Contained Breathing Apparatus | 3.30% | 154 |
| Banc of America Public Capital Corp | 4/10/2017 | 5 | Fire Chevy Silverado Pickup | 2.07% | 10 |
| Banc of America Public Capital Corp | 5/2/2017 | 10 | Fire Engines & Pumpers | 2.52% | 464 |
| Banc of America Public Capital Corp | 5/11/2017 | 5 | Police Vehicles (84) | 1.96% | 692 |
| Banc of America Public Capital Corp | 11/20/2017 | 5 | Police Vehicles (50) | 2.14% | 587 |
| Banc of America Public Capital Corp | 8/1/2017 | 5 | Police Motorcycles (14) & Fire Vehicles (9) | 1.92% | 164 |
| Banc of America Public Capital Corp | 11/29/2017 | 5 | DARM Ford F-150 Pickup Trucks (24) | 2.14% | 115 |
| Banc of America Public Capital Corp | 11/23/2017 | 7 | Microwave Date & Radio Console Network | 2.46% | 783 |
| Banc of America Public Capital Corp | 2/2/2018 | 5 | Police MAGEC Vehicles (3) | 2.44% | 28 |
| Banc of America Public Capital Corp | 4/24/2018 | 5 | DARM Ford-150 Pickup Trucks (14) & Parks (4) | 2.62% | 95 |
| Banc of America Public Capital Corp | 6/26/2018 | 10 | Fire Ladder Truck & Pumpers (3) | 3.16% | 371 |
| Banc of America Public Capital Corp | 7/2/2018 | 5 | Police CIT Vehicles (5) | 2.76% | 28 |
| Banc of America Public Capital Corp | 7/17/2018 | 5 | Parks Ford Transit Wagon (1) | 2.74% | 4 |
| Banc of America Public Capital Corp | 7/17/2018 | 5 | Police MAGEC Vehicle (1) | 2.74% | 4 |
| Banc of America Public Capital Corp | 9/14/2018 | 5 | Fire Light Duty Vehicles (5) | 2.73% | 34 |
| Banc of America Public Capital Corp | 9/28/2018 | 5 | Parks John Deere Tractor (1) | 2.75% | 9 |
| Banc of America Public Capital Corp | 10/5/2018 | 5 | Police Vehicles (50) | 2.84% | 540 |
| Banc of America Public Capital Corp | 10/11/2018 | 5 | Police Motorcycles (10) | 2.86% | 67 |
| Banc of America Public Capital Corp | 11/2/2018 | 5 | DARM Ford-150 Pickup Trucks (27) | 2.91% | 147 |
| Banc of America Public Capital Corp | 11/9/2018 | 5 | Police Undercover Vehicles (33) | 2.90% | 197 |
| Banc of America Public Capital Corp | 3/20/2019 | 5 | Police SRO Vehicles (16) & Undercover (2) | 2.73% | 204 |
| Banc of America Public Capital Corp | 4/2/2019 | 5 | Police F-150 Super Crew Pickup Trucks (15) | 2.72% | 118 |
| Banc of America Public Capital Corp | 5/29/2019 | 10 | Fire Pumper Trucks (3) | 2.83% | 239 |
| Banc of America Public Capital Corp | 6/6/2019 | 5 | Police Undercover Vehicles (10) | 2.43% | 109 |
| | | | | Total | <u>\$ 9,041</u> |

Capital Lease Debt service requirements are presented below in thousands. Interest rates range from 1.75% to 5.63%.

| Year Ended June 30 | Governmental Activities | |
|-----------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2020 | \$ 8,048 | \$ 993 |
| 2021 | 7,532 | 846 |
| 2022 | 7,075 | 638 |
| 2023 | 6,140 | 438 |
| 2024 | 5,222 | 256 |
| 2025-2029 | 5,321 | 283 |
| Total | \$ 39,338 | \$ 3,454 |

I. General Fund Short-Term Borrowing Obligations

The City did not issue any short-term debt during fiscal year 2019 and did not have any short-term debt outstanding during the fiscal year.

J. Unused Lines of Credit

The following table lists the City's unused lines of credit as of June 30, 2019 (in thousands):

| Line of Credit | Contract Amount | Used | Unused |
|--|-----------------|----------------|---------------|
| CA State Water Resources Control Board | | | |
| Clean Water State Revolving Fund (8061-110) | 52,475 | 33,426 | 19,049 |
| Drinking Water State Revolving Fund (1010007-28C) | 195,489 | 169,708 | 25,781 |
| Drinking Water State Revolving Fund (1010007-29C) | 26,520 | 20,249 | 6,271 |
| Drinking Water State Revolving Fund (1010007-30C) | 75,900 | 60,485 | 15,415 |
| Drinking Water State Revolving Fund (1010007-31C) | 65,876 | 52,621 | 13,255 |
| Kansas State Bank - Police Vehicle Leases | 6,593 | 6,450 | 143 |
| Banc of America Public Capital Corporation | | | |
| Police Vehicle Leases | 5,857 | 4,870 | 987 |
| Fire Vehicle Lease | 156 | 147 | 9 |
| Inspection Vehicle Lease | 681 | 649 | 32 |
| Microwave Data & Radio Console Network Lease | 5,018 | 1,289 | 3,729 |
| Key Government Finance, Inc. - Citywide Data System | 9,499 | 5,652 | 3,847 |
| Total | 444,064 | 355,546 | 88,518 |

*Amount includes \$3 million which was forgiven by the State Water Resources Control Board.

K. Debt Collateral

The following table lists the City's assets that are pledged as collateral for various City debts:

| DEBT | Asset Pledged |
|---|--|
| JPFA Lease Revenue Bonds | |
| 1998 B Exhibit Hall Expansion Project | Fresno Convention Center, 848 M. Street |
| 2001 A&B Stadium Project | Fire Station #19, 2187 W. Belmont Ave Saroyan Theater, 730 M. Street |
| 2004 A,B,C Various Capital Projects | Convention Center Parking Garage, Inyo & O Streets Promenade Parking Lot, 2710 Tulare Steet Fire Station #15, 5630 E. Park Circle Fire Station #17, 10512 N. Maple Ave |
| 2008 F Convention Center | Fresno City Hall, 2600 Fresno Street |
| 2017 A Various Refunding Bond | Fire Station #16, 2510 N. Polk Ave Fresno Memorial Auditorium, 2425 Fresno Street Fresno Municipal Center, 1325 El Dorado Street Parking Garage #4, 1919 Tulare Street Parking Garage #8, 1077 Van Ness Ave Police Regional Training Center, 6375 W. Central Ave Selland Arena, 700 M Street Chukchansi Park, 1800 Tulare Street Valdez Hall, 702 M Street Southern Portion of Woodward Park, 7775 N. Friant Road |
| California Infrastructure & Development Bank | |
| Roeding Business Park Loan | City Hall Annex, 2326 Fresno Street |
| U.S. Department of Housing and Urban Development | |
| Neighborhood Streets & Parks Loan | Al Radka Park, 5897 E. Belmont Ave Jaswant Singh Khalra Park, 3861 W. Clinton Ave Todd Beamer Park, 1890 E. Plymouth Way Romain Playground, 745 N. First Ave |

L. Significant Events of Default, Termination and Subjective Acceleration Clauses

The City's debt agreements contain the following terms regarding significant Events of Default, Termination and Subjective Acceleration Clauses:

Bonds

For all City bonds, an Event of Default is generally classified as one or more of the following (1) nonpayment or late payment of principal and/or interest due on the bonds, (2) failure to be in compliance with debt covenants and agreements and (3) the City filing for bankruptcy. If an Event of Default occurs, the majority owners of the bonds (not less than 51%) may declare the principal amount of all bonds outstanding and the interest accrued on them to be due and payable immediately. This applies to all City bonds except for the Series 2003 Tax Allocation Bonds. Only 25% of bond owners are required to declare the bonds due and payable immediately.

The City's bond agreements do not contain Subjective Acceleration Clauses.

Notes & Loans

For City loans associated with the construction of Water Supply Disinfection Buildings, improvements to the Enterprise and Jefferson Canals, and the City's Water Meter Project, an Event of Default is generally classified as one or more of the following: (1) nonpayment of any installment when due, (2) failure to make any remittances required by the agreement, (3) substantial breach to the agreement, (4) making any false warranty, representation, or statement with respect to the agreement and (5) loss, theft or damages to any collateral given as security under the agreement. In an Event of Default, the State of California may do any or all of the following (1) declare the City's obligations due and payable immediately, (2) terminate any obligation to make further cash disbursements to the City and (3) exercise all rights and remedies available to a secured creditor after default.

For City loans associated with the Southeast Surface Water Treatment Facility, the Regional Transmission Mains, the Enterprise Canal Raw Water Pipeline, the Kings River Pipeline, the Southwest Quadrant Recycled Water Distribution System and the Tertiary Treatment Facility, the agreements can be terminated by the State Water Resources Control Board (SWRCB) if the City violates any material provision of the agreement. Some examples of violations would be if the City fails to notify the SWRCB of (1) principal and interest payment delinquencies, (2) unscheduled draws on debt service reserves, (3) bankruptcy or insolvency of the City. If a termination event occurs, the City can be demanded by the SWRCB to immediately repay an amount equal to the funds disbursed to them plus accrued interest and penalties.

For City loans associated with HUD Section 108, an Event of Default under these agreements is generally classified as one or more of the following: (1) failure to pay an installment of principal or interest due, (2) failure to properly comply with any covenant or condition of the agreement and (3) failure to comply substantially with Title I of The Housing and Community Development Act of 1974. In an Event of Default, the Department of Housing and Urban Development Secretary may do any or all of the following: (1) use funds or security pledged under the agreement to (a) continue to make payments due on the note, (b) make an acceleration payment of the principal amount subject to Optional Redemption, (c) pay any interest due for late payment, (d) pay any other expense incurred by the Secretary as a result of the City's default, (2) withhold the grants not yet disbursed, (3) direct the City's financial institution to refuse to honor any draws on the Guaranteed Loan Funds Account or the Loan Repayment Account by the City, (4) accelerate the note amount subject to Optional Redemption and (5) exercise any other remedies available by law including recovery of Guaranteed Loan Funds or reimburse any expense incurred as a result of City's default.

For the City loan associated with Roeding Business Park, an Event of Default under this agreement is classified as one or more of the following: (1) failure to pay principal and interest on the loan, (2) the occurrence of an event of default with any parity debt or subordinate debt which causes all principal of parity or subordinate debt to become due and payable immediately, (3) failure to comply with any of the covenants or conditions of the agreement, (4) filing for bankruptcy, (5) any false representation by the City and (6) failure to pay amounts due under any other City debt if unpaid amount shall exceed \$50,000. In an Event of Default, the California Infrastructure Bank may (1) declare the principal of the loan and the accrued interest on all unpaid balances to be due and payable immediately and (2) exercise any other remedies available by law.

The City's note and loan agreements do not contain Subjective Acceleration Clauses.

Capital Leases

For all City leases associated with Banc of America Public Capital Corp (BAPCC), an Event of Default is classified as one or more of the following: (1) failure to pay in full the rental payment due, (2) failure to comply with any covenant or agreement of the lease, (3) filing for bankruptcy, (4) any warranty, representation or statement made by the City to be found materially incorrect, (5) any default occurring under any other debt agreement the City has and (6) the City selling, leasing or encumbering any of the equipment under the lease. In an Event of Default BAPCC may do any or all of the following (1) immediately terminate the lease and repossess the equipment thereunder and (2) exercise any other remedies available by law.

For the City lease associated with Key Government Finance, Inc. an Event of Default is classified as one or more of the following: (1) failure to pay any rental payment, (2) failure to observe and perform any covenant or condition under the agreement, (3) any warranty, representation or statement made by the City to be found materially incorrect and (4) filing for bankruptcy by the City. In an Event of Default, Key Government may do any or all of the following: (1) declare all rental payments and other amounts payable to the end of the then current budget year to be due, (2) retake possession of the property under the lease, (3) instruct the escrow agent to release all proceeds and any earnings thereon to Key Government and (4) take any action that is permitted by law to protect its rights under the agreement.

For the City leases associated with Kansas State Bank, an Event of Default is classified as one or more of the following: (1) failure to make any rent payments when due, (2) failure to perform or observe any obligations, covenants or conditions under the lease, (3) any warranty, representation or statement made by the City to be found materially incorrect and (4) filing for bankruptcy by the City. In an Event of Default, Kansas State Bank may do any or all of the following: (1) require the City to pay all amounts currently due and all payments remaining due during the fiscal year in which default occurs, (2) require the equipment purchased under the lease to be promptly returned, (3) sell the equipment and apply the proceeds to costs incurred due to the default and to pay for past due lease payments owed by the City, (4) terminate the lease and (5) exercise any other remedies available by law.

The City's capital lease agreements do not contain Subjective Acceleration Clauses.

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 of June 30, 2019, is as follows (in thousands):

| Receivable Fund | Payable Fund | Amount |
|--------------------------------------|-----------------------------|------------------|
| General Fund | Grants Special Revenue Fund | \$ 3,506 |
| | Nonmajor Governmental Funds | 4,281 |
| | Internal Service Funds | 1,620 |
| | Fiduciary Funds | 1 |
| | | 9,408 |
| Grants Special Revenue Fund | Internal Service Funds | 2,445 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 3,569 |
| | Internal Service Funds | 2,051 |
| | | 5,620 |
| Water System | Internal Service Funds | 31 |
| Solid Waste | Internal Service Funds | 10 |
| Internal Service Funds | General Fund | 417 |
| | Grants Special Revenue Fund | 1 |
| | Nonmajor Government Funds | 172 |
| | Water System | 174 |
| | Sewer System | 208 |
| | Solid Waste Management | 491 |
| | Transit | 104 |
| | Airports | 33 |
| | Fresno Convention Center | 3 |
| | Nonmajor Enterprise Funds | 171 |
| | Internal Service Funds | 10 |
| | | 1,784 |
| Fiduciary Funds | General Fund | 60 |
| | Nonmajor Government Funds | 580 |
| | | 640 |
| Total Due to/from Other Funds | | \$ 19,938 |

B. Advances

Advances represent long-term borrowing between funds.

Fire Headquarters

In fiscal year 2018, the General Fund borrowed \$3.1 million from the Wastewater Operation Fund and the Sewer Stabilization Fund in order to provide sufficient funding for the purchase of the Fire Department's Headquarters Building. The governing resolution formalizing this advance was adopted by Council on May 10, 2018. The term of the advance is five years and the rate of interest is equal to the rate of interest paid on the City's pooled deposits and investments. As of the effective date of the agreement (June 25, 2018) the interest rate was 1.35%.

Redevelopment Agency

Advances over the years between the City and the former Redevelopment Agency (RDA) were made to provide funds for the purpose of eliminating blight and developing, constructing, rehabilitating and revitalizing 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 \$80.1 million. 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 2019, the allowance for doubtful accounts stood at \$6.2 million.

As the funds are received, 20% 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 2019, this amount totaled \$1.0 million. 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, 2019, the City had received \$21.8 million in loan repayments from the SA. With the adoption of the FY2019 budget, this will become a General Fund revenue source.

City of Fresno Advances to Former Redevelopment Agency (In Thousands)

| Receivable Fund | Principal Cumulative | | | | Interest Cumulative | | | | Total | | |
|------------------------------|----------------------|-----------------------|----------------------|------------------|---------------------|-----------------------|----------------------|------------------|------------------|------------------------|-------------------------------|
| | Beginning Balance | Advances/ Adjustments | Payments/ Write-offs | Ending Balance | Beginning Balance | Accruals/ Adjustments | Payments/ Write-offs | Ending Balance | Total Receivable | Allowance for Doubtful | Receivable (Net of Allowance) |
| General Fund: | | | | | | | | | | | |
| General Fund | \$ 2,607 | \$ — | \$ (384) | \$ 2,223 | \$ 2,685 | \$ 66 | \$ (1,495) | \$ 1,256 | \$ 3,479 | \$ (1,408) | \$ 2,071 |
| General Revenue Sharing | 5 | — | (5) | — | 6 | — | (6) | — | — | — | — |
| Parking Trust | 150 | — | — | 150 | 98 | 5 | — | 103 | 253 | (253) | — |
| | <u>2,762</u> | <u>—</u> | <u>(389)</u> | <u>2,373</u> | <u>2,789</u> | <u>71</u> | <u>(1,501)</u> | <u>1,359</u> | <u>3,732</u> | <u>(1,661)</u> | <u>2,071</u> |
| Grants Special Revenue Fund | 9,715 | — | (1,548) | 8,167 | 8,893 | 247 | (782) | 8,358 | 16,525 | (2,078) | 14,447 |
| Nonmajor Governmental Funds: | | | | | | | | | | | |
| Gas Tax | 1,376 | — | (29) | 1,347 | 920 | 40 | — | 960 | 2,307 | (1,939) | 368 |
| Measure C | — | — | — | — | 63 | — | (63) | — | — | — | — |
| | <u>1,376</u> | <u>—</u> | <u>(29)</u> | <u>1,347</u> | <u>983</u> | <u>40</u> | <u>(63)</u> | <u>960</u> | <u>2,307</u> | <u>(1,939)</u> | <u>368</u> |
| Water System | 94 | — | — | 94 | 49 | 3 | — | 52 | 146 | — | 146 |
| Sewer System | 593 | — | (593) | — | 314 | — | (314) | — | — | — | — |
| Fresno Convention Center | 304 | — | — | 304 | 192 | 9 | — | 201 | 505 | (505) | — |
| | <u>991</u> | <u>—</u> | <u>(593)</u> | <u>398</u> | <u>555</u> | <u>12</u> | <u>(314)</u> | <u>253</u> | <u>651</u> | <u>(505)</u> | <u>146</u> |
| Total | <u>\$ 14,844</u> | <u>\$ —</u> | <u>\$ (2,559)</u> | <u>\$ 12,285</u> | <u>\$ 13,220</u> | <u>\$ 370</u> | <u>\$ (2,660)</u> | <u>\$ 10,930</u> | <u>\$ 23,215</u> | <u>\$ (6,183)</u> | <u>\$ 17,032</u> |

Subsequent to year-end, the City received a reimbursement on loans made to the former RDA. The amount received was \$4.3 million, of which \$3.4 million was paid to the City and \$0.9 million 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 1/29th

of the original principal, and interest payments are due annually thereafter. 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, 2019, is as follows (in thousands):

| Receivable Fund | Payable Fund | Amount |
|-----------------------------|-----------------------------|------------------|
| General Fund | Fiduciary Funds | \$ 2,071 |
| Grants Special Revenue Fund | Fiduciary Funds | 14,447 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 62 |
| | Fiduciary Funds | 368 |
| | | 430 |
| Water System | Fiduciary Funds | 146 |
| Sewer System | General Fund | 2,739 |
| Total Advances | | \$ 17,762 |

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 fiscal year ended June 30, 2019 (in thousands):

| Receiving Fund | Paying Fund | Amount |
|-----------------------------|-----------------------------|-------------------------|
| General Fund | Grants Special Revenue Fund | \$ 2,298 |
| | Nonmajor Governmental Funds | 1,935 |
| | Water System | 1 |
| | Solid Waste Management | 714 |
| | Transit | 603 |
| | Stadium | 83 |
| | Nonmajor Enterprise Funds | 595 |
| | Internal Service Funds | 754 |
| | | <u>6,983</u> |
| Grants Special Revenue Fund | General Fund | 3 |
| | Nonmajor Governmental Funds | 65 |
| | | <u>68</u> |
| Nonmajor Governmental Funds | General Fund | 26,244 |
| | Grants Special Revenue Fund | 1,024 |
| | Nonmajor Governmental Funds | 2,909 |
| | Water System | 405 |
| | Sewer System | 558 |
| | Solid Waste Management | 341 |
| | Transit | 896 |
| | Airports | 231 |
| | Nonmajor Enterprise Funds | 116 |
| | Internal Service Funds | 1,367 |
| | <u>34,091</u> | |
| Solid Waste Management | General Fund | 713 |
| | Nonmajor Enterprise Funds | 807 |
| | <u>1,520</u> | |
| Fresno Convention Center | General Fund | <u>6,849</u> |
| Stadium | General Fund | <u>2,913</u> |
| Internal Service Funds | General Fund | <u>1,156</u> |
| Total Transfers | | <u><u>\$ 53,580</u></u> |

The General Fund transferred \$26.2 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; \$6.8 million to the Convention Center for debt service as well as general operating support; \$1.2 million to Internal Service Funds for provided services; \$0.71 million to Solid Waste for transverse charges and \$2.9 million to the Stadium Fund for debt service payments.

The Grants Special Revenue Fund transferred \$2.3 million to the General Fund for an RDA Advance and \$1.0 million to Nonmajor Governmental Funds.

Nonmajor Governmental Funds transferred \$4.9 million for debt service and miscellaneous purposes. Internal Service Funds transferred \$1.37 million to Nonmajor Governmental Funds for debt service payments and \$0.75 million to the General Fund for a police data 911 system.

D. Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2019 (in thousands):

| | Due from Other Funds | Due to Other Funds | Advances Receivable from Other Funds | Advances Payable to Other Funds | Transfers In | Transfers Out |
|-----------------------------|----------------------------|--------------------------|---|--|------------------|------------------|
| Governmental Funds: | | | | | | |
| General Fund | \$ 9,408 | \$ 477 | \$ 2,071 | \$ 2,739 | \$ 6,983 | \$ 37,878 |
| Grants Special Revenue Fund | 2,445 | 3,507 | 14,447 | — | 68 | 3,322 |
| Nonmajor Governmental Funds | 5,620 | 8,602 | 430 | 62 | 34,091 | 4,910 |
| Total Governmental Funds | 17,473 | 12,586 | 16,948 | 2,801 | 41,142 | 46,110 |
| Proprietary Funds: | | | | | | |
| Water System | 31 | 174 | 146 | — | — | 406 |
| Sewer System | — | 208 | 2,739 | — | — | 558 |
| Solid Waste Management | 10 | 491 | — | — | 1,520 | 1,055 |
| Transit | — | 104 | — | — | — | 1,498 |
| Airports | — | 33 | — | — | — | 231 |
| Fresno Convention Center | — | 3 | — | — | 6,849 | — |
| Stadium | — | — | — | — | 2,913 | 83 |
| Nonmajor Enterprise Funds | — | 171 | — | — | — | 1,518 |
| Internal Service Funds | 1,784 | 6,167 | — | — | 1,156 | 2,121 |
| Total Proprietary Funds | 1,825 | 7,351 | 2,885 | — | 12,438 | 7,470 |
| Fiduciary Funds: | | | | | | |
| Major Governmental Funds | 60 | 1 | — | 17,032 | — | — |
| Nonmajor Governmental Funds | 580 | — | — | — | — | — |
| Total Fiduciary Funds | 640 | 1 | — | 17,032 | — | — |
| Total | \$ 19,938 | \$ 19,938 | \$ 19,833 | \$ 19,833 | \$ 53,580 | \$ 53,580 |

Note 8. Defeasances

Current Year Defeasances

On September 4, 2018, the City defeased \$132,540,000 of the Series 2008 Sewer Revenue bonds. This was a partial defeasance which left an outstanding balance of \$27,305,000 remaining on the bonds. The majority of the funding for the defeasance came directly from City funds. The balance of funding was obtained from interest earnings on investments and from a reduction in the bonds reserve requirement.

Prior Year Defeasances

On May 10, 2017, the City refinanced several bonds, including the 2009 Fresno Joint Powers Financing Authority Lease Revenue Bonds (Public Safety Projects). These bonds were legally defeased in fiscal year 2017 but were not callable until April 1, 2019. An escrow account was established at Zion's National Bank with a deposit from bond proceeds of \$35.5 million and a transfer from the Reserve Fund of \$3.4 million to pay debt service on the 2009 Bonds until they were callable. On April 1, 2019, the bonds were called and the bondholders were paid off. As of June 30, 2019, the escrow account balance was \$0.

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 per occurrence and \$50 million aggregate in Excess Liability coverage. There is a \$3 million self-insured retention (SIR). Coverage is provided by the Security National Insurance Company (\$2 million/\$4 million) or Safety Specialty \$2 million, depending on the line of coverage and thereafter Safety Specialty Insurance Company (\$8 million/\$16 million) and Arch Insurance Company (\$15 million/\$30 million). The City has procured Automobile Physical Damage coverage through Hanover Insurance Company with a \$10 million limit. For vehicles valued at less than \$150,000 the deductible is \$50,000. For vehicles valued at \$150,000 or more the deductible is \$100,000. The City carries Government Crime coverages with a \$5 million limit secured through Zurich Insurance Company with a \$50,000 deductible and Cyber liability coverage under Indian Harbor with a \$200,000 SIR and a \$2 million limit. The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability), with limits of liability of \$100 million. There is no deductible or SIR. Coverage is provided by Old Republic Insurance Company through Phoenix Aviation Managers (Texas), Inc.

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of \$1,462,245,250 and limits of liability of \$1 billion. There is a \$100,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for two helicopters, with limits of liability of \$50 million. There is a 1.0% of insured value each claim, subject to a maximum of \$15,000, rotors in-motion deductible and \$0 rotors not in-motion deductible of each helicopter. Coverage is provided by Old Republic Insurance Company through Phoenix Aviation Managers (Texas), Inc.

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, 2019 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 \$128.4 million reported in the Risk Management Internal Service Fund at June 30, 2019 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.

The recorded liabilities for each program at June 30, 2019 are as follows (in thousands):

| | | |
|---------------------------------|----|----------------|
| Workers' Compensation * | \$ | 101,163 |
| Liability and Property Damage * | | 27,227 |
| Total | \$ | <u>128,390</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 (in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claims Payments | End of Fiscal Year Liability |
|---------------------------|------------------------------------|--|-----------------|------------------------------|
| 2018 | \$ 124,535 | \$ 31,871 | \$ 28,941 | \$ 127,465 |
| 2019 | \$ 127,466 | 26,857 | 25,932 | 128,391 |

See Note 10 (G) on page 146 for changes in funds claims liability related to Employees Healthcare Plan.

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.

Total participants in each System were comprised of the following, as of June 30, 2019:

| | Employees | Fire & Police | Total |
|--|-----------|---------------|-------|
| Active Members | | | |
| Vested | 1,266 | 795 | 2,061 |
| Non-vested | 965 | 331 | 1,296 |
| Total Active Members | 2,231 | 1,126 | 3,357 |
| Retirees and Beneficiaries of Deceased Retirees | | | |
| Retirees, Currently Receiving Benefits | 2,035 | 1,079 | 3,114 |
| Inactive Vested Members | 247 | 88 | 335 |
| Total Retirees and Inactive Members | 2,282 | 1,167 | 3,449 |
| Grand Total | 4,513 | 2,293 | 6,806 |

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 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 Employee 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 member at retirement. If the member 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 Program (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 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.

Rate of Return

For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 5.20%, 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, 2019. 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, 2018. 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, 2018;
- The assets of each Plan as of June 30, 2018;
- 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, 2018 and determined from the actuarial valuations as of June 30, 2018. 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, 2018 were not adjusted or rolled forward to the June 30, 2019 reporting date. The discount rates used for each Plan to determine the TPL and NPL as of June 30, 2018 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.

For the Employees System, the average employer contribution rate as of June 30, 2019, for 2018-2019 (based on the June 30, 2017 valuation) was 10.58% of compensation. The average employee member contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 7.80% of compensation.

For the Fire and Police System, the average employer contribution rate as of June 30, 2019, for 2018-2019 (based on the June 30, 2017 valuation) was 18.76% of compensation. The average employee member contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 8.74% 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, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 5.02% 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, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 18.72% 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 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, 2019, 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, 2019, the actuarial valuation value of the Employees' System assets was \$1.239 billion with a funded percentage of 111.9% on a valuation value of assets, whereas the actuarial value of Fire and Police assets was \$1.495 billion with a funded percentage of 117.0% 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 2019, the City's required normal contributions (basic and COLA) to the Systems were as follows (in thousands):

| | Normal Cost Employees System | |
|---|---------------------------------|---------|
| | FY 2019 | |
| Member Contributions | \$ | 10,516 |
| Employer Contribution Rate | | 11.66% |
| <hr/> | | |
| Employer Contributions | \$ | 16,137 |
| Prior Year Contribution (Surplus)/Shortfall | | (1,510) |
| Net Employer Contributions | \$ | 14,627 |
| <hr/> | | |
| Pensionable Payroll | \$ | 138,396 |

Employer and employee contributions represented 10.58% and 7.80% respectively, of the fiscal year 2019 covered payroll for the Employees System.

| (in thousands) | Normal Cost Fire and Police System | | |
|---|---------------------------------------|------------|------------|
| | FY 2019 | | |
| | Tier 1 | Tier 2 | Total |
| Member Contributions | \$ 201 | \$ 9,396 | \$ 9,597 |
| Employer Contribution Rate | 28.45% | 23.07% | |
| <hr/> | | | |
| Employer Contributions | \$ 1,473 | \$ 24,137 | \$ 25,610 |
| Prior Year Contribution (Surplus)/Shortfall | (503) | (4,503) | (5,006) |
| Net Employer Contributions | \$ 970 | \$ 19,634 | \$ 20,604 |
| <hr/> | | | |
| Pensionable Payroll | \$ 5,176 | \$ 104,627 | \$ 109,803 |

Employer and employee contributions represented 18.76% and 8.74%, respectively, of the fiscal year 2019 covered payroll for the Fire and Police System.

Net Pension Liability

The net pension liability reported as of June 30, 2019 was measured as of June 30, 2018, and determined based upon the total pension liability (on GASB Statement No. 68 basis) from actuarial valuations as of June 30, 2018.

The City's total pension liability, plan fiduciary net position, and net pension liability for each System as of June 30, 2019 were as follows (in thousands):

| | Employees System | Fire and Police System |
|--|-------------------------|-------------------------------|
| Total Pension Liability | \$ 1,195,294 | \$ 1,387,482 |
| Plan Fiduciary Net Position | (1,348,691) | (1,602,586) |
| Net Pension Liability (Asset) | \$ (153,397) | \$ (215,104) |
| Plan Fiduciary Net Position as a percentage of the total pension liability | 112.83% | 115.5% |

Changes in Net Pension Liability

The components of the net pension liability for each System as of June 30, 2019 and a measurement date of June 30, 2018 were as follows (in thousands):

| | Employees System | Fire and Police System |
|--|-----------------------------|-----------------------------------|
| Total Pension Liability (Asset) | | |
| Beginning Balance | \$ 1,150,077 | \$ 1,315,368 |
| Service Cost | 21,275 | 30,298 |
| Interest | 82,833 | 95,274 |
| Differences between expected & actual experience | (4,164) | 6,722 |
| Benefit payments, including refunds | (57,666) | (63,071) |
| Changes of Assumptions | 2,939 | 2,891 |
| Net Change in Total Pension Liability | 45,217 | 72,114 |
| Ending Balance | \$ 1,195,294 | \$ 1,387,482 |
| Plan Fiduciary Net Position | | |
| Beginning Balance | \$ 1,274,122 | \$ 1,509,543 |
| Contributions - employer | 14,609 | 19,697 |
| Contributions - employee | 10,330 | 8,964 |
| Net Investment Income | 108,915 | 129,163 |
| Benefit payments (including refunds, PRSB) | (57,666) | (63,071) |
| Administrative & professional expense | (1,619) | (1,710) |
| Net Change in Plan Fiduciary Net Position | 74,569 | 93,043 |
| Ending Balance | 1,348,691 | 1,602,586 |
| Net Pension Liability (Asset) | \$ (153,397) | \$ (215,104) |

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 both June 30, 2018 and June 30, 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2018 and June 30, 2017.

The following presents the NPL of the Employees and Fire and Police Retirement Systems as of June 30, 2018. The Systems use the current discount rate to measure the TPL for the measurement date of June 30, 2018, 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:

| (in thousands) | 1% Decrease | Current Discount Rate | 1% Increase |
|------------------------|-------------|-----------------------|--------------|
| | 6.25% | 7.25% | 8.25% |
| Employees System | \$ (17,239) | \$ (153,397) | \$ (265,860) |
| Fire and Police System | (34,508) | (215,104) | (361,693) |

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, after deducting inflation, but before deducting investment expense, used in the derivation of the long-term expected rate of return assumption are summarized in the following table:

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

As of June 30, 2019

| Asset Class | Target Asset Allocation | Weighted Average Long-Term Expected Rate of Return (Arithmetic) |
|--------------------------------|-------------------------|---|
| 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% |
| U.S. Core Bonds | 15.0% | 0.83% |
| High Yield Bonds | 6.0% | 3.44% |
| Private Debt/Direct Lending | 4.0% | 5.73% |
| Real Estate | 15.0% | 4.45% |
| Total | 100.0% | |

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.

Actuarial Assumptions

The TPL as of June 30, 2018 was determined by an actuarial valuation of June 30, 2018. 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, 2019, the City incurred a pension expense of \$12.3 million for the Employees Plan and \$13.9 million for the Fire and Police Plan.

As of June 30, 2019, the City has deferred outflows and deferred inflows of resources related to the pensions as follows:

Pension Expense and Deferred Outflows and Inflows of Resources

(in thousands)

| Components of Pension Expense | Employees System | Fire and Police System |
|---|--------------------|------------------------|
| Service cost | \$ 21,275 | \$ 30,298 |
| Interest on the total pension liability | 82,833 | 95,274 |
| Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability | (1,141) | 1,383 |
| Actual member contributions | (10,330) | (8,964) |
| Projected earnings on plan investments | (91,129) | (108,132) |
| Expensed portion of current-period differences between actual and projected earnings on plan investments | (3,557) | (4,206) |
| Expensed portion of current-period effects of Assumption Changes | 805 | 595 |
| Administrative expense | 1,619 | 1,710 |
| Recognition of beginning of year deferred outflows of resources as pension expense | 31,443 | 45,596 |
| Recognition of beginning of year deferred inflows of resources as pension expense | (44,110) | (67,426) |
| Pension Expense | \$ (12,292) | \$ (13,872) |

Deferred Outflows of Resources and Deferred Inflows of Resources

| Deferred Outflows of Resources | | |
|--|------------------|------------------|
| Contributions subsequent to Measurement Date | \$ 14,066 | \$ 19,023 |
| Changes of assumptions or other outputs | 2,734 | 17,078 |
| Difference between expected and actual experience in the Total Pension Liability | 2,203 | 11,446 |
| Deferred Outflows of Resources | \$ 19,003 | \$ 47,547 |
| Deferred Inflows of Resources | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 19,403 | \$ 23,318 |
| Difference between expected and actual experience in the Total Pension Liability | 4,548 | 15,630 |
| Deferred Inflows of Resources | \$ 23,951 | \$ 38,948 |

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

| | | |
|------------|----------|-----------|
| 2018 | N/A | N/A |
| 2019 | \$ 7,497 | \$ 11,432 |
| 2020 | (3,052) | 676 |
| 2021 | (19,901) | (20,027) |
| 2022 | (3,558) | (2,505) |
| 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 of June 30, 2017 (the beginning of the measurement period ending June 30, 2018) and is 3.65 years for the Employees System and 4.86 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, 2018), the net pension liability for the Plan is \$480,547. For the measurement period ended June 30, 2019 (the measurement date), the net pension liability for the Plan is \$472,565 and the Successor Agency incurred pension expense of \$29,985 for the Plan.

As of June 30, 2019, the Successor Agency reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Contributions made after the measurement date | \$ 40 | \$ — |
| Difference between expected and actual experience | 54 | 13 |
| Changes in assumptions | 18 | 6 |
| Net Difference between projected and actual earnings on pension plan Investments | 2 | — |
| Changes in employer's proportions | 21 | 6 |
| Difference between the employer's contributions and the employer's proportionate share of contributions | — | 50 |
| Total | <u>\$ 135</u> | <u>\$ 75</u> |

For more detailed information related to the Successor Agency's retirement plan, refer to the Successor Agency's separate audited financial statements which can be obtained by contacting the Successor 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 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 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.

Accrued Employee Leave balances as of June 30, 2019, are as follows (in thousands):

| Department/Activity | Total Accrued Vacation, Sick Leave, and HRA | Current Portion |
|----------------------------------|---|--------------------|
| Governmental Activities: | | |
| General Fund | \$ 56,162 | \$ 8,155 |
| Grants Special Revenue Fund | 714 | 124 |
| High Speed Rail | — | — |
| Special Gas Tax | 747 | 50 |
| Measure C | 1,540 | 290 |
| Community Services | 423 | 77 |
| Special Assessment | 143 | 38 |
| General Services | 3,429 | 275 |
| Risk Management | 161 | 13 |
| Total Governmental Activities | <u>\$ 63,319</u> | <u>\$ 9,022</u> |
| Business-Type Activities: | | |
| Water System | 2,120 | 281 |
| Sewer System | 2,098 | 234 |
| Solid Waste Management | 1,449 | 242 |
| Transit | 3,063 | 491 |
| Airports | 1,537 | 220 |
| Convention Center | 60 | 16 |
| Community Sanitation | 437 | 53 |
| Billing and Collection | 1,676 | 157 |
| Total Business-Type Activities | <u>\$ 12,440</u> | <u>\$ 1,694</u> |
| Fiduciary Funds: | | |
| Private-Purpose Trust Fund | 38 | 7 |
| Total | <u>\$ 75,797</u> | <u>\$ 10,723</u> |

Accrued employee leave balances related to governmental activities are recorded in the Government-Wide Financial Statements under Long-term Liabilities.

D. Termination Benefits

During fiscal year 2019, there were no employees who received severance pay.

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 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 Post-Employment 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 Post-Employment Benefits (OPEB) to eligible retirees and his/her dependents, spouse or domestic partner. The trust does not issue separate publicly available financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, requires governments to account for OPEB on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefits. The post-employment benefit liability is recognized on the Statement of Net Position over time.

Contributions

The City provides post-employment healthcare benefits for certain eligible retirees. 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. 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. Currently, the City does not pre-fund retiree health benefits and instead provides for benefits on a pay-as-you-go basis.

Employees Covered

As of July 1, 2017, the following employees were covered by the benefit terms:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 423 |
| Inactive employees entitled to but not yet receiving benefit payments | — |
| Active employees | 3,325 |
| Total participants covered by OPEB plan | <u>3,748</u> |

Net OPEB Liability

The City's net OPEB liability of \$113.7 million was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date to determine the June 30, 2019 total OPEB liability.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------|--------------------------------------|
| Reporting Date | June 30, 2019 |
| Measurement Date | July 1, 2017 |
| Valuation Date | July 1, 2019 |
| Discount Rate | 3.58% / 3.50% |
| Healthcare Cost Trend Rates: | |
| Current Year Trend | 4.03% / 3.98% |
| Second Year Trend | 7.00% |
| Decrement | N/A |
| Ultimate Trend | 6.00% |
| Year Ultimate Trend is Reached | 2039 |
| Salary Increases | 2.50% |
| Actuarial Cost Method | Entry Age Normal (Percent of Salary) |

The discount rate was based on the index provided by *Bond Buyer 20-Year General Obligation Index* based on the 20 year AA municipal bond rate as of July 1, 2017.

Mortality rates were based on the RP-2000 Combined Healthy Participant Table Project 10 Years using Projection Scale AA.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The July 1, 2017 valuation was prepared using a discount rate of 3.58%. If the discount rate were 1% higher than what was used in this valuation, the Net OPEB Liability would decrease to \$98.2 million or by 13.67%. If the discount rate were 1% lower than was used in this valuation, the Net OPEB Liability would increase to \$125.7 million, or by 10.53%.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------------------------|-------------|-----------------------|-------------|
| | 2.50% | 3.50% | 4.50% |
| Net OPEB Liability (in thousands) | \$ 125,671 | \$ 113,700 | \$ 98,159 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The July 1, 2017 valuation was prepared using an initial trend rate of 4.03% / 3.98%. If the trend rate were 1% higher than what was used in this valuation, the Net OPEB Liability would increase to \$123.9 million or by 8.96%. If the trend rate were 1% lower than was used in this valuation, the Net OPEB Liability would decrease to \$81.1 million or by 28.69%.

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|--------------------------------------|---------------|-------------------------------------|---------------|
| | 2.33% / 2.07% | 4.03% / 3.98% | 4.33% / 4.07% |
| Net OPEB Liability (in thousands) | \$ 81,082 | \$ 113,700 | \$ 123,885 |

Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the City Plan are as follows:

| | Net OPEB Liability Increase / (Decrease) (in thousands) |
|---|---|
| Net OPEB Liability as of June 30, 2018 | \$ 92,820 |
| Changes for the Year: | |
| Service Cost | 5,777 |
| Interest | 3,688 |
| Assumption Changes and Difference between Actual and Expected Experience | 13,406 |
| Benefit Payments | (1,991) |
| Net Changes | 20,880 |
| Net OPEB Liability as of June 30, 2019 | \$ 113,700 |

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2019, the City recognized an OPEB expense of \$8.5 million. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| OPEB Contributions subsequent to the measurement date | \$ 2,061 | \$ — |
| Changes of Assumptions | 11,984 | (17,746) |
| Difference between Actual and Expected Experience | 366 | — |
| Total | \$ 14,411 | \$ (17,746) |

The \$2.1 million reported as deferred outflows of resources related to contributions subsequent to the July 1, 2017 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

| | Deferred Outflows/(Inflows) of Resources |
|---------------|---|
| 2020 | \$ (933) |
| 2021 | (933) |
| 2022 | (933) |
| 2023 | (934) |
| 2024 | (934) |
| Thereafter | (729) |
| Total: | \$ (5,396) |

G. Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2019 for employee health benefit claim payments for direct provider care is \$4.3 million.

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

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claims Payments | End of Fiscal Year Liability |
|--------------------------------------|---|---|----------------------------|---|
| 2018 | \$ 4,600 | \$ 47,010 | \$ 46,710 | \$ 4,900 |
| 2019 | 4,900 | 49,274 | 49,874 | 4,300 |

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 \$18.6 million at June 30, 2019, as compared to \$19.65 million at June 30, 2018. 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 \$3.23 million at June 30, 2019, as compared to \$3.42 million at June 30, 2018.

Note 12. Commitments and Contingencies

A. Closure and Post-Closure 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, 2019 to be \$13.9 million. A liability in this amount has been recorded in the Solid Waste Management Fund. It is anticipated that approximately \$0.9 million in monitoring costs and landfill site closure costs will be paid in fiscal year 2019. 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 post-closure 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 \$13.0 million 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 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 \$2.5 million on June 30, 2019, while the related liability reported as “CVP Litigation Settlement” totaled \$1.8 million on June 30, 2019.

C. 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, 2019.

D. 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 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 2019 CAFR in the amount of \$529,310. 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 \$46,758 in fiscal year 2019.

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.

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.

E. 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.

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.

F. 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.

G. 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 (in thousands)

| Fiscal Years | Police | Fire | Public Works | Other Departments | Total |
|--------------|-----------------|-------------|---------------|-------------------|------------------|
| 2019 | \$ 612 | \$ — | \$ 150 | \$ 2,244 | \$ 3,006 |
| 2020 | 651 | — | 153 | 2,219 | 3,023 |
| 2021 | 670 | — | 156 | 2,226 | 3,052 |
| 2022 | 646 | — | 160 | 2,098 | 2,904 |
| 2023 | 557 | — | — | 1,966 | 2,523 |
| 2024-2028 | 20 | — | — | 513 | 533 |
| Total | \$ 3,156 | \$ — | \$ 619 | \$ 11,266 | \$ 15,041 |

Operating lease expense incurred for fiscal year 2019 was approximately \$3 million for governmental activities.

Business-Type Activities (in thousands)

| Fiscal Years | Airports | Water | Other Departments | Total |
|---------------------|-----------------|-----------------|------------------------------|-----------------|
| 2019 | \$ 363 | \$ 498 | \$ 83 | \$ 944 |
| 2020 | 368 | 498 | 14 | 880 |
| 2021 | 375 | 499 | 15 | 889 |
| 2022 | 380 | 499 | 15 | 894 |
| 2023 | 388 | 498 | — | 886 |
| 2024-2028 | — | 2,493 | — | 2,493 |
| 2029-2033 | — | — | — | — |
| Total | \$ 1,874 | \$ 4,985 | \$ 127 | \$ 6,986 |

Operating lease expense incurred for fiscal year 2019 was approximately \$1.0 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 \$15.3 million.

H. Construction and Other Significant Commitments

At June 30, 2019, the City had commitments for the following major construction projects (in thousands):

| Project Title | Remaining Construction Committed |
|--|--|
| Governmental | |
| Slurry Seal - Various Locations | \$ 1,706 |
| Veterans Boulevard at HWY 99 & Union Pacific Railroad | 2,477 |
| Overlay - Various Locations | 2,724 |
| South East District Police Station | 5,892 |
| Total Governmental | 12,799 |
| Proprietary: | |
| Airport RW Treatment Facility | 131 |
| BRT-Bus Rapid Transit | 231 |
| Renewable Gas Diversion | 239 |
| NE Recycled Water Distribution System | 364 |
| TCP Plan and Remediation | 696 |
| Merced (Glenn-Thorne) Rehabilitation | 779 |
| Surface Water Treatment | 1,152 |
| Odor Control Units - Headworks | 1,185 |
| Parking Expansion - Fresno Area Transit | 1,504 |
| South East Fresno Water Treatment Facility | 2,113 |
| Extended Bus Routes - Fresno Area Transit | 2,260 |
| South East & South West Treatment Plant Transmission Pipelines | 2,343 |
| Water Well Construction & Rehabilitations | 2,455 |
| Water Main Renewal & Extensions | 2,894 |
| South West Recycled Water Distribution System | 32,838 |
| Total Proprietary | 51,184 |
| Total Major Construction Projects | \$ 63,983 |

I. 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.

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 \$5,034,902 through June 30, 2019 to investigate and address the discolored water complaints. All of these costs have been and will continue to be recorded in the Water Fund.

Note 13. 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>.

Note 14. 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, 2019, the City had made payments into various contract escrow accounts in the amount of \$13.0 million.

Note 15. Deficit Fund Equity

The Convention Center Fund, Risk Management Internal Service Fund, and High Speed Rail Fund all had deficit net position balances as of June 30, 2019.

The deficit net position in the Convention Center Fund of \$4.0 million is a continuation of many years of annual operating deficits. The 2019 fiscal year saw a \$1.9 million decrease in the deficit net position, from \$5.9 million to \$4.0 million. The main drivers of the decrease in the deficit net position was a \$1.8 million transfer in for bond principal payments (there was not a payment due in FY18) as well as an almost \$1.0 million decrease in annual depreciation due to the Exhibit Hall Expansion Project being fully depreciated in FY19.

The deficit net position in the Risk Management Fund at June 30, 2019 was \$123.6 million, an increase of \$(5.2) 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 \$128.4 million. This liability is not required to be prefunded, and grew by almost \$1.0 million between fiscal years 2018 and 2019. The Risk Management Fund also had a \$3.0 million decrease in transfers in due to a replenishment of liability from the General Fund in FY18.

The deficit net position in the High Speed Rail Fund at June 30, 2019 was \$848,000. The deficit net position of this fund at the end of fiscal year 2018 was \$68,000. The increase in the deficit net position of \$(780,000) is due to the \$3.6 million increase in capital outlay construction projects alongside a \$2.7 million increase in federal reimbursements.

The City management continues to evaluate strategies for reducing and eliminating these deficit fund equity balances.

Note 16. Subsequent Events

A. Bond Ratings

Fitch reaffirmed the Airports bonds' BBB+ rating on July 12, 2019. Fitch also maintained the outlook on the Airports bonds at Stable.

The most current City ratings are as follows:

| Rating Agency | Effective Date | Rating | Outlook |
|--------------------------------|----------------|--------|---------|
| <u>Lease Revenue Bonds</u> | | | |
| Fitch | 6/2016 | A- | Stable |
| Standard & Poor's | 3/2017 | A | Stable |
| Moody's | 3/2017 | Baa1 | Stable |
| <u>General Obligation (GO)</u> | | | |
| Fitch | 6/2016 | A | Stable |
| Standard & Poor's | 3/2017 | A+ | Stable |
| Moody's | 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 2019.

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 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. NCFD agreed to use the 18-months to explore options for delivering fire service to residents and businesses in their district, including entering into a long-term contract with the City.

The City was notified by NCFD on June 21, 2018 that it would not be renewing the service agreement with the City, effective June 30, 2019. 46 sworn staff and 3 civilian staff that were being paid by the NCFD were brought back into the City's workforce on July 1, 2019.

The special revenue fund which was being used to track NCFD related revenues and expenditures had a cash balance of approximately \$(1.4) million at the end of fiscal year 2019. To rectify this situation, a transfer was made from the General Fund on June 30, 2019.

D. 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 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 \$412,204 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. Additionally, the City provided, and HUD accepted, documentation that supported \$1.2 million in questioned expenditures. City staff continues to work with HUD to provide documentation to support the remaining \$5.9 million of questioned expenditures. The City believes HUD will accept the validity of a portion of the documentation to support the remaining questioned expenditures. The City expects that HUD will make its final determination on the amount to be repaid by the end of fiscal year 2020.

E. Sewer Bond Defeasance

On September 1, 2019, the City defeased the remaining \$27.3 million of its \$159.8 million Sewer System Revenue Bonds Series 2008 with surplus cash on hand, interest earned by setting sufficient funds to pay down the debt in an escrow account, and surplus funds in the Debt Service Reserve Fund due to a recalculation of the Debt Service Reserve Requirement subsequent to the defeasance.

F. CVP Litigation Settlement

In October 2019, the Water Fund paid the remaining \$1.8 million liability associated with the CVP litigation settlement. Please see Note 12 - CVP Water Contract (page 148-149) for further information regarding this liability.

The date to which events occurring after June 30, 2019, have been evaluated for possible adjustments to the financial statements or disclosures is January 8, 2020, 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

Fiscal Year Ended June 30, 2019

(in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget |
|--|------------------|------------------|--------------------------------|---------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 37,829 | \$ 46,604 | \$ 47,162 | \$ 558 |
| Resources (inflows): | | | | |
| Taxes: | | | | |
| Property Taxes | 131,683 | 131,683 | 137,164 | 5,481 |
| Sales Taxes | 100,821 | 100,821 | 103,263 | 2,442 |
| Other Taxes | 35,830 | 35,830 | 37,977 | 2,147 |
| Franchise Taxes | 13,675 | 13,675 | 13,106 | (569) |
| Licenses and Permits | 8,285 | 8,285 | 7,073 | (1,212) |
| Intergovernmental: | | | | |
| State Motor Vehicle In-Lieu | 280 | 280 | 258 | (22) |
| Other State Revenue | 1,649 | 1,699 | 3,374 | 1,675 |
| Other Intergovernmental | 671 | 671 | 865 | 194 |
| Charges for Services: | | | | |
| Charges for Services | 32,038 | 32,471 | 35,349 | 2,878 |
| Fines and Violations | 3,521 | 3,521 | 3,663 | 142 |
| Use of Money and Property | 881 | 881 | 1,793 | 912 |
| Miscellaneous | 27,434 | 27,434 | 30,269 | 2,835 |
| Other Financing Sources: | | | | |
| Transfers from Other Funds | 13,691 | 13,707 | 15,293 | 1,586 |
| Total Available for Appropriations | 408,288 | 417,562 | 436,609 | 19,047 |
| Charges to Appropriations (outflows): | | | | |
| General Government: | | | | |
| Mayor and City Council | 8,766 | 8,818 | 7,292 | (1,526) |
| Other General Government | 35,533 | 36,552 | 31,669 | (4,883) |
| Public Protection: | | | | |
| Police Department | 165,705 | 166,448 | 163,206 | (3,242) |
| Fire Department | 56,072 | 56,092 | 57,954 | 1,862 |
| Public Ways & Facilities | 17,511 | 18,167 | 17,472 | (695) |
| Culture and Recreation | 14,980 | 15,470 | 14,820 | (650) |
| Community Development | 29,899 | 30,632 | 26,174 | (4,458) |
| Capital Outlay | 12,348 | 17,633 | 8,813 | (8,820) |
| Other Financing Uses: | | | | |
| Transfers to Other Funds | 33,385 | 33,660 | 34,688 | 1,028 |
| Total Charges to Appropriations | 374,199 | 383,472 | 362,088 | (21,384) |
| Less Estimated Attrition Savings | 5,447 | 5,447 | — | (5,447) |
| Excess Resources Over Appropriations | \$ 39,536 | \$ 39,537 | \$ 74,521 | \$ 34,984 |

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
Fiscal Year Ended June 30, 2019 (Continued)
(in thousands)

**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. | \$ 436,609 |
| 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. | (7,683) |
| Interfund reimbursements are not revenues and are expenditures for financial reporting. | (25,530) |
| Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes. | (47,162) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (15,293) |
| Nonreciprocal interfund activity is not revenue and is a transfer for financial reporting. | (5,577) |
| The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes. | <u>(2,381)</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds. | <u>\$ 332,983</u> |

Uses/Outflows of Resources:

| | |
|--|-------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule. | \$ 362,088 |
| Differences - Budget to GAAP: The City budgets for expenditures on the cash basis of accounting, rather than on the modified accrual basis of accounting. | 589 |
| Interfund reimbursements are a reduction of expenditures for financial reporting. | (25,530) |
| Pension Obligation bond debt payments and City Hall rent are recognized as transfers out to other funds. | (15,063) |
| Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes. | (34,688) |
| Return on capital asset as offset for Advances to Other Funds | |
| Capital Lease additions are expenditures for financial reporting purposes. | <u>2,221</u> |
| Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds. | <u>\$ 289,617</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
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget |
|---|--------------------|--------------------|---|---------------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ (8,518) | \$ (8,518) | \$ (12,682) | \$ (4,164) |
| Resources (inflows): | | | | |
| Intergovernmental: | | | | |
| Federal Grants | 33,527 | 37,841 | 22,117 | (15,724) |
| State Grants | 4,052 | 9,146 | 6,719 | (2,427) |
| Local Support | 114 | 153 | 60 | (93) |
| Charges for Services | 1,265 | 1,265 | 1,333 | 68 |
| Use of Money and Property | 370 | 370 | 637 | 267 |
| Miscellaneous | 371 | 371 | 316 | (55) |
| Other Financing Sources: | | | | |
| Transfers from Other Funds | 125 | 125 | 87 | (38) |
| Total Available for Appropriations | 31,306 | 40,753 | 18,587 | (22,166) |
| Charges to Appropriations (outflows): | | | | |
| General Government | 700 | 3,806 | — | (3,806) |
| Public Protection | 4,339 | 5,388 | 4,920 | (468) |
| Public Ways & Facilities | 8,907 | 12,282 | 5,317 | (6,965) |
| Culture and Recreation | 2,036 | 2,528 | 1,480 | (1,048) |
| Community Development | 13,610 | 13,610 | 7,923 | (5,687) |
| Capital Outlay | 29,967 | 30,667 | 10,579 | (20,088) |
| Other Financing Uses: | | | | |
| Transfers to Other Funds | 75 | 75 | 506 | 431 |
| Total Charges to Appropriations | 59,634 | 68,356 | 30,725 | (37,631) |
| Excess (Deficit) Resources Over Appropriations | \$ (28,328) | \$ (27,603) | \$ (12,138) | \$ 15,465 |

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
 Fiscal Year Ended June 30, 2019 (Continued)
 (in thousands)

**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. | \$ 18,587 |
| Differences - Budget to GAAP: Grant reimbursements are budgeted on the cash basis of accounting rather than on the modified accrual basis of accounting. | 92 |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (87) |
| Interfund reimbursements are not revenues and are expenditures for financial reporting. | (1,265) |
| Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes. | 12,682 |
| Payments from the Successor Agency to the Fresno Redevelopment Agency on advances with full allowance are revenues. | (31) |
| The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes. | (379) |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds. | <u>\$ 29,599</u> |
| Uses/Outflows of Resources: | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule. | \$ 30,725 |
| Differences - budget to GAAP: The City budgets for expenditures on the cash basis of accounting rather than on the modified accrual basis of accounting. | 1,447 |
| Interfund reimbursements are a reduction of expenditures for financial reporting. | (1,265) |
| Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as transfers out to other funds. | (522) |
| The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (2,823) |
| Changes in allowance for doubtful accounts on notes receivable, notes that should become grants, and adjustments are expenditures for financial reporting purposes. | (21) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (506) |
| Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds. | <u>\$ 27,035</u> |

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

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 and business-type funds (except Financing Authorities/Corporations and City Debt Service) 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 are made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

B. 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 Managers, Budget Manager, Department Directors and representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Recommended Budget Document is printed and presented to the City Council for deliberation and adoption.

C. Original Budget

Prior to June 1, the Mayor submits to the City Council a recommended 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.

D. 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 are carried forward to the following year through either an encumbrance or an amendment to the budget. 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 at the department level within a fund.

The City adopts an annual budget for all governmental and business-type funds. The Adopted Budget Document is prepared to include all the various changes approved by the City Council. 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.

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.

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.

The City assumed an attrition savings amount of \$5.1 million in its fiscal year 2019 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 \$1.6 million higher than budgeted levels in fiscal year 2019. The overage was mostly due to transfers for the Streetlight Repair Program and Police Department Data 911.

Actual Transfers to Other Funds were \$1.0 million higher than fiscal year 2019 budgeted levels. The overage was caused by a transfer of \$1.4 million to resolve the negative cash balance in the North Central Fire Service Fund.

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 |
|-------------------------------|--|---|
| 2019 | 5.54% | 5.20% |
| 2018 | 8.93% | 8.57% |
| 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% |

The Schedule of Investment Returns above shows the annual money-weighted rate of return on the assets of the Systems, both gross and net of investment expense for ten fiscal years (2010-2019). The money-weighted rate of return expresses investment performance adjusted for timing of cash flows and the changing amounts actually invested. These returns differ slightly from the time-weighted rate of returns calculated and reported by the Systems' custodian, Northern Trust, and as independently reported by the Systems' investment consulting firm, NEPC, LLC. The Systems' custodian and investment consulting firm must use time-weighted returns as opposed to money-weighted returns in order to meet Global Investment Performance Standards for the purposes of effectively evaluating and reporting the performance of the Systems' investment managers.

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.

Schedule of Changes in the Net Pension Liability and Related Ratios

PENSION TRUST FUNDS POLICE AND FIRE RETIREMENT SYSTEMS

Schedule of Changes in the Net Pension Liability and Related Ratios⁽²⁾

Change in Net Pension Liability (in thousands)

| For the Fiscal Year Ended: | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |
|--|---------------|----------------|-----------------|---------------|----------------|
| Reporting Date: | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Measurement Date: | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 |
| Total Pension Liability | | | | | |
| Service Cost | \$ 30,298 | \$ 28,838 | \$ 26,569 | \$ 26,518 | \$ 28,058 |
| Interest | 95,274 | 90,185 | 88,363 | 86,771 | 86,092 |
| Differences between expected & actual experience | 6,722 | 10,896 | (42,952) | (36,528) | (49,879) |
| Changes of assumptions | 2,891 | — | 49,427 | — | — |
| Benefit payments, including refunds | (63,071) | (59,273) | (56,581) | (54,612) | (52,720) |
| Net Change in Total Pension Liability | 72,114 | 70,646 | 64,826 | 22,149 | 11,551 |
| Total Pension Liability - Beginning | 1,315,368 | 1,244,722 | 1,179,896 | 1,157,747 | 1,146,196 |
| Total Pension Liability - Ending (a)* | \$ 1,387,482 | \$ 1,315,368 | \$ 1,244,722 | \$ 1,179,896 | \$ 1,157,747 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | \$ 19,697 | \$ 18,543 | \$ 18,738 | \$ 18,967 | \$ 18,575 |
| Contributions - employee | 8,964 | 8,169 | 7,748 | 7,385 | 7,294 |
| Net Investment Income | 129,163 | 192,315 | 6,063 | 39,164 | 201,838 |
| Benefit Payments including Refunds, PRSB | (63,071) | (59,273) | (56,581) | (54,612) | (52,720) |
| Administrative & Professional Expense | (1,710) | (1,500) | (1,397) | (1,108) | (1,119) |
| Net Change in Plan Fiduciary Net Position | 93,043 | 158,254 | (25,429) | 9,796 | 173,868 |
| Plan Fiduciary Net Position - Beginning | 1,509,543 | 1,351,289 | 1,376,718 | 1,366,922 | 1,193,054 |
| Plan Fiduciary Net Position - Ending (b) | \$ 1,602,586 | \$ 1,509,543 | \$ 1,351,289 | \$ 1,376,718 | \$ 1,366,922 |
| System Net Pension Liability (Surplus) - Ending (a) - (b) | \$ (215,104) | \$ (194,175) | \$ (106,567) | \$ (196,822) | \$ (209,175) |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 115.50 % | 114.76 % | 108.56 % | 116.68 % | 118.07 % |
| Covered Payroll(1) | \$ 103,934 | \$ 97,369 | \$ 94,266 | \$ 91,075 | \$ 91,721 |
| Plan Net Pension Liability as a percentage of covered payroll | (206.96)% | (199.42)% | (113.05)% | (216.11)% | (228.06)% |

* Data above 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 payroll represents payroll in which contributions to the Systems are based.

(2) Ten year data will be presented in future years as information becomes available.

PENSION TRUST FUNDS
EMPLOYEES RETIREMENT SYSTEMS

Schedule of Changes in the Net Pension Liability and Related Ratios⁽²⁾

Change in Net Pension Liability (in thousands)

| For the Fiscal Year Ended: | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |
|--|---------------------|---------------------|--------------------|--------------------|---------------------|
| Reporting Date: | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Measurement Date: | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 |
| Total Pension Liability | | | | | |
| Service Cost | \$ 21,275 | \$ 18,885 | \$ 18,687 | \$ 18,476 | \$ 19,342 |
| Interest | 82,833 | 79,266 | 79,763 | 78,212 | 77,010 |
| Differences between expected & actual experience | (4,164) | 5,263 | (24,394) | (24,691) | (29,889) |
| Changes of assumptions | 2,939 | — | 9,612 | — | — |
| Benefit payments, including refunds | (57,666) | (55,550) | (52,529) | (50,546) | (48,581) |
| Net Change in Total Pension Liability | 45,217 | 47,864 | 31,139 | 21,451 | 17,882 |
| Total Pension Liability - Beginning | 1,150,077 | 1,102,213 | 1,071,074 | 1,049,623 | 1,031,741 |
| Total Pension Liability - Ending (a)* | \$ 1,195,294 | \$ 1,150,077 | \$ 1,102,213 | \$ 1,071,074 | \$ 1,049,623 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | \$ 14,609 | \$ 15,205 | \$ 13,060 | \$ 12,327 | \$ 11,440 |
| Contributions - employee | 10,330 | 10,181 | 9,098 | 8,750 | 7,945 |
| Net Investment Income | 108,915 | 162,374 | 5,089 | 33,310 | 172,773 |
| Benefit Payments including Refunds, PRSB | (57,666) | (55,550) | (52,529) | (50,546) | (48,581) |
| Administrative & Professional Expense | (1,619) | (1,387) | (1,346) | (1,071) | (1,086) |
| Net Change in Plan Fiduciary Net Position | 74,569 | 130,823 | (26,628) | 2,770 | 142,491 |
| Plan Fiduciary Net Position - Beginning | 1,274,122 | 1,143,299 | 1,169,927 | 1,167,157 | 1,024,666 |
| Plan Fiduciary Net Position - Ending (b) | \$ 1,348,691 | \$ 1,274,122 | \$ 1,143,299 | \$ 1,169,927 | \$ 1,167,157 |
| System Net Pension Liability (Surplus) - Ending (a) - (b) | \$ (153,397) | \$ (124,045) | \$ (41,086) | \$ (98,853) | \$ (117,534) |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 112.83 % | 110.79 % | 103.73 % | 109.23 % | 111.20 % |
| Covered Payroll(1) | \$ 128,461 | \$ 119,007 | \$ 108,541 | \$ 105,820 | \$ 103,597 |
| Plan Net Pension Liability as a percentage of covered payroll | (119.41)% | (104.23)% | (37.85)% | (93.42)% | (113.45)% |

* Data above 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 payroll represents payroll in which contributions to the Systems are based.

(2) Ten year data will be presented in future years as information becomes available.

Schedule of Employer Contribution - Pension Trust Funds

EMPLOYEES RETIREMENT SYSTEM

Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

| Fiscal Year Ending June 30 | Actuarially Determined Contribution (ADC) | Contributions in Relation to the ADC | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|----------------------------|---|--------------------------------------|----------------------------------|-----------------|--|
| 2019 | \$ 14,627 | \$ 14,627 | \$ — | 138,396 | 10.57% |
| 2018 | 14,609 | 14,609 | — | 128,461 | 11.37% |
| 2017 | 15,205 | 15,205 | — | 119,007 | 12.78% |
| 2016 | 13,060 | 13,060 | — | 108,541 | 12.03% |
| 2015 | 12,327 | 12,327 | — | 105,820 | 11.65% |
| 2014 | 11,440 | 11,440 | — | 103,597 | 11.04% |
| 2013 | 13,330 | 13,330 | — | 105,509 | 12.63% |
| 2012 | 11,374 | 11,374 | — | 110,492 | 10.29% |
| 2011 | 8,215 | 8,215 | — | 119,260 | 6.89% |
| 2010 | 3,267 | 3,267 | — | 129,258 | 2.53% |

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

| Fiscal Year Ending June 30 | Actuarially Determined Contribution (ADC) | Contributions in Relation to the ADC | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|----------------------------|---|--------------------------------------|----------------------------------|-----------------|--|
| 2019 | \$ 20,604 | \$ 20,604 | \$ — | 109,803 | 18.76% |
| 2018 | 19,697 | 19,697 | — | 103,934 | 18.95% |
| 2017 | 18,543 | 18,543 | — | 97,369 | 19.04% |
| 2016 | 18,738 | 18,738 | — | 94,266 | 19.88% |
| 2015 | 18,967 | 18,967 | — | 91,075 | 20.83% |
| 2014 | 18,575 | 18,575 | — | 91,721 | 20.25% |
| 2013 | 18,725 | 18,725 | — | 94,368 | 19.84% |
| 2012 | 22,875 | 22,875 | — | 96,195 | 23.78% |
| 2011 | 19,397 | 19,397 | — | 96,758 | 20.05% |
| 2010 | 12,094 | 12,094 | — | 99,166 | 12.20% |

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

For Fiscal Year Ending June 30

(in thousands)

| | 2018 | 2019 |
|--|------------------|-------------------|
| OPEB Liability Beginning of Year | \$ 84,639 | \$ 92,820 |
| Changes for the Year: | | |
| Service Cost | \$ 4,769 | \$ 5,777 |
| Interest | 2,995 | 3,688 |
| Assumption Changes and Difference between Actual and Expected Experience | 417 | 13,406 |
| Benefit Payments | — | (1,991) |
| Net Changes | 8,181 | 20,880 |
| OPEB Liability End of Year | <u>\$ 92,820</u> | <u>\$ 113,700</u> |
| | | |
| Covered Payroll as of December 31 | \$ 229,256 | \$ 236,134 |
| Net OPEB Liability as a percentage of covered payroll | 40.49% | 48.15% |

Note to Schedule

Historical information is required only for measurement periods for which GASB Statement Number 75 is applicable.

Future years information will be displayed up to 10 years as information becomes available.

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Traveler photo submitted by sa2key

NONMAJOR GOVERNMENTAL FUNDS

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CITY OF FRESNO, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2019

(in thousands)

| | Special Revenue | | | | | |
|---|-----------------|-----------------------------------|------------------|------------------|--------------------|------------------|
| | High Speed Rail | Fresno Revitalization Corporation | Special Gas Tax | Measure C | Community Services | UGM Impact Fees |
| Assets | | | | | | |
| Cash and Investments | \$ 163 | \$ 270 | \$ 8,197 | \$ 17,219 | \$ 9,613 | \$ 26,869 |
| Receivables, Net | — | 1 | 61 | 115 | 270 | 207 |
| Grants Receivable | 36 | — | — | — | — | — |
| Intergovernmental Receivables | — | — | 1,711 | 1,880 | — | — |
| Due From Other Funds | 3,568 | — | 8 | — | 390 | 1,623 |
| Advances to Other Funds | — | — | 368 | — | — | — |
| Property Held for Resale | — | — | — | — | — | — |
| Restricted Cash | — | — | — | — | 791 | — |
| Loans, Notes, Leases, Other Receivables, Net | — | — | — | — | — | — |
| Total Assets | 3,767 | 271 | 10,345 | 19,214 | 11,064 | 28,699 |
| Liabilities | | | | | | |
| Accrued Liabilities | \$ 298 | \$ 40 | \$ 594 | \$ 1,125 | \$ 1,108 | \$ 392 |
| Unearned Revenue | — | — | — | — | 102 | — |
| Due to Other Funds | 4,281 | — | 152 | 3,579 | 1 | — |
| Advances From Other Funds | — | 62 | — | — | — | — |
| Deposits From Others | — | — | — | — | 4 | — |
| Total Liabilities | 4,579 | 102 | 746 | 4,704 | 1,215 | 392 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable Revenue-Other | 36 | — | — | 136 | — | — |
| Total Deferred Inflows of Resources | 36 | — | — | 136 | — | — |
| Fund Balances | | | | | | |
| Restricted | — | 169 | 9,599 | 14,374 | 3,964 | 28,307 |
| Assigned | — | — | — | — | 5,885 | — |
| Unassigned | (848) | — | — | — | — | — |
| Total Fund Balances | — | 169 | 9,599 | 14,374 | 9,849 | 28,307 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 4,615 | \$ 271 | \$ 10,345 | \$ 19,214 | \$ 11,064 | \$ 28,699 |

| Low and Moderate Income Housing | Special Assessments | Debt Service | | Capital Projects | Total Nonmajor Governmental Funds | |
|---------------------------------|---------------------|--------------|--|------------------|-----------------------------------|---|
| | | City Debt | Financing Authorities and Corporations | City Combined | | |
| \$ 9,667 | \$ 13,774 | \$ 5 | \$ 1,845 | \$ 10,947 | \$ 98,569 | Assets |
| — | 108 | 3 | 11 | 89 | 865 | Cash and Investments |
| — | — | — | — | — | 36 | Receivables, Net |
| — | 38 | — | — | — | 3,629 | Grants Receivable |
| — | — | — | — | 31 | 5,620 | Intergovernmental Receivables |
| 62 | — | — | — | — | 430 | Due From Other Funds |
| 4,762 | — | — | — | — | 4,762 | Advances to Other Funds |
| — | — | 1 | 10 | — | 4,762 | Property Held for Resale |
| 18,170 | — | — | — | — | 802 | Restricted Cash |
| 32,661 | 13,920 | 9 | 1,866 | 11,067 | 18,170 | Loans, Notes, Leases, Other Receivables, Net |
| | | | | | 132,883 | Total Assets |
| | | | | | | Liabilities |
| — | 691 | — | 1 | 889 | 5,138 | Accrued Liabilities |
| — | — | — | — | — | 102 | Unearned Revenue |
| — | 9 | — | — | 580 | 8,602 | Due to Other Funds |
| — | — | — | — | — | 62 | Advances From Other Funds |
| — | — | — | — | — | 4 | Deposits From Others |
| — | 700 | — | 1 | 1,469 | 13,908 | Total Liabilities |
| | | | | | | Deferred Inflows of Resources |
| — | — | — | — | — | 172 | Unavailable Revenue-Other |
| — | — | — | — | — | 172 | Total Deferred Inflows of Resources |
| | | | | | | Fund Balances |
| 32,661 | 13,220 | 9 | 1,865 | — | 104,168 | Restricted |
| — | — | — | — | 10,252 | 16,137 | Assigned |
| | | | | (654) | (1,502) | Unassigned |
| 32,661 | 13,220 | 9 | 1,865 | 9,598 | 118,803 | Total Fund Balances |
| \$ 32,661 | \$ 13,920 | \$ 9 | \$ 1,866 | \$ 11,067 | \$ 132,883 | Total Liabilities, Deferred Inflows of Resources and Fund Balances |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2019

(in thousands)

| | Special Revenue | | | | | |
|---|-----------------|-----------------------------------|-----------------|------------------|--------------------|------------------|
| | High Speed Rail | Fresno Revitalization Corporation | Special Gas Tax | Measure C | Community Services | UGM Impact Fees |
| Revenues | | | | | | |
| Taxes | \$ — | \$ — | \$ 19,683 | \$ 12,029 | \$ 1,259 | \$ — |
| Intergovernmental | 3,875 | — | — | — | 4,296 | — |
| Charges for Services | 200 | 217 | — | — | 9,294 | 11,813 |
| Use of Money and Property | — | — | 305 | 287 | 760 | 1,009 |
| Miscellaneous | — | 76 | 400 | 167 | 354 | 76 |
| Total Revenues | 4,075 | 293 | 20,388 | 12,483 | 15,963 | 12,898 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | — | — | — | — | 728 | — |
| Public Protection | — | — | — | — | 9,501 | 173 |
| Public Ways and Facilities | 882 | — | 14,127 | 9,533 | 2,102 | 4,080 |
| Culture and Recreation | — | — | — | — | 2,130 | 171 |
| Community Development | 138 | 290 | — | — | 388 | — |
| Capital Outlay | 3,923 | — | 1,356 | 1,625 | 1,428 | 1,429 |
| Debt Service: | | | | | | |
| Principal | — | — | — | — | — | — |
| Interest | — | — | — | — | — | — |
| Total Expenditures | 4,943 | 290 | 15,483 | 11,158 | 16,277 | 5,853 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (868) | 3 | 4,905 | 1,325 | (314) | 7,045 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 114 | — | 16 | 13 | 1,546 | 80 |
| Transfers Out | (26) | — | (1,029) | (635) | (575) | (2,291) |
| Total Other Financing Sources (Uses) | 88 | — | (1,013) | (622) | 971 | (2,211) |
| Net Change in Fund Balances | (780) | 3 | 3,892 | 703 | 657 | 4,834 |
| Fund Balances - Beginning | (68) | 166 | 5,707 | 13,671 | 9,192 | 23,473 |
| Fund Balances (Deficit) - Ending | \$ (848) | \$ 169 | \$ 9,599 | \$ 14,374 | \$ 9,849 | \$ 28,307 |

| Low and Moderate Income Housing | Special Assessments | Debt Service | | Capital Projects | Total Nonmajor Governmental Funds | |
|---------------------------------|---------------------|--------------|--|------------------|-----------------------------------|---|
| | | City Debt | Financing Authorities and Corporations | City Combined | | |
| | | | | | | Revenues |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ 32,971 | Taxes |
| — | — | — | — | — | 8,171 | Intergovernmental |
| — | 5,100 | — | — | — | 26,624 | Charges for Services |
| 19 | 580 | 7 | 32 | 476 | 3,475 | Use of Money and Property |
| — | 4 | — | — | 1,284 | 2,361 | Miscellaneous |
| 19 | 5,684 | 7 | 32 | 1,760 | 73,602 | Total Revenues |
| | | | | | | Expenditures |
| | | | | | | Current: |
| 260 | — | 8 | 9 | — | 1,005 | General Government |
| — | — | — | — | — | 9,674 | Public Protection |
| — | 6,095 | — | — | — | 36,819 | Public Ways and Facilities |
| — | — | — | — | — | 2,301 | Culture and Recreation |
| 1,681 | — | — | — | — | 2,497 | Community Development |
| — | 9 | — | — | 3,678 | 13,448 | Capital Outlay |
| — | — | 8,518 | 8,425 | — | 16,943 | Debt Service: |
| — | — | 8,203 | 5,944 | — | 14,147 | Principal |
| 1,941 | 6,104 | 16,729 | 14,378 | 3,678 | 96,834 | Interest |
| (1,922) | (420) | (16,722) | (14,346) | (1,918) | (23,232) | Total Expenditures |
| | | | | | | Excess (Deficiency) of Revenues Over (Under) Expenditures |
| | | | | | | Other Financing Sources (Uses) |
| 1,044 | — | 16,724 | 14,369 | 185 | 34,091 | Transfers In |
| — | (306) | — | — | (48) | (4,910) | Transfers Out |
| 1,044 | (306) | 16,724 | 14,369 | 137 | 29,181 | Total Other Financing Sources (Uses) |
| (878) | (726) | 2 | 23 | (1,781) | 5,949 | Net Change in Fund Balances |
| 33,539 | 13,946 | 7 | 1,842 | 11,379 | 112,854 | Fund Balances - Beginning |
| \$ 32,661 | \$ 13,220 | \$ 9 | \$ 1,865 | \$ 9,598 | \$ 118,803 | Fund Balances (Deficit) - Ending |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual

(Non-GAAP Budgetary Basis) - High Speed Rail - Special Revenue Fund

Fiscal Year Ended June 30, 2019

(in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|--------------------|--------------------|---|---------------------------------|-------------------------------------|------------------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ (4,957) | \$ (4,957) | \$ (212) | \$ 4,745 | \$ 212 | \$ — |
| Resources (inflows): | | | | | | |
| Intergovernmental | 717 | 717 | 307 | (410) | 3,568 | 3,875 |
| Charges for Services | — | — | 200 | 200 | — | 200 |
| Use of Money and Property | (11) | (11) | (28) | (17) | 28 | — |
| Other Financing Sources: Transfers from Other Funds | 12 | 12 | 114 | 102 | — | 114 |
| Total Available for Appropriations | <u>(4,239)</u> | <u>(4,239)</u> | <u>381</u> | <u>4,620</u> | <u>3,808</u> | <u>4,189</u> |
| Charges to Appropriations (outflows): | | | | | | |
| Public Ways and Facilities | 3,323 | 3,323 | 857 | (2,466) | 25 | 882 |
| Community Development | 1,639 | 1,639 | 140 | (1,499) | (2) | 138 |
| Capital Outlay | 22,162 | 22,162 | 3,668 | (18,494) | 255 | 3,923 |
| Other Financing Uses: Transfers to Other Funds | — | — | 24 | 24 | 2 | 26 |
| Total Charges to Appropriations | <u>27,124</u> | <u>27,124</u> | <u>4,689</u> | <u>(22,435)</u> | <u>280</u> | <u>4,969</u> |
| Excess (Deficit) Resources Over (Under) Appropriations | <u>\$ (31,363)</u> | <u>\$ (31,363)</u> | <u>\$ (4,308)</u> | <u>\$ 27,055</u> | <u>\$ 3,528</u> | <u>\$ (780)</u> |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - Special Gas Tax - Special Revenue Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|------------------|-----------------|---|---------------------------------|-------------------------------------|------------------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ 3,587 | \$ 4,190 | \$ 3,326 | \$ (864) | \$ (3,326) | \$ — |
| Resources (inflows): | | | | | | |
| Taxes | 19,657 | 19,657 | 19,236 | (421) | 447 | 19,683 |
| Use of Money and Property | 59 | 59 | 129 | 70 | 176 | 305 |
| Miscellaneous | 120 | 120 | 434 | 314 | (34) | 400 |
| Other Financing Sources: | | | | | | |
| Transfers From Other Funds | — | — | 48 | 48 | (32) | 16 |
| Total Available for Appropriations | <u>23,423</u> | <u>24,026</u> | <u>23,173</u> | <u>(853)</u> | <u>(2,769)</u> | <u>20,404</u> |
| Charges to Appropriations (outflows): | | | | | | |
| Public Ways and Facilities | 17,984 | 18,496 | 14,190 | (4,306) | (63) | 14,127 |
| Capital Outlay | 3,233 | 3,969 | 1,294 | (2,675) | 62 | 1,356 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | 550 | 550 | 939 | 389 | 90 | 1,029 |
| Total Charges to Appropriations | <u>21,767</u> | <u>23,015</u> | <u>16,423</u> | <u>(6,592)</u> | <u>89</u> | <u>16,512</u> |
| Excess (Deficit) Resources Over (Under) Appropriations | <u>\$ 1,656</u> | <u>\$ 1,011</u> | <u>\$ 6,750</u> | <u>\$ 5,739</u> | <u>\$ (2,858)</u> | <u>\$ 3,892</u> |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - Measure C - Special Revenue Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|-------------------|-------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ 6,308 | \$ 6,482 | \$ 7,905 | \$ 1,423 | \$ (7,905) | \$ — |
| Resources (inflows): | | | | | | |
| Taxes | 13,132 | 13,457 | 15,329 | 1,872 | (3,300) | 12,029 |
| Use of Money and Property | 84 | 84 | 287 | 203 | — | 287 |
| Miscellaneous | 365 | 365 | 367 | 2 | (200) | 167 |
| Other Financing Sources: Transfers from Other Funds | 15 | 1,615 | 16 | (1,599) | (3) | 13 |
| Total Available For Appropriations | <u>19,904</u> | <u>22,003</u> | <u>23,904</u> | <u>1,901</u> | <u>(11,408)</u> | <u>12,496</u> |
| Charges to Appropriations (outflows): | | | | | | |
| Public Ways and Facilities | 10,610 | 13,557 | 9,922 | (3,635) | (389) | 9,533 |
| Capital Outlay | 8,579 | 8,102 | 1,223 | (6,879) | 402 | 1,625 |
| Other Financing Uses: Transfers to Other Funds | 2,078 | 2,078 | 236 | (1,842) | 399 | 635 |
| Total Charges to Appropriations | <u>21,267</u> | <u>23,737</u> | <u>11,381</u> | <u>(12,356)</u> | <u>412</u> | <u>11,793</u> |
| Excess (Deficit) Resources Over (Under) Appropriations | <u>\$ (1,363)</u> | <u>\$ (1,734)</u> | <u>\$ 12,523</u> | <u>\$ 14,257</u> | <u>\$ (11,820)</u> | <u>\$ 703</u> |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - Community Services - Special Revenue Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget to GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|------------------|----------------|---|---------------------------------|-------------------------------------|------------------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ 8,349 | \$ 8,713 | \$ 9,982 | \$ 1,269 | \$ (9,982) | \$ — |
| Resources (inflows): | | | | | | |
| Taxes | 2,680 | 2,680 | 1,258 | (1,422) | 1 | 1,259 |
| Intergovernmental | 5,260 | 5,907 | 4,388 | (1,519) | (92) | 4,296 |
| Charges for Services | 9,600 | 10,077 | 9,298 | (779) | (4) | 9,294 |
| Use of Money and Property | 398 | 398 | 535 | 137 | 225 | 760 |
| Miscellaneous | 333 | 333 | 354 | 21 | — | 354 |
| Other Financing Sources: Transfers from Other Funds | 142 | 142 | 1,546 | 1,404 | — | 1,546 |
| Total Available For Appropriations | 26,762 | 28,250 | 27,361 | (889) | (9,852) | 17,509 |
| Charges to Appropriations (outflows): | | | | | | |
| General Government | 1,000 | 1,000 | 728 | (272) | — | 728 |
| Public Protection | 10,291 | 10,697 | 9,679 | (1,018) | (178) | 9,501 |
| Public Ways and Facilities | 5,009 | 4,763 | 2,094 | (2,669) | 8 | 2,102 |
| Culture and Recreation | 2,950 | 2,983 | 2,198 | (785) | (68) | 2,130 |
| Community Development | 1,849 | 1,849 | 388 | (1,461) | — | 388 |
| Capital Outlay | 4,764 | 6,266 | 937 | (5,329) | 491 | 1,428 |
| Other Financing Uses: Transfers to Other Funds | 730 | 730 | 522 | (208) | 53 | 575 |
| Total Charges to Appropriations | 26,593 | 28,288 | 16,546 | (11,742) | 306 | 16,852 |
| Excess (Deficit) Resources Over (Under) Appropriations | \$ 169 | \$ (38) | \$ 10,815 | \$ 10,853 | \$ (10,158) | \$ 657 |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - UGM Impact Fees - Special Revenue Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|------------------|------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ 21,968 | \$ 22,558 | \$ 21,941 | \$ (617) | \$ (21,941) | \$ — |
| Resources (inflows): | | | | | | |
| Intergovernmental | — | — | — | — | — | — |
| Charges for Services | 13,048 | 13,234 | 11,810 | (1,424) | 3 | 11,813 |
| Use of Money and Property | 221 | 221 | 471 | 250 | 538 | 1,009 |
| Miscellaneous | — | — | 76 | 76 | — | 76 |
| Other Financing Sources: Transfers from Other Funds | — | — | 80 | 80 | — | 80 |
| Total Available for Appropriations | 35,237 | 36,013 | 34,378 | (1,635) | (21,400) | 12,978 |
| Charges to Appropriations (outflows): | | | | | | |
| Public Protection | 189 | 189 | 173 | (16) | — | 173 |
| Culture and Recreation | 750 | 1,137 | 1,183 | 46 | (1,012) | 171 |
| Public Ways and Facilities | 4,330 | 5,141 | 4,096 | (1,045) | (16) | 4,080 |
| Capital Outlay | 10,219 | 10,741 | 1,292 | (9,449) | 137 | 1,429 |
| Other Financing Uses: Transfers to Other Funds | 2,410 | 3,626 | 2,291 | (1,335) | — | 2,291 |
| Total Charges to Appropriations | 17,898 | 20,834 | 9,035 | (11,799) | (891) | 8,144 |
| Excess (Deficit) Resources Over (Under) Appropriations | \$ 17,339 | \$ 15,179 | \$ 25,343 | \$ 10,164 | \$ (20,509) | \$ 4,834 |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - Low and Moderate Income Housing - Special Revenue Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|---------------------|---|---------------------------------|-------------------------------------|------------------------------------|
| | Original | | | | |
| Budgetary Fund Balance, July 1 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Resources (inflows): | | | | | |
| Use of Money and Property | 19 | 19 | — | — | 19 |
| Other Financing Sources: Transfers from Other Funds | 1,044 | 1,044 | — | — | 1,044 |
| Total Available for Appropriations | <u>1,063</u> | <u>1,063</u> | <u>—</u> | <u>—</u> | <u>1,063</u> |
| Charges to Appropriations (outflows): | | | | | |
| General Government | 260 | 260 | — | — | 260 |
| Community Development | 1,681 | 1,681 | — | — | 1,681 |
| Total Charges to Appropriations | <u>1,941</u> | <u>1,941</u> | <u>—</u> | <u>—</u> | <u>1,941</u> |
| Excess (Deficit) Resources Over (Under) Appropriations | <u>\$ (878)</u> | <u>\$ (878)</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ (878)</u> |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - Special Assessments - Special Revenue Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|------------------|-----------------|--------------------------------|---------------------------|-------------------------------|---------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ 13,643 | \$ 13,643 | \$ 14,087 | \$ 444 | \$ (14,087) | \$ — |
| Resources (inflows): | | | | | | |
| Charges for Services | 4,705 | 4,705 | 5,101 | 396 | — | 5,101 |
| Use of Money and Property | 121 | 121 | 267 | 146 | 313 | 580 |
| Miscellaneous | — | — | 4 | 4 | — | 4 |
| Other Financing Sources: Transfers from Other Funds | 349 | 349 | 243 | (106) | (243) | — |
| Total Available for Appropriations | 18,818 | 18,818 | 19,702 | 884 | (14,017) | 5,685 |
| Charges to Appropriations (outflows): | | | | | | |
| Public Ways and Facilities | 7,472 | 7,550 | 6,277 | (1,273) | (182) | 6,095 |
| Capital Outlay | 2,979 | 2,950 | 61 | (2,889) | (52) | 9 |
| Other Financing Uses: Transfers to Other Funds | 484 | 484 | 496 | 12 | (190) | 306 |
| Total Charges to Appropriations | 10,935 | 10,984 | 6,834 | (4,150) | (424) | 6,410 |
| Excess (Deficit) Resources Over (Under) Appropriations | \$ 7,883 | \$ 7,834 | \$ 12,868 | \$ 5,034 | \$ (13,593) | \$ (725) |

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
 (Non-GAAP Budgetary Basis) - City Combined - Capital Projects Fund
 Fiscal Year Ended June 30, 2019
 (in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Over (Under) Final Budget | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|------------------|-----------------|---|---------------------------------|-------------------------------------|------------------------------------|
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1 | \$ 11,192 | \$ 11,267 | \$ 9,993 | \$ (1,274) | \$ (9,993) | \$ — |
| Resources (inflows): | | | | | | |
| Use of Money and Property | 41 | 41 | 224 | 183 | 252 | 476 |
| Miscellaneous | 11,088 | 11,228 | 2,046 | (9,182) | (762) | 1,284 |
| Other Financing Sources: | | | | | | |
| Transfers Budgeted as Bond Proceeds | 1,645 | 2,845 | 988 | (1,857) | (803) | 185 |
| Total Available for Appropriations | <u>23,966</u> | <u>25,381</u> | <u>13,251</u> | <u>(12,130)</u> | <u>(11,306)</u> | <u>1,945</u> |
| Charges to Appropriations (outflows): | | | | | | |
| Capital Outlay | 24,238 | 24,053 | 3,108 | (20,945) | 570 | 3,678 |
| Other Financing Uses: Transfers to Other Funds | — | 1,600 | 825 | (775) | (777) | 48 |
| Total Charges to Appropriations | <u>24,238</u> | <u>25,653</u> | <u>3,933</u> | <u>(21,720)</u> | <u>(207)</u> | <u>3,726</u> |
| Excess (Deficit) Resources Over (Under) Appropriations | <u>\$ (272)</u> | <u>\$ (272)</u> | <u>\$ 9,318</u> | <u>\$ 9,590</u> | <u>\$ (11,099)</u> | <u>\$ (1,781)</u> |

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NONMAJOR ENTERPRISE FUNDS

CITY OF FRESNO, CALIFORNIA

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2019

(in thousands)

| | Business-Type Activities - Enterprise Funds | | |
|---|---|----------------------|---------------------------------|
| | Community Sanitation | Parks and Recreation | Total Nonmajor Enterprise Funds |
| Assets | | | |
| Current Assets: | | | |
| Cash and Investments | \$ 1,374 | \$ — | \$ 1,374 |
| Interest Receivable | 22 | 4 | 26 |
| Accounts Receivable, Net | 1,339 | — | 1,339 |
| Prepays | 1 | — | 1 |
| Total Current Assets | 2,736 | 4 | 2,740 |
| Noncurrent Assets: | | | |
| Restricted: | | | |
| Cash and Investments | — | 440 | 440 |
| Total Restricted Assets | — | 440 | 440 |
| Other Assets: | | | |
| Other Assets | — | 17 | 17 |
| Net Pension Asset | 3,423 | — | 3,423 |
| Total Other Assets | 3,423 | 17 | 3,440 |
| Capital Assets: | | | |
| Land | — | 12 | 12 |
| Buildings, Systems and Improvements | — | 4,515 | 4,515 |
| Machinery and Equipment | 67 | — | 67 |
| Construction in Progress | 19 | 103 | 122 |
| Less Accumulated Depreciation | (48) | (2,534) | (2,582) |
| Total Capital Assets, Net | 38 | 2,096 | 2,134 |
| Total Noncurrent Assets | 3,461 | 2,553 | 6,014 |
| Total Assets | 6,197 | 2,557 | 8,754 |
| Deferred Outflows of Resources | | | |
| Charge on Refunding | — | 67 | 67 |
| Deferred Outflows - Pensions | 434 | — | 434 |
| Deferred Outflows - OPEB | 170 | — | 170 |
| Total Deferred Outflows of Resources | 604 | 67 | 671 |
| Liabilities | | | |
| Current Liabilities: | | | |
| Accrued Liabilities | 187 | 68 | 255 |
| Accrued Compensated Absences and HRA | 53 | — | 53 |
| Due to Other Funds | 171 | — | 171 |
| Bonds Payable | — | 55 | 55 |
| Total Current Liabilities | 411 | 123 | 534 |
| Noncurrent Liabilities: | | | |
| Accrued Compensated Absences and HRA | 384 | — | 384 |
| Bonds Payable | — | 1,709 | 1,709 |
| Net OPEB Liability | 1,340 | — | 1,340 |
| Total Noncurrent Liabilities | 1,724 | 1,709 | 3,433 |
| Total Liabilities | 2,135 | 1,832 | 3,967 |
| Deferred Inflows of Resources | | | |
| Unamortized Pension Expense | 728 | — | 728 |
| Unamortized OPEB Expense | 209 | — | 209 |
| Total Deferred Inflows of Resources | 937 | — | 937 |
| Net Position | | | |
| Net Investment in Capital Assets | 39 | 399 | 438 |
| Unrestricted | 3,690 | 393 | 4,083 |
| Total Net Position | \$ 3,729 | \$ 792 | \$ 4,521 |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2019

(in thousands)

| | Business-Type Activities - Enterprise Funds | | |
|--|---|----------------------|---------------------------------|
| | Community Sanitation | Parks and Recreation | Total Nonmajor Enterprise Funds |
| Operating Revenues: | | | |
| Charges for Services | \$ 9,841 | \$ 410 | \$ 10,251 |
| Operating Expenses: | | | |
| Cost of Services | 5,502 | 186 | 5,688 |
| Administration | 4,797 | 70 | 4,867 |
| Depreciation | 8 | 178 | 186 |
| Total Operating Expenses | 10,307 | 434 | 10,741 |
| Operating Income | (466) | (24) | (490) |
| Non-Operating Revenue (Expenses): | | | |
| Interest Income | 127 | 11 | 138 |
| Interest Expense | — | (67) | (67) |
| Total Non-operating Revenue (Expenses) | 127 | (56) | 71 |
| Income Before Transfers | (339) | (80) | (419) |
| Transfers Out | (1,517) | (1) | (1,518) |
| Change in Net Position | (1,856) | (81) | (1,937) |
| Total Net Position - Beginning | 5,585 | 873 | 6,458 |
| Total Net Position - Beginning | 5,585 | 873 | 6,458 |
| Total Net Position - Ending | \$ 3,729 | \$ 792 | \$ 4,521 |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2019

(in thousands)

| | Business-Type Activities - Nonmajor Enterprise Funds | | |
|---|--|----------------------|---------------------------------|
| | Community Sanitation | Parks and Recreation | Total Nonmajor Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Customers | \$ 9,301 | \$ 410 | \$ 9,711 |
| Cash Payments to Suppliers for Services | (2,805) | (157) | (2,962) |
| Cash Paid for Interfund Services Used | (3,164) | (5) | (3,169) |
| Cash Payments to Employees for Services | (4,599) | (54) | (4,653) |
| Net Cash (Used for) Operating Activities | (1,267) | 194 | (1,073) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Interest Payments on Capital Debt | — | (86) | (86) |
| Payment for Cost of Issuance | — | 6 | 6 |
| Principal Payments on Capital Debt-Bonds | — | (50) | (50) |
| Acquisition and Construction of Capital Assets | — | (46) | (46) |
| Net Cash (Used for) Capital and Related Financing Activities | — | (176) | (176) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Transfers Out | (1,517) | (1) | (1,518) |
| Net Cash (Used for) Non-Capital Financing Activities | (1,517) | (1) | (1,518) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and Dividends on Investments | 144 | 12 | 156 |
| Net Cash Provided by Investing Activities | 144 | 12 | 156 |
| Net Decrease in Cash and Cash Equivalents | (2,640) | 29 | (2,611) |
| Cash and Cash Equivalents, Beginning of Year | 4,014 | 411 | 4,425 |
| Cash and Cash Equivalents, End of Year | \$ 1,374 | \$ 440 | \$ 1,814 |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2019 (Continued)

| | Business-Type Activities - Nonmajor Enterprise Funds | | |
|--|--|----------------------|---------------------------------|
| | Community Sanitation | Parks and Recreation | Total Nonmajor Enterprise Funds |
| Reconciliation of Operating Income to Net Cash Used for Operating Activities: | | | |
| Operating income (loss) | \$ (466) | \$ (24) | \$ (490) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation expense | 8 | 178 | 186 |
| Change in assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | (49) | — | (49) |
| Decrease (increase) in net pension asset and deferred outflows pensions | (778) | — | (778) |
| Decrease (increase) in prepaid insurance | — | 1 | 1 |
| (Decrease) increase in accounts payable | (102) | 37 | (65) |
| (Decrease) increase in salaries payable | (84) | 2 | (82) |
| (Decrease) increase in due to other funds | (7) | — | (7) |
| (Decrease) increase in Net OPEB liability | 246 | — | 246 |
| (Decrease) increase in deferred inflows of resources pensions | (35) | — | (35) |
| Net Cash (Used for) Operating Activities | \$ (1,267) | \$ 194 | \$ (1,073) |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position: | | | |
| Cash and Investments: | | | |
| Unrestricted | \$ 1,374 | \$ — | \$ 1,374 |
| Restricted | — | 440 | 440 |
| Cash and Cash Equivalents at End of Year on Statement of Cash Flows | \$ 1,374 | \$ 440 | \$ 1,814 |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Acquisition/construction of capital assets on accounts payable | \$ 19 | \$ 7 | \$ 26 |
| Amortization of bond premium, discount and loss on refunding | — | (18) | (18) |
| Decrease in fair value of investments | (70) | — | (70) |



INTERNAL SERVICE FUNDS

CITY OF FRESNO, CALIFORNIA

Combining Statement of Net Position

Internal Service Funds

June 30, 2019

(in thousands)

| | Billing and Collection | General Services | Risk Management | Employees Healthcare Plan | Retirees Healthcare Plan | Totals |
|---|------------------------|------------------|---------------------|---------------------------|--------------------------|--------------------|
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash and Investments | \$ 5,135 | \$ 45,856 | \$ 5,223 | \$ 25,012 | \$ — | \$ 81,226 |
| Interest Receivable | 142 | 258 | 70 | 227 | — | 697 |
| Accounts Receivable, Net | 622 | — | 144 | — | — | 766 |
| Inventories | — | 1,244 | — | — | — | 1,244 |
| Prepays | 5 | 46 | — | — | — | 51 |
| Due from Other Funds | — | 1,784 | — | — | — | 1,784 |
| Total Current Assets | 5,904 | 49,188 | 5,437 | 25,239 | — | 85,768 |
| Noncurrent Assets: | | | | | | |
| Restricted: | | | | | | |
| Cash and Investments | 5,062 | — | 758 | — | — | 5,820 |
| Total Restricted Assets | 5,062 | — | 758 | — | — | 5,820 |
| Other Assets: | | | | | | |
| Net Pension Asset | 4,617 | 11,995 | — | — | — | 16,612 |
| Total Other Assets | 4,617 | 11,995 | — | — | — | 16,612 |
| Capital Assets: | | | | | | |
| Buildings, Systems & Improvements | 50 | 10,781 | — | — | — | 10,831 |
| Machinery & Equipment | 121 | 128,943 | — | — | — | 129,064 |
| Construction in Progress | — | 9,579 | — | — | — | 9,579 |
| Less Accumulated Depreciation | (171) | (88,359) | — | — | — | (88,530) |
| Total Capital Assets, Net | — | 60,944 | — | — | — | 60,944 |
| Total Noncurrent Assets | 9,679 | 72,939 | 758 | — | — | 83,376 |
| Total Assets | 15,583 | 122,127 | 6,195 | 25,239 | — | 169,144 |
| Deferred Outflows of Resources | | | | | | |
| Pension Contributions | 468 | 1,040 | — | — | — | 1,508 |
| Deferred Outflows - Pension | 174 | 378 | — | — | — | 552 |
| Deferred Outflows - OPEB | 359 | 592 | 36 | — | — | 987 |
| Total Deferred Outflows of Resources | 1,001 | 2,010 | 36 | — | — | 3,047 |
| Liabilities | | | | | | |
| Current Liabilities: | | | | | | |
| Accrued Liabilities | 1,929 | 5,289 | 978 | 292 | — | 8,488 |
| Accrued Compensated Absences & HRA | 157 | 275 | 13 | — | — | 445 |
| Liability for Self-Insurance | — | — | 34,709 | 4,300 | — | 39,009 |
| Unearned Revenue | 723 | 365 | — | — | — | 1,088 |
| Due to Other Funds | 10 | 6,157 | — | — | — | 6,167 |
| Capital Lease Obligations | — | 5,784 | — | — | — | 5,784 |
| Total Current Liabilities | 2,819 | 17,870 | 35,700 | 4,592 | — | 60,981 |
| Noncurrent Liabilities: | | | | | | |
| Accrued Compensated Absences & HRA | 1,519 | 3,154 | 148 | — | — | 4,821 |
| Capital Lease Obligations | — | 19,698 | — | — | — | 19,698 |
| Liability for Self-Insurance | — | — | 93,681 | — | — | 93,681 |
| Net OPEB Liability | 2,836 | 4,674 | 281 | — | — | 7,791 |
| Deposits Held for Others | 5,109 | — | — | — | — | 5,109 |
| Total Noncurrent Liabilities | 9,464 | 27,526 | 94,110 | — | — | 131,100 |
| Total Liabilities | 12,283 | 45,396 | 129,810 | 4,592 | — | 192,081 |
| Deferred Inflows of Resources | | | | | | |
| Unamortized Pension Expense | 814 | 1,981 | — | — | — | 2,795 |
| Unamortized OPEB Expense | 443 | 730 | 44 | — | — | 1,217 |
| Total Deferred Inflows of Resources | 1,257 | 2,711 | 44 | — | — | 4,012 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | — | 35,461 | — | — | — | 35,461 |
| Unrestricted (Deficit) | 3,044 | 40,569 | (123,623) | 20,647 | — | (59,363) |
| Total Net Position (Deficit) | \$ 3,044 | \$ 76,030 | \$ (123,623) | \$ 20,647 | \$ — | \$ (23,902) |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2019

(in thousands)

| | Billing and Collection | General Services | Risk Management | Employees Healthcare Plan | Retirees Healthcare Plan | Totals |
|--|------------------------|------------------|-----------------|---------------------------|--------------------------|-------------|
| Operating Revenues: | | | | | | |
| Charges for Services | \$ 10,532 | \$ 59,878 | \$ 30,012 | \$ 45,967 | \$ 7,517 | \$ 153,906 |
| Operating Expenses: | | | | | | |
| Cost of Services | 6,060 | 30,003 | 30,123 | 42,856 | 7,018 | 116,060 |
| Administration | 3,610 | 10,328 | 5,401 | 3,266 | 499 | 23,104 |
| Depreciation | — | 6,938 | — | — | — | 6,938 |
| Total Operating Expenses | 9,670 | 47,269 | 35,524 | 46,122 | 7,517 | 146,102 |
| Operating Income (Loss) | 862 | 12,609 | (5,512) | (155) | — | 7,804 |
| Non-operating Revenue (Expenses): | | | | | | |
| Interest Income | 535 | 1,427 | 344 | 525 | — | 2,831 |
| Interest Expense | — | (535) | — | — | — | (535) |
| Gain on Disposal of Capital Assets | 4 | (246) | — | — | — | (242) |
| Total Non-operating Revenue (Expenses) | 539 | 646 | 344 | 525 | — | 2,054 |
| Income (Loss) Before Contributions & Transfers | 1,401 | 13,255 | (5,168) | 370 | — | 9,858 |
| Capital Contributions | — | 677 | — | — | — | 677 |
| Transfers In | — | 1,156 | — | — | — | 1,156 |
| Transfers Out | (569) | (1,503) | (49) | — | — | (2,121) |
| Change in Net Position | 832 | 13,585 | (5,217) | 370 | — | 9,570 |
| Total Net Position (Deficit) - Beginning | 2,212 | 62,445 | (118,406) | 20,277 | — | (33,472) |
| Total Net Position (Deficit) - Ending | \$ 3,044 | \$ 76,030 | \$ (123,623) | \$ 20,647 | \$ — | \$ (23,902) |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2019
(in thousands)

| | Billing and Collection | General Services | Risk Management | Employees Healthcare Plan | Retirees Healthcare Plan | Total |
|---|---------------------------|---------------------|--------------------|---------------------------------|--------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Cash Received from Customers | \$ 2,173 | \$ 20,304 | \$ — | \$ 10,096 | \$ 5,456 | \$ 38,029 |
| Cash Received from Interfund Services Provided | 7,743 | 38,504 | 51,540 | 35,871 | 2,061 | 135,719 |
| Cash Payments to Suppliers for Services | (443) | (18,840) | (4,929) | (3,925) | (499) | (28,636) |
| Cash Paid for Interfund Services Used | (2,183) | (3,550) | (516) | — | — | (6,249) |
| Cash Payments to Employees for Services | (5,719) | (12,908) | (4,129) | — | — | (22,756) |
| Cash Payments for Claims and Refunds | | | (46,551) | (42,856) | (7,018) | (96,425) |
| Net Cash Provided by (Used for) Operating Activities | 1,571 | 23,510 | (4,585) | (814) | — | 19,682 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Capital Contributions | — | 10,170 | — | — | — | 10,170 |
| Interest Payments on Capital Debt | — | (495) | — | — | — | (495) |
| Principal Payment on Capital Lease Obligations | — | (3,911) | — | — | — | (3,911) |
| Proceeds from Sale of Capital Assets | 4 | 272 | — | — | — | 276 |
| Acquisition and Construction of Capital Assets | — | (21,364) | — | — | — | (21,364) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | 4 | (15,328) | — | — | — | (15,324) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | | |
| Borrowing (Payment to) Other Funds | — | 2,330 | — | — | — | 2,330 |
| Transfers In | — | 1,156 | — | — | — | 1,156 |
| Transfers Out | (570) | (1,502) | (49) | — | — | (2,121) |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | (570) | 1,984 | (49) | — | — | 1,365 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Interest and Dividends on Investments | 510 | 1,365 | 364 | 497 | — | 2,736 |
| Net Cash Provided by Investing Activities | 510 | 1,365 | 364 | 497 | — | 2,736 |
| Net Increase in Cash and Cash Equivalents | 1,515 | 11,531 | (4,270) | (317) | — | 8,459 |
| Cash and Cash Equivalents, Beginning of Year | 8,682 | 34,325 | 10,251 | 25,329 | — | 78,587 |
| Cash and Cash Equivalents, End of Year | \$ 10,197 | \$ 45,856 | \$ 5,981 | \$ 25,012 | \$ — | \$ 87,046 |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2019 (Continued)

| | Billing and Collection | General Services | Risk Management | Employees Healthcare Plan | Retirees Healthcare Plan | Total |
|--|---------------------------|---------------------|--------------------|---------------------------------|--------------------------------|------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | | |
| Operating income (loss) | \$ 862 | \$ 12,609 | \$ (5,512) | \$ (155) | \$ — | \$ 7,804 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation expense | — | 6,938 | — | — | — | 6,938 |
| Change in assets and liabilities: | | | | | | |
| Decrease (increase) in accounts receivable | 22 | — | (11) | — | — | 11 |
| Decrease (increase) in due from other funds | — | 336 | — | — | — | 336 |
| Decrease (increase) in material and supplies inventory | — | (137) | — | — | — | (137) |
| Decrease (increase) in prepaid items | 7 | 1 | 17 | — | — | 25 |
| Decrease (increase) in net pension asset and deferred outflows pensions | (1,143) | (2,350) | (30) | — | — | (3,523) |
| (Decrease) increase in accounts payable | 1,135 | 4,866 | (56) | (59) | — | 5,886 |
| (Decrease) increase in salaries payable | 170 | 596 | 36 | — | — | 802 |
| (Decrease) increase in due to other funds | 1 | — | — | — | — | 1 |
| (Decrease) increase in unearned revenue | 3 | 36 | — | — | — | 39 |
| (Decrease) increase in liability for self-insurance | — | — | 926 | (600) | — | 326 |
| (Decrease) increase in deposits | (15) | — | — | — | — | (15) |
| (Decrease) increase in Net OPEB liability | 521 | 858 | 51 | — | — | 1,430 |
| (Decrease) increase in deferred inflows of resources pensions | 8 | (243) | (6) | — | — | (241) |
| Net Cash Provided by (Used for) Operating Activities | \$ 1,571 | \$ 23,510 | \$ (4,585) | \$ (814) | \$ — | \$ 19,682 |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position: | | | | | | |
| Cash and Investments: | | | | | | |
| Unrestricted | \$ 5,135 | \$ 45,856 | \$ 5,223 | \$ 25,012 | \$ — | \$ 81,226 |
| Restricted - Current and Noncurrent | 5,062 | — | 758 | — | — | 5,820 |
| Cash and Cash Equivalents at End of Year on Statement of Cash Flows | \$ 10,197 | \$ 45,856 | \$ 5,981 | \$ 25,012 | \$ — | \$ 87,046 |
| Noncash Investing, Capital, and Financing Activities: | | | | | | |
| Acquisition and construction of capital assets on accounts payable | \$ — | \$ 694 | \$ — | \$ — | \$ — | \$ 694 |
| Borrowing under capital lease | — | 5,270 | — | — | — | 5,270 |
| Decrease (increase) in fair value of investments | (205) | (279) | (196) | — | — | (680) |



FIDUCIARY FUNDS

CITY OF FRESNO, CALIFORNIA

Combining Statement of Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

June 30, 2019

(in thousands)

| | Pension Trust Funds | | |
|---|-----------------------------------|-----------------------------|--------------|
| | Fire and Police Retirement System | Employees Retirement System | Total |
| Assets | | | |
| Cash and Investments | \$ 3,740 | \$ 3,106 | \$ 6,846 |
| Receivables: | | | |
| Receivables for Investments Sold | 36,794 | 30,715 | 67,509 |
| Interest and Dividends Receivable | 4,107 | 3,437 | 7,544 |
| Other Receivables | 3,732 | 3,123 | 6,855 |
| Total Receivables | 44,633 | 37,275 | 81,908 |
| Investments, at Fair Value: | | | |
| Short-Term Investments | 24,168 | 20,223 | 44,391 |
| Domestic Equity | 465,967 | 389,901 | 855,868 |
| Corporate Bonds | 205,702 | 172,124 | 377,826 |
| International Developed Market Equities | 297,495 | 248,932 | 546,427 |
| International Emerging Market Equities | 56,346 | 47,149 | 103,495 |
| Government Bonds | 137,032 | 114,663 | 251,695 |
| Direct Lending | 168,773 | 141,222 | 309,995 |
| Real Estate | 258,569 | 216,908 | 475,477 |
| Total Investments | 1,614,052 | 1,351,122 | 2,965,174 |
| Collateral Held for Securities Lent | 98,295 | 82,249 | 180,544 |
| Capital Assets, Net of Accumulated Depreciation | 829 | 828 | 1,657 |
| Prepaid Expense | 122 | 123 | 245 |
| Total Assets | 1,761,671 | 1,474,703 | 3,236,374 |
| Liabilities | | | |
| Accrued Liabilities | 13,678 | 11,445 | 25,123 |
| Collateral Held for Securities Lent | 98,295 | 82,249 | 180,544 |
| Other Liabilities | 1,899 | 1,593 | 3,492 |
| Total Liabilities | 113,872 | 95,287 | 209,159 |
| Net Position | | | |
| Net Position Restricted for Pension Benefits | \$ 1,647,799 | \$ 1,379,416 | \$ 3,027,215 |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

Fiscal Year Ended June 30, 2019

(in thousands)

| | Pension Trust Funds | | |
|--|-----------------------------------|-----------------------------|---------------------|
| | Fire and Police Retirement System | Employees Retirement System | Total |
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 20,605 | \$ 14,627 | \$ 35,232 |
| System Members | 9,597 | 10,516 | 20,113 |
| Total Contributions | <u>30,202</u> | <u>25,143</u> | <u>55,345</u> |
| Investment Income: | | | |
| Net (Depreciation) in Value of Investments | 66,985 | 56,085 | 123,070 |
| Interest | 14,865 | 12,464 | 27,329 |
| Dividends | 14,216 | 11,921 | 26,137 |
| Other Investment Related | 61 | 62 | 123 |
| Total Investment Income | <u>96,127</u> | <u>80,532</u> | <u>176,659</u> |
| Less Investment Expense | (13,696) | (11,510) | (25,206) |
| Total Net Investment Income | <u>82,431</u> | <u>69,022</u> | <u>151,453</u> |
| Securities Lending Income: | | | |
| Securities Lending Earnings | 2,757 | 2,307 | 5,064 |
| Less Securities Lending Expense | (2,317) | (1,938) | (4,255) |
| Net Securities Lending Income | <u>440</u> | <u>369</u> | <u>809</u> |
| Total Additions | <u>113,073</u> | <u>94,534</u> | <u>207,607</u> |
| Deductions | | | |
| Benefit Payments | 65,113 | 60,815 | 125,928 |
| Refund of Contributions | 849 | 1,330 | 2,179 |
| Administrative Expenses | 1,897 | 1,664 | 3,561 |
| Total Deductions | <u>67,859</u> | <u>63,809</u> | <u>131,668</u> |
| Change in Net Position | <u>45,214</u> | <u>30,725</u> | <u>75,939</u> |
| Net Position - Beginning | 1,602,585 | 1,348,691 | 2,951,276 |
| Net Position - Ending | <u>\$ 1,647,799</u> | <u>\$ 1,379,416</u> | <u>\$ 3,027,215</u> |

CITY OF FRESNO, CALIFORNIA

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2019

(in thousands)

CITY DEPARTMENTAL FUND

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|----------------------------|-------------------------|-------------------|-------------------|--------------------------|
| Assets | | | | |
| Cash and Investments | \$ 9,298 | \$ 319,147 | \$ 320,458 | \$ 7,987 |
| Interest Receivable | 18 | 147 | 142 | 23 |
| Due From Other Funds | — | 640 | — | 640 |
| Due From Other Governments | 10 | 8 | 10 | 8 |
| Total Assets | <u>\$ 9,326</u> | <u>\$ 319,942</u> | <u>\$ 320,610</u> | <u>\$ 8,658</u> |
| Liabilities | | | | |
| Accrued Liabilities | \$ 2,412 | \$ 326,315 | \$ 327,851 | \$ 876 |
| Due to Other Funds | 1 | — | — | 1 |
| Deposits Held for Others | 6,913 | 9,213 | 8,345 | 7,781 |
| Total Liabilities | <u>\$ 9,326</u> | <u>\$ 335,528</u> | <u>\$ 336,196</u> | <u>\$ 8,658</u> |

SPECIAL ASSESSMENTS DISTRICT FUND

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|-------------------------|-----------------|-----------------|--------------------------|
| Assets | | | | |
| Cash and Investments | \$ 228 | \$ 371 | \$ 599 | \$ — |
| Restricted Cash and Investments Held by Fiscal Agent | 559 | 198 | — | 757 |
| Interest Receivable | 1 | — | 1 | — |
| Due from Other Governments | 784 | 749 | 784 | 749 |
| Total Assets | <u>\$ 1,572</u> | <u>\$ 1,318</u> | <u>\$ 1,384</u> | <u>\$ 1,506</u> |
| Liabilities | | | | |
| Deposits Held for Others | \$ 1,572 | \$ 1,318 | \$ 1,384 | \$ 1,506 |
| Total Liabilities | <u>\$ 1,572</u> | <u>\$ 1,318</u> | <u>\$ 1,384</u> | <u>\$ 1,506</u> |

TOTAL AGENCY FUNDS

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| Assets | | | | |
| Cash and Investments | \$ 9,526 | \$ 319,518 | \$ 321,057 | \$ 7,987 |
| Restricted Cash and Investments Held by Fiscal Agent | 559 | 198 | — | 757 |
| Interest Receivable | 19 | 147 | 143 | 23 |
| Due from Other Funds | — | 640 | — | 640 |
| Due from Other Governments | 794 | 757 | 794 | 757 |
| Total Assets | <u>\$ 10,898</u> | <u>\$ 321,260</u> | <u>\$ 321,200</u> | <u>\$ 10,164</u> |
| Liabilities | | | | |
| Accrued Liabilities | \$ 2,412 | \$ 326,315 | \$ 327,851 | \$ 876 |
| Due To Other Funds | 1 | — | — | 1 |
| Deposits Held for Others | 8,485 | 10,531 | 9,729 | 9,287 |
| Total Liabilities | <u>\$ 10,898</u> | <u>\$ 336,846</u> | <u>\$ 337,580</u> | <u>\$ 10,164</u> |

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STATISTICAL SECTION

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 204-208)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source: The property tax. (Pages 209-212)

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 213-221)

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 222-223)

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 224-228)

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

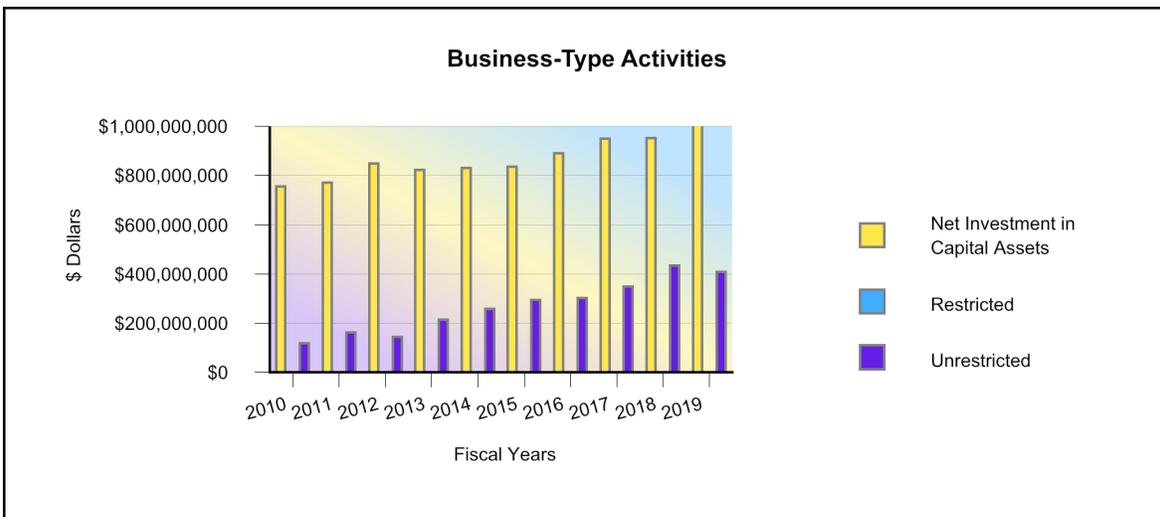
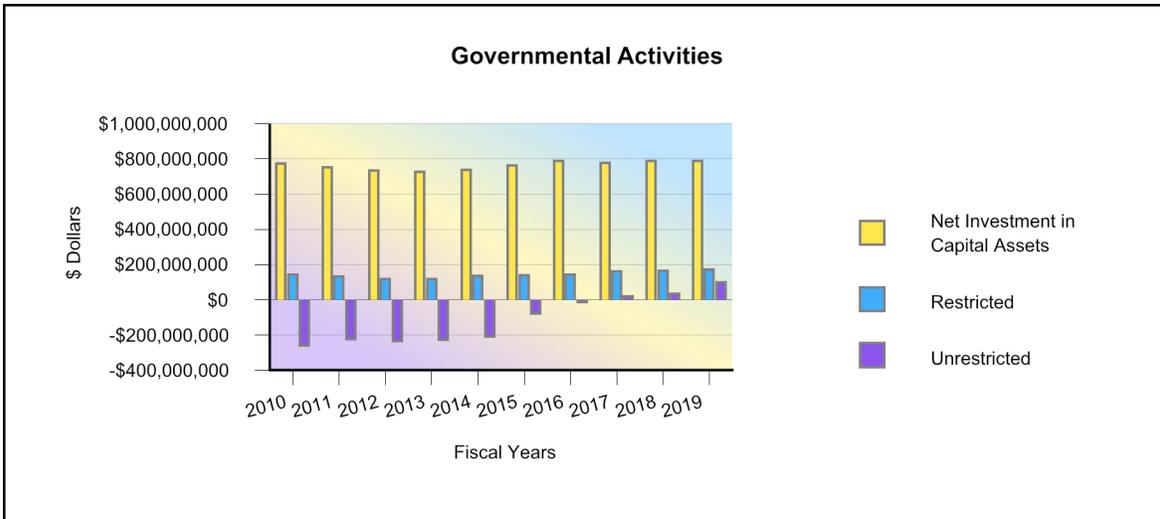
Net Position By Component

Last Ten Fiscal Years

(dollars in thousands)

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 781,253 | \$ 760,927 | \$ 742,533 | \$ 733,961 | \$ 744,074 | \$ 771,198 | \$ 795,884 | \$ 787,522 | \$ 796,242 | \$ 793,963 |
| Restricted | 152,271 | 138,021 | 123,401 | 125,618 | 141,123 | 146,174 | 151,345 | 168,927 | 171,473 | 178,858 |
| Unrestricted (Deficit) | (266,011) | (230,447) | (240,718) | (235,759) | (215,416) | (86,424) | (22,058) | 28,252 | 43,380 | 105,676 |
| Total Governmental Activities | \$ 667,513 | \$ 668,501 | \$ 625,216 | \$ 623,820 | \$ 669,781 | \$ 830,948 | \$ 925,171 | \$ 984,701 | \$ 1,011,095 | \$ 1,078,497 |
| Business-Type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 760,272 | \$ 776,377 | \$ 853,405 | \$ 829,455 | \$ 835,290 | \$ 841,773 | \$ 896,818 | \$ 955,128 | \$ 958,169 | \$ 1,054,185 |
| Restricted | — | — | — | — | — | — | — | — | — | — |
| Unrestricted (Deficit) | 125,129 | 168,025 | 148,776 | 219,983 | 264,090 | 300,296 | 307,315 | 353,436 | 440,872 | 414,184 |
| Total Business-Type Activities | \$ 885,401 | \$ 944,402 | \$ 1,002,181 | \$ 1,049,438 | \$ 1,099,380 | \$ 1,142,069 | \$ 1,204,133 | \$ 1,308,564 | \$ 1,399,041 | \$ 1,468,369 |
| Primary Government | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 1,541,524 | \$ 1,537,304 | \$ 1,595,938 | \$ 1,563,416 | \$ 1,579,364 | \$ 1,612,971 | \$ 1,692,702 | \$ 1,742,650 | \$ 1,754,411 | \$ 1,848,148 |
| Restricted | 152,272 | 138,021 | 123,401 | 125,618 | 141,123 | 146,174 | 151,345 | 168,927 | 171,473 | 178,858 |
| Unrestricted (Deficit) | (140,882) | (62,422) | (91,942) | (15,776) | 48,674 | 213,872 | 285,257 | 381,688 | 484,252 | 519,860 |
| Total Primary Government | \$ 1,552,914 | \$ 1,612,903 | \$ 1,627,397 | \$ 1,673,258 | \$ 1,769,161 | \$ 1,973,017 | \$ 2,129,304 | \$ 2,293,265 | \$ 2,410,136 | \$ 2,546,866 |

Source: City of Fresno, Finance Department



CITY OF FRESNO, CALIFORNIA

Change in Net Position

Last Ten Fiscal Years

(dollars in thousands)

| | Fiscal Year | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 50,381 | \$ 26,642 | \$ 23,820 | \$ 34,308 | \$ 26,997 | \$ 28,590 | \$ 32,206 | \$ 44,157 | \$ 31,319 | \$ 42,785 |
| Public Protection | 211,586 | 192,993 | 208,649 | 190,050 | 192,124 | 177,829 | 187,733 | 196,006 | 206,163 | 214,903 |
| Public Ways and Facilities | 73,653 | 68,471 | 75,281 | 69,771 | 68,914 | 64,430 | 60,875 | 72,984 | 76,289 | 80,369 |
| Culture and Recreation | 22,806 | 21,797 | 16,294 | 16,704 | 17,895 | 20,036 | 20,223 | 23,500 | 19,771 | 23,809 |
| Community Development | 14,823 | 14,981 | 15,986 | 26,280 | 23,757 | 29,257 | 28,789 | 28,913 | 30,412 | 29,188 |
| Redevelopment | 7,084 | 4,821 | 8,308 | — | — | — | — | — | — | — |
| Interest on Long-term Debt | 25,357 | 25,723 | 22,426 | 21,037 | 20,275 | 19,519 | 18,787 | 18,658 | 14,413 | 14,101 |
| Total Governmental Activities | 405,690 | 355,428 | 370,764 | 358,150 | 349,962 | 339,661 | 348,613 | 384,218 | 378,367 | 405,155 |
| Business-Type Activities: | | | | | | | | | | |
| Water System | 58,013 | 64,134 | 67,577 | 60,749 | 63,375 | 62,205 | 64,454 | 63,753 | 73,677 | 94,066 |
| Sewer System | 47,476 | 47,568 | 60,003 | 63,736 | 65,145 | 66,148 | 63,980 | 64,124 | 65,991 | 71,793 |
| Solid Waste Management | 44,845 | 45,424 | 43,286 | 30,257 | 33,345 | 32,976 | 26,649 | 26,605 | 30,353 | 31,702 |
| Transit | 47,627 | 47,250 | 49,670 | 48,398 | 45,287 | 45,435 | 44,191 | 47,958 | 53,937 | 57,864 |
| Airports | 29,648 | 29,020 | 27,154 | 32,413 | 28,498 | 28,164 | 28,509 | 29,938 | 31,192 | 33,262 |
| Fresno Convention Center | 12,489 | 11,637 | 10,919 | 14,928 | 9,982 | 10,147 | 9,750 | 10,798 | 8,856 | 8,701 |
| Community Sanitation | 10,099 | 10,024 | 6,493 | 7,848 | 7,949 | 8,235 | 6,904 | 8,978 | 10,077 | 10,093 |
| Parking | 7,657 | 5,956 | 5,059 | — | — | — | — | — | — | — |
| Parks and Recreation | 1,992 | 782 | 1,036 | 812 | 372 | 340 | 316 | 410 | 283 | 502 |
| Development Services | 10,886 | 11,408 | 9,741 | — | — | — | — | — | — | — |
| Stadium | 3,627 | 3,607 | 3,544 | 3,463 | 3,336 | 3,266 | 3,191 | 3,539 | 2,710 | 2,600 |
| Total Business-Type Activities | 274,359 | 276,810 | 284,482 | 262,604 | 257,289 | 256,916 | 247,944 | 256,103 | 277,076 | 310,583 |
| Total Primary Government Expenses | \$ 680,049 | \$ 632,238 | \$ 655,246 | \$ 620,754 | \$ 607,251 | \$ 596,577 | \$ 596,557 | \$ 640,321 | \$ 655,443 | \$ 715,738 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | \$ 17,286 | \$ 16,454 | \$ 16,545 | \$ 18,634 | \$ 17,038 | \$ 23,194 | \$ 22,580 | \$ 46,742 | \$ 17,171 | \$ 19,075 |
| Public Protection | 19,014 | 18,321 | 19,720 | 20,924 | 18,898 | 31,872 | 44,037 | 22,382 | 32,275 | 40,945 |
| Public Ways and Facilities | 12,515 | 13,440 | 13,470 | 16,669 | 14,898 | 17,426 | 20,468 | 21,911 | 21,009 | 20,461 |
| Culture and Recreation | 2,389 | 2,432 | 809 | 3,021 | 4,680 | 4,577 | 4,949 | 3,645 | 3,935 | 3,711 |
| Community Development | 269 | 653 | 2,568 | 19,529 | 19,432 | 21,130 | 25,239 | 23,496 | 23,033 | 20,347 |
| Operating Grants and Contributions | 45,265 | 43,011 | 54,974 | 36,639 | 48,503 | 39,550 | 34,015 | 25,016 | 26,488 | 40,278 |
| Capital Grants and Contributions | 64,464 | 40,295 | 29,730 | 35,623 | 49,651 | 62,472 | 57,955 | 44,586 | 38,584 | 37,525 |
| Total Governmental Activities Program Revenues | 161,202 | 134,606 | 137,816 | 151,039 | 173,100 | 200,221 | 209,243 | 187,778 | 162,495 | 182,342 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water System | 67,722 | 67,922 | 69,269 | 71,667 | 90,096 | 74,285 | 77,959 | 101,895 | 107,377 | 119,029 |
| Sewer System | 74,158 | 76,628 | 76,726 | 76,324 | 76,201 | 81,955 | 78,186 | 83,635 | 81,651 | 81,085 |
| Solid Waste Management | 51,364 | 51,753 | 38,271 | 29,797 | 29,404 | 31,208 | 31,975 | 31,170 | 30,100 | 31,804 |
| Transit | 9,589 | 9,486 | 10,770 | 11,054 | 10,914 | 13,089 | 12,479 | 11,452 | 10,746 | 9,348 |
| Airports | 19,367 | 21,701 | 21,563 | 23,329 | 24,991 | 25,670 | 27,646 | 27,835 | 29,634 | 32,011 |
| Fresno Convention Center | 3,038 | 2,929 | 2,667 | 2,594 | 2,626 | 2,960 | 3,634 | 3,752 | 3,318 | 3,796 |
| Community Sanitation | 10,182 | 10,209 | 8,918 | 9,108 | 8,956 | 9,746 | 9,733 | 9,613 | 9,422 | 9,841 |
| Parking | 6,756 | 5,997 | 5,270 | — | — | — | — | — | — | — |
| Parks and Recreation | 635 | 742 | 781 | 736 | 329 | 329 | 325 | 340 | 323 | 410 |
| Development Services | 9,251 | 10,669 | 8,395 | — | — | — | — | — | — | — |
| Stadium | 1,675 | 340 | 1,251 | 1,089 | 798 | 1,248 | 677 | 1,082 | 238 | 406 |
| Operating Grants and Contributions | 40,964 | 49,401 | 42,361 | 40,850 | 44,211 | 40,215 | 29,190 | 37,187 | 22,939 | 37,910 |
| Capital Grants and Contributions | 20,859 | 17,744 | 43,505 | 22,224 | 14,755 | 14,791 | 18,015 | 47,576 | 69,570 | 33,249 |
| Total Business-Type Activities Program Revenues | 315,560 | 325,521 | 329,747 | 288,772 | 303,281 | 295,496 | 289,819 | 355,537 | 365,318 | 358,889 |
| Total Primary Government Program Revenues | \$ 476,762 | \$ 460,127 | \$ 467,563 | \$ 439,811 | \$ 476,381 | \$ 495,717 | \$ 499,062 | \$ 543,315 | \$ 527,813 | \$ 541,231 |

CITY OF FRESNO, CALIFORNIA

Change in Net Position

Last Ten Fiscal Years (Continued)

(dollars in thousands)

| | Fiscal Year | | | | | | | | | |
|--|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$244,488 | \$(220,823) | \$(232,948) | \$(207,112) | \$(176,862) | \$(139,440) | \$(139,370) | \$(196,440) | \$(215,872) | \$(222,813) |
| Business-Type Activities | 41,200 | 48,711 | 45,265 | 26,169 | 45,991 | 38,580 | 41,874 | 99,434 | 88,242 | 48,306 |
| Total Primary Government Net Expense | <u>\$203,288</u> | <u>\$(172,112)</u> | <u>\$(187,683)</u> | <u>\$(180,943)</u> | <u>\$(130,871)</u> | <u>\$(100,860)</u> | <u>\$(97,496)</u> | <u>\$(97,006)</u> | <u>\$(127,630)</u> | <u>\$(174,507)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes | \$126,345 | \$125,687 | \$100,961 | \$103,745 | \$107,635 | \$113,655 | \$117,048 | \$123,858 | \$130,109 | \$138,201 |
| Sales Taxes - Shared Revenues | 46,999 | 49,251 | 53,354 | 56,474 | 59,328 | 61,571 | 74,010 | 86,128 | 85,512 | 96,939 |
| In-Lieu Sales Tax | 15,208 | 15,947 | 17,272 | 18,216 | 19,190 | 19,907 | 10,559 | — | — | — |
| Franchise Taxes | 7,059 | 7,916 | 11,720 | 12,503 | 12,751 | 13,469 | 13,722 | 14,335 | 14,811 | 14,493 |
| Business Tax | 14,893 | 14,249 | 16,267 | 16,470 | 18,868 | 17,781 | 16,879 | 19,101 | 20,982 | 18,162 |
| Room Tax | 8,548 | 8,450 | 9,088 | 9,560 | 10,019 | 11,006 | 12,045 | 13,127 | 13,936 | 13,998 |
| Other Taxes | 2,134 | 1,948 | 2,479 | 2,104 | 2,324 | 2,407 | 2,521 | 2,348 | 2,304 | 2,855 |
| Revenues Restricted for | | | | | | | | | | |
| Infrastructure Maintenance | — | — | — | — | — | — | — | — | — | — |
| Investment Earnings | 6,000 | 4,435 | 2,053 | 1,889 | 795 | 879 | 1,652 | 1,215 | 1,348 | 8,413 |
| Gain on Sale of Capital Assets | 146 | 536 | 1,022 | 416 | 42 | 402 | 218 | 214 | 223 | 2,517 |
| Special Item - Loss on Receivable/ Transfer of Assets (Note 13) | — | — | — | — | — | — | — | — | (8,152) | — |
| Extraordinary (Loss): | | | | | | | | | | |
| Redevelopment Agency Net Position | | | | | | | | | | |
| Distributed to Successor Agency | — | — | (18,561) | — | — | — | — | — | — | — |
| Transfers: | (4,135) | (6,608) | (5,991) | (15,662) | (5,699) | (6,290) | (15,061) | (4,356) | (4,820) | (5,363) |
| Total Governmental Activities | <u>223,197</u> | <u>221,811</u> | <u>189,664</u> | <u>205,715</u> | <u>225,253</u> | <u>234,787</u> | <u>233,593</u> | <u>255,970</u> | <u>256,253</u> | <u>290,215</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 5,614 | 3,528 | 6,139 | 1,596 | 2,316 | 2,998 | 5,129 | 641 | 2,614 | 15,624 |
| Debt Forgiveness | — | — | 1,744 | — | — | — | — | — | — | — |
| Gain on Sale of Capital Assets | 9 | 153 | 2,719 | 3,832 | 1 | 38 | — | — | 36 | 35 |
| Transfers: | 4,135 | 6,608 | 5,991 | 15,662 | 5,698 | 6,290 | 15,061 | 4,356 | 4,820 | 5,363 |
| Total Business-Type Activities | <u>9,758</u> | <u>10,289</u> | <u>16,593</u> | <u>21,090</u> | <u>8,015</u> | <u>9,326</u> | <u>20,190</u> | <u>4,997</u> | <u>7,470</u> | <u>21,022</u> |
| Total Primary Government | <u>\$232,955</u> | <u>\$232,100</u> | <u>\$206,257</u> | <u>\$226,805</u> | <u>\$233,268</u> | <u>\$244,113</u> | <u>\$253,783</u> | <u>\$260,967</u> | <u>\$263,723</u> | <u>\$311,237</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ (21,291) | \$ 988 | \$ (43,284) | \$ (1,397) | \$ 48,391 | \$ 95,347 | \$ 94,223 | \$ 59,530 | \$ 40,381 | \$ 67,402 |
| Business-Type Activities | 50,958 | 59,000 | 61,858 | 47,259 | 54,006 | 47,906 | 62,064 | 104,431 | 95,712 | 69,328 |
| Total Primary Government | <u>\$ 29,667</u> | <u>\$ 59,988</u> | <u>\$ 18,574</u> | <u>\$ 45,862</u> | <u>\$ 102,397</u> | <u>\$ 143,253</u> | <u>\$ 156,287</u> | <u>\$ 163,961</u> | <u>\$ 136,093</u> | <u>\$ 136,730</u> |

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)

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 31,821 | \$ 16,829 | \$ 12,691 | \$ 12,691 | \$ 12,691 | \$ 12,691 | \$ 12,691 | \$ 18,417 | \$ 3,919 | \$ 2,071 |
| Restricted | — | — | — | 435 | 7 | 105 | 11 | 37 | 16 | 10 |
| Committed | 10,586 | 1,444 | 1,481 | 1,903 | 2,351 | 5,207 | 1,610 | 22,104 | 25,565 | 37,004 |
| Assigned | — | — | 390 | 1,095 | 1,006 | 1,874 | 2,811 | 3,890 | 2,845 | 4,562 |
| Unassigned | (2,228) | (64) | 483 | (9,355) | 8,192 | 24,643 | 31,808 | 26,749 | 19,533 | 25,312 |
| 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> | <u>\$ 51,878</u> | <u>\$ 68,959</u> |
| All other Governmental Funds | | | | | | | | | | |
| Restricted | \$ 165,679 | \$ 143,214 | \$ 125,275 | \$ 128,100 | \$ 145,763 | \$ 146,002 | \$ 151,726 | \$ 163,802 | \$ 166,207 | \$ 172,587 |
| Assigned | 33,216 | 31,822 | 19,897 | 17,624 | 15,752 | 15,928 | 15,847 | 12,177 | 16,115 | 16,137 |
| Unassigned | (61,582) | (14,272) | (7,547) | (5,196) | (7,749) | (9,670) | (6,284) | (788) | (809) | (1,950) |
| 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> | <u>\$ 181,513</u> | <u>\$ 186,774</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

(modified accrual basis of accounting)

(dollars in thousands)

| | Fiscal Year | | | | | | | | | |
|---|--------------------|-----------------|-----------------|-------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 233,399 | \$ 243,155 | \$ 239,845 | \$ 237,956 | \$ 263,470 | \$ 276,847 | \$ 266,521 | \$ 298,425 | \$ 289,140 | \$ 315,903 |
| Licenses and Permits | 293 | 423 | 528 | 5,097 | 6,331 | 6,569 | 7,102 | 7,291 | 7,829 | 7,337 |
| Intergovernmental | 53,157 | 58,183 | 44,592 | 37,032 | 48,910 | 41,915 | 39,036 | 38,770 | 39,318 | 41,706 |
| Charges for Services | 22,646 | 20,535 | 36,184 | 49,995 | 46,277 | 44,692 | 46,398 | 49,538 | 51,294 | 57,413 |
| Fines | 3,372 | 3,171 | 1,926 | 4,193 | 3,746 | 3,392 | 4,271 | 3,487 | 3,872 | 3,643 |
| Use of Money and Property | 3,688 | 4,225 | 1,677 | 2,539 | 1,585 | 1,643 | 2,105 | 1,285 | 1,305 | 6,542 |
| Contributions and Donations | — | — | 169 | — | — | — | — | — | — | — |
| Miscellaneous | 14,953 | 14,607 | 5,560 | 6,146 | 5,612 | 8,800 | 8,156 | 36,448 | 4,504 | 3,640 |
| Total Revenues | 331,508 | 344,299 | 330,481 | 342,958 | 375,931 | 383,858 | 373,589 | 435,244 | 397,262 | 436,184 |
| Expenditures | | | | | | | | | | |
| General Government | 30,693 | 12,818 | 8,273 | 13,039 | 11,742 | 13,841 | 17,490 | 26,257 | 21,285 | 28,077 |
| Public Protection | 183,168 | 184,740 | 191,499 | 187,189 | 185,911 | 188,050 | 201,656 | 212,828 | 221,043 | 226,108 |
| Public Ways and Facilities | 24,858 | 20,386 | 34,832 | 33,332 | 39,190 | 35,607 | 38,293 | 42,430 | 41,682 | 50,561 |
| Culture and Recreation | 20,400 | 16,223 | 11,833 | 13,177 | 14,247 | 15,433 | 17,735 | 16,928 | 18,257 | 18,140 |
| Community Development | 13,012 | 12,473 | 15,217 | 25,685 | 23,666 | 30,320 | 29,511 | 29,360 | 31,483 | 30,961 |
| Capital Outlays | 81,121 | 50,902 | 20,345 | 19,919 | 28,375 | 38,984 | 23,145 | 29,990 | 31,401 | 26,168 |
| Debt Service: | | | | | | | | | | |
| Principal | 21,312 | 14,368 | 17,612 | 17,484 | 17,814 | 19,218 | 17,435 | 19,196 | 17,568 | 18,956 |
| Interest | 26,095 | 25,074 | 22,493 | 21,134 | 20,347 | 19,511 | 18,629 | 17,779 | 14,752 | 14,515 |
| Total Expenditures | 400,659 | 336,984 | 322,104 | 330,959 | 341,292 | 360,964 | 363,894 | 394,768 | 397,471 | 413,486 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (69,151) | 7,315 | 8,377 | 11,999 | 34,639 | 22,894 | 9,695 | 40,476 | (209) | 22,698 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers In | 142,202 | 137,969 | 82,206 | 46,827 | 42,716 | 44,695 | 45,251 | 55,930 | 49,397 | 41,142 |
| Transfers Out | (141,669) | (145,587) | (87,540) | (66,633) | (47,267) | (50,573) | (49,446) | (59,055) | (57,418) | (46,110) |
| Discount on Debt Issued | — | — | — | — | — | — | — | 835 | — | — |
| Issuance of Refunding Bonds | 23,395 | — | — | — | — | — | — | 108,903 | — | — |
| Refunded Bond Redeemed | — | — | — | — | — | — | — | (128,621) | — | — |
| Payment to Refund Bonds Escrow Agent | (23,287) | — | — | — | — | — | — | — | — | — |
| Long-Term Debt Issued | 23,100 | — | — | — | — | — | — | — | — | — |
| Premium on Debt Issued | — | — | — | — | — | — | — | 11,528 | — | — |
| Proceeds for Note Obligation | — | — | — | — | — | — | — | — | — | — |
| Capital Lease Financing | — | — | — | — | 621 | 966 | 7,331 | 4,126 | 3,162 | 2,228 |
| Proceeds for Capital Lease Obligations | — | 1,707 | — | 1,088 | — | — | — | — | — | — |
| Sale of Capital Assets | 16,661 | 77 | 679 | 1,346 | 8 | 785 | 609 | 2,046 | 223 | 2,382 |
| Total Other Financing Sources (Uses) | 40,402 | (5,834) | (4,655) | (17,372) | (3,922) | (4,127) | 3,745 | (4,308) | (4,636) | (358) |
| Special Item | | | | | | | | | | |
| Loss on Receivable (Note 13) | — | — | — | — | — | — | — | — | (8,152) | — |
| Net Change in Fund Balances | \$ (28,749) | \$ 1,481 | \$ 3,722 | \$ (5,373) | \$ 30,717 | \$ 18,767 | \$ 13,440 | \$ 36,168 | \$ (12,997) | \$ 22,340 |
| Debt Service as a Percentage of Non-capital Expenditures | 14.75% | 12.88% | 13.10% | 12.35% | 12.45% | 11.94% | 11.00% | 10.29% | 9.11% | 8.83% |

Source: City of Fresno, Finance Department

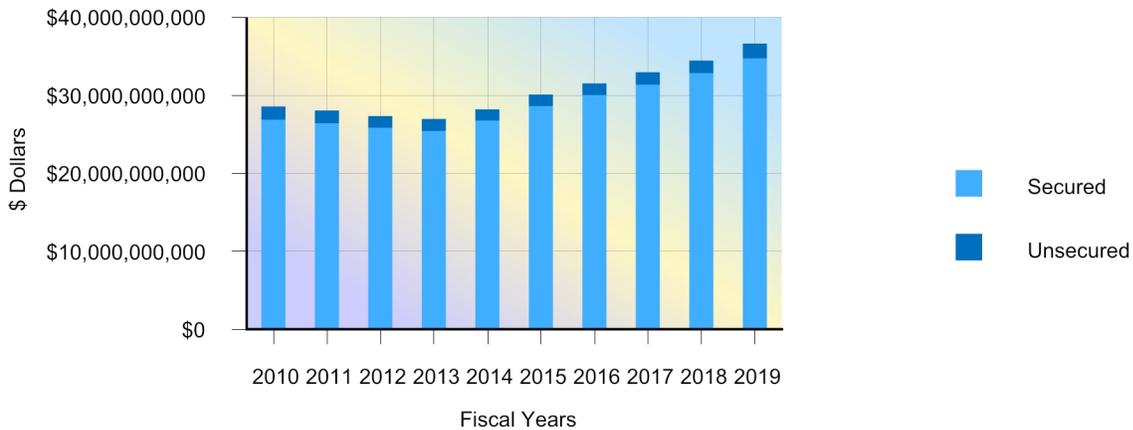
Notes: To properly calculate the ratio of total debt service expenditures to non-capital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the Government-Wide Financial Statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (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; (2017) \$35,500,989; (2018) \$42,738,629; and (2019) \$34,667,433.

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 |
|-------------|-----------------------------|-------------------------------|---------------------------------|--------------------------|--|
| 2010 | \$ 26,857,338,571 | \$ 1,695,509,992 | \$ 28,552,848,563 | 0.012316 | 100% |
| 2011 | 26,427,029,439 | 1,607,052,037 | 28,034,081,476 | 0.012314 | 100% |
| 2012 | 25,850,359,825 | 1,476,938,743 | 27,327,298,568 | 0.012283 | 100% |
| 2013 | 25,446,100,571 | 1,511,385,533 | 26,957,486,104 | 0.012307 | 100% |
| 2014 | 26,754,005,601 | 1,449,421,705 | 28,203,427,306 | 0.012309 | 100% |
| 2015 | 28,638,669,937 | 1,444,805,569 | 30,083,475,506 | 0.012306 | 100% |
| 2016 | 30,026,361,027 | 1,500,061,596 | 31,526,422,623 | 0.012294 | 100% |
| 2017 | 31,344,820,623 | 1,596,315,117 | 32,941,135,740 | 0.012298 | 100% |
| 2018 | 32,837,504,668 | 1,616,397,886 | 34,453,902,554 | 0.012472 | 100% |
| 2019 | 34,713,392,408 | 1,899,808,202 | 36,613,200,610 | 0.012443 | 100% |

Estimated Value of Taxable Property



Source: County of Fresno

Notes: Fresno County does not collect Actual Value (Market Value) information on taxable properties or 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 | City Direct Rate | | | Overlapping Rates | | Total Direct and Overlapping Property Tax Rate |
|-------------|-------------------|----------------|-----------------------|--------------------------------|---|--|
| | Property Tax Rate | Fresno Pension | Total Direct Tax Rate | Fresno Unified School District | State Center Community College District | |
| 2010 | 1.0 | 0.032438 | 1.032438 | 0.010324 | 0.188864 | 1.231626 |
| 2011 | 1.0 | 0.032438 | 1.032438 | 0.188864 | 0.010050 | 1.231352 |
| 2012 | 1.0 | 0.032438 | 1.032438 | 0.188800 | 0.007070 | 1.228308 |
| 2013 | 1.0 | 0.032438 | 1.032438 | 0.188860 | 0.009358 | 1.230656 |
| 2014 | 1.0 | 0.032438 | 1.032438 | 0.188834 | 0.009602 | 1.230874 |
| 2015 | 1.0 | 0.032438 | 1.032438 | 0.188860 | 0.009308 | 1.230606 |
| 2016 | 1.0 | 0.032438 | 1.032438 | 0.188860 | 0.008064 | 1.229362 |
| 2017 | 1.0 | 0.032438 | 1.032438 | 0.188864 | 0.008480 | 1.229782 |
| 2018 | 1.0 | 0.032438 | 1.032438 | 0.188864 | 0.025934 | 1.247236 |
| 2019 | 1.0 | 0.032438 | 1.032438 | 0.188864 | 0.022966 | 1.244268 |

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 Taxpayers

Current Year and Nine Years Ago

| Taxpayer | Type of Business | 2019 | | | 2010 | | |
|---|----------------------------------|-------------------------|------|----------------------------------|-------------------------|------|----------------------------------|
| | | Taxable Assessed Value | Rank | % of Total County Assessed Value | Taxable Assessed Value | Rank | % of Total County Assessed Value |
| River Park Properties | Retail and General Offices | \$ 184,770,788 | 1 | .5095 | \$ 163,741,284 | 1 | 0.5811 |
| Macerich Fresno Ltd. Partners | Retail and General Offices | 140,615,521 | 2 | .3877 | 133,524,794 | 3 | 0.4739 |
| Gallo E J Winery | Winery | 119,982,144 | 3 | .3308 | 99,320,353 | 6 | 0.3525 |
| RPI Fig Garden LP | Retail | 112,175,456 | 4 | .3093 | — | — | 0.0000 |
| Community Hospitals of Central California | Hospitals and related Facilities | 102,928,121 | 5 | .2838 | — | — | 0.0000 |
| Comcast Cablevision (3) | Telecommunications | 102,001,800 | 6 | .2812 | 99,921,950 | 5 | 0.3546 |
| Gap Inc. | Distribution Center | 100,828,600 | 7 | .2780 | 151,289,545 | 2 | 0.5369 |
| Mid Valley Recycling | Unsecured Property | 73,808,600 | 8 | .2035 | — | — | 0.0000 |
| IREIT Fresno El Paseo LLC | Retail | 72,828,000 | 9 | .2008 | — | — | 0.0000 |
| Granum Family Trust | Retail | 71,689,712 | 10 | .1977 | 69,050,664 | 8 | 0.2451 |
| Dewayne Zinkin Family Partners | Commercial and Land | — | — | .0000 | 108,551,703 | 4 | 0.3853 |
| Donahue Schriber Realty Group | Retail | — | — | .0000 | 89,354,288 | 7 | 0.3171 |
| Hub Acquisition Trust | General Office | — | — | .0000 | 67,486,632 | 9 | 0.2395 |
| Capri Sun Inc. | Light Industrial | — | — | .0000 | 58,216,243 | 10 | 0.2066 |
| Total | | <u>\$ 1,081,628,742</u> | | <u>2.9823</u> | <u>\$ 1,040,457,456</u> | | <u>3.6926</u> |

Source: MuniServices, LLC as compiled by Wildan Financial Services.

Notes: 2018/19 Taxable Assessed Valuation: \$36,267,490,712.

2009/10 Taxable Assessed Valuation: \$28,176,026,901.

In FY2010, Comcast Cablevision was known as Comcast of Fresno Inc.

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 | | | Total Tax Collections | Percent of Collection of Adjusted Tax Levy |
|-------------|------------------------------------|--------------------------|-----------------------------------|-------------------------|-------------------------|----------------------------|----------------------------|-----------------------|--|
| | | | | | Amount Collected | Percentage of Net Tax Levy | Delinquent Tax Collections | | |
| 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% |
| 2018 | 109,890,834 | 13,565,677 | 2,278,284 | 125,734,795 | 123,764,163 | 98.43% | 649,161 | 124,413,324 | 98.95% |
| 2019 | 116,141,387 | 14,916,496 | 2,786,268 | 133,844,151 | 132,157,601 | 98.74% | 543,876 | 132,701,477 | 99.15% |
| | | | | | | | | Average Collections | 99.33% |

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 |
| 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 |
| 2018 | 124,245 | 136,021 | — | — | 2,466 | 28,271 | 49,825 | — | 179,351 |
| 2019 | 116,160 | 126,191 | — | — | 2,033 | 39,338 | 83,039 | — | 34,943 |

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 [222](#).

Information pertaining to Personal Income is obtained from the Bureau of Economic Analysis (BEA).

Personal income and Per Capita Personal Income figures for FY2019 are 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.

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)

| | Business-Type Activities | | | | | Primary Government | | |
|------|--------------------------|---------------------|-------------------------------|---------------|----------------|--------------------------|-------------------------------|---------------------|
| | Water Revenue Bonds | Lease Revenue Bonds | Certificates of Participation | Notes Payable | Capital Leases | Total Primary Government | Percentage of Personal Income | Net Debt per Capita |
| 2010 | \$ 169,705 | \$ 96,584 | \$ — | \$ 5,923 | \$ — | \$ 996,959 | 3.41% | \$ 1,985 |
| 2011 | 165,338 | 92,174 | — | 5,624 | — | 964,616 | 3.08% | 1,929 |
| 2012 | 160,886 | 91,989 | — | 11,775 | — | 921,801 | 2.82% | 1,825 |
| 2013 | 156,274 | 87,675 | — | 46,880 | — | 922,960 | 2.77% | 1,815 |
| 2014 | 152,785 | 84,106 | — | 54,929 | — | 902,326 | 2.57% | 1,750 |
| 2015 | 147,569 | 79,908 | — | 52,080 | — | 864,721 | 2.31% | 1,662 |
| 2016 | 142,148 | 75,465 | — | 82,795 | — | 866,253 | 2.20% | 1,664 |
| 2017 | 136,569 | 69,492 | — | 208,855 | — | 955,995 | 2.33% | 1,818 |
| 2018 | 130,774 | 61,242 | — | 364,624 | — | 1,076,819 | 2.51% | 2,000 |
| 2019 | 124,759 | 55,832 | — | 403,612 | — | 985,907 | Not Available | 1,837 |

CITY OF FRESNO, CALIFORNIA

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

| General Bonded Debt Outstanding | | | | | | |
|---------------------------------|---------------------|----------------------|----------------|---|------------|---------------------|
| Fiscal Year | General Bonded Debt | Tax Allocation Bonds | Total | Percent of Actual Taxable Value of Property | Population | Net Debt per Capita |
| 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 |
| 2018 | 124,245,000 | — | \$ 124,245,000 | 0.361% | 538,330 | 231 |
| 2019 | 116,160,000 | — | \$ 116,160,000 | 0.317% | 536,683 | 216 |

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 [209](#).

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 22, 2019

| | | |
|--|------------------------------------|-------------------------------|
| 2018-19 Gross Assessed Valuation: | \$36,613,200,610 | |
| | Estimated Percent Applicable | Debt Applicable |
| <hr/> | | |
| Combined Direct Debt | | |
| City of Fresno Pension Obligation | 100.000% | \$ 116,160,000 |
| Lease Revenue Bonds | 100.000 | 126,191,100 |
| Notes Payable | 100.000 | 2,033,235 |
| Capital Leases | 100.000 | 39,337,607 |
| Total Combined Direct Debt | | <u>283,721,942</u> |
| <hr/> | | |
| Overlapping Tax, and Assessment Debt | | |
| City of Fresno Community Facilities District No. 4 | 100.000% | \$ 1,080,000 |
| City of Fresno Community Facilities District No. 5 | 100.000 | 845,000 |
| City of Fresno Community Facilities District No. 7 | 100.000 | 1,365,000 |
| State Center Community College District | 42.441 | 74,698,773 |
| Clovis Unified School District | 48.865 | 182,501,853 |
| Fresno Unified School District | 83.562 | 429,429,660 |
| Central Unified School District | 81.169 | 126,866,587 |
| Other School Districts | Various | 43,010,116 |
| California Statewide Communities Development Authority Community Facilities District No. 2012-01 | 100.000 | 4,150,000 |
| Total Overlapping Tax, and Assessment Debt | | <u>863,946,989</u> |
| <hr/> | | |
| Overlapping General Fund Obligation Debt | | |
| Fresno County Pension Obligations | 46.132% | \$ 119,036,014 |
| Fresno County General Fund Obligations | 46.132 | 18,311,601 |
| Clovis Unified School District Certificates of Participation | 49.070 | 2,280,485 |
| Fresno Unified School District Certificates of Participation | 83.113 | 12,978,531 |
| Central Unified School District Certificates of Participation | 81.174 | 13,663,750 |
| Other School District Certificates of Participation | Various | 13,461,276 |
| Total Overlapping General Fund Debt | | <u>179,731,657</u> |
| <hr/> | | |
| Overlapping Tax Increment Debt (Successor Agency) | | |
| Fresno Redevelopment Mariposa Medical Project Area | 100.000% | \$ 1,538,000 |
| Fresno Redevelopment Merger No. 2 Project Area | 100.000 | — |
| Total Overlapping Tax Increment Debt | | <u>1,538,000</u> |
| Total Overlapping Tax and Assessment, General Fund and Tax Increment Debt | | <u>1,045,216,646</u> |
| Total Overlapping and Direct Debt | | <u><u>\$1,328,938,588</u></u> |

Ratios to 2018-19 Assessed Valuation:

| | |
|---|--------|
| Combined Direct Debt | 0.775% |
| Overlapping Tax, and Assessment Debt | 2.360% |
| Combined Total Overlapping and Direct Debt | 3.625% |
| Overlapping Tax Increment Debt (Successor Agency) | 0.004% |

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 22, 2019. Direct Debt figures are provided by the Finance Department at the City of Fresno and are as of June 30, 2019.

CITY OF FRESNO, CALIFORNIA

Debt Coverage Ratio - Airports

Last Ten Fiscal Years (in thousands)

| | Fiscal Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues ⁽¹⁾ | \$ 17,276 | \$ 17,565 | \$ 18,804 | \$ 19,876 | \$ 21,216 | \$ 21,802 | \$ 22,976 | \$ 24,500 | \$ 25,891 | \$ 27,308 |
| Less Operating Expenses ⁽²⁾ | 13,445 | 13,340 | 14,200 | 14,322 | 14,262 | 14,428 | 14,934 | 16,117 | 17,355 | 18,701 |
| Other Available Funds ⁽³⁾ | — | — | — | 51 | 95 | 350 | 359 | 368 | 377 | 386 |
| Net Revenues | \$ 3,831 | \$ 4,225 | \$ 4,604 | \$ 5,605 | \$ 7,049 | \$ 7,724 | \$ 8,401 | \$ 8,751 | \$ 8,913 | \$ 8,993 |
| Adjusted Debt Service | | | | | | | | | | |
| Series 2000 Bonds | \$ 3,012 | \$ 3,013 | \$ 3,011 | \$ 3,012 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Series 2013 Bonds | — | — | — | — | 3,288 | 2,805 | 2,808 | 2,803 | 2,801 | 2,802 |
| Less | | | | | | | | | | |
| Minimum PFC Contribution ⁽⁴⁾ | (1,100) | (1,100) | (1,100) | (1,100) | (1,600) | (1,600) | (1,600) | (1,600) | (1,600) | (1,600) |
| Bond proceeds | — | — | (70,000) | — | — | — | — | — | — | — |
| Additional PFC Contribution | (1,118) | (797) | (321) | (500) | (231) | — | (200) | — | — | — |
| Net Series 2000/2013 Debt Service | \$ 794 | \$ 1,116 | \$ 1,520 | \$ 1,412 | \$ 1,457 | \$ 1,205 | \$ 1,008 | \$ 1,203 | \$ 1,201 | \$ 1,202 |
| Series 2007 Bonds | 1,283 | 1,283 | 1,298 | 1,332 | 1,369 | 1,399 | 1,437 | 1,472 | 1,509 | 1,544 |
| Annual Adjusted Debt Service | \$ 2,077 | \$ 2,399 | \$ 2,818 | \$ 2,744 | \$ 2,826 | \$ 2,604 | \$ 2,445 | \$ 2,675 | \$ 2,710 | \$ 2,746 |
| Annual Adjusted Debt Service Coverage ^{(5) (6)} | 1.84 | 1.76 | 1.63 | 2.04 | 2.49 | 2.97 | 3.44 | 3.27 | 3.29 | 3.27 |

Notes:

⁽¹⁾ 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.

⁽²⁾ For all fiscal years, reflects Operating Expenses in operating funds only and does not include costs expensed out of Airports capital funds, such as Federal grant-funded Master Plan in FY 2018 and FY 2019.

⁽³⁾ Per the Indenture, unencumbered 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 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.

⁽⁴⁾ Under the Supplemental Indenture that authorized the 2013 Bonds, the Minimum Passenger Facility Charge (PFC) Contribution was increased from \$1.1 million to \$1.6 million.

⁽⁵⁾ Numbers used for debt coverage calculated as required by the bond indenture and reflect pledged revenues and expenses in the Airports Debt Coverage Ratio.

⁽⁶⁾ FY 2019 rating agency coverage (Minimum PFC Contribution added to Revenues, all debt service in denominator) equals 2.44. FY 2019 coverage reflecting Airports CAFR Operating Expenses of \$21,045,870 (operating and capital funds) equals 2.42 times. FY 2019 rating agency coverage with CAFR Operating Expenses equals 1.81 times.

CITY OF FRESNO, CALIFORNIA
Debt Coverage Ratio - Water System
Last Ten Fiscal Years (in thousands)

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| Revenues | | | | | | | | | | |
| Charges for Services | \$ 67,722 | \$ 67,922 | \$ 69,269 | \$ 71,667 | \$ 90,096 | \$ 74,285 | \$ 77,959 | \$ 101,895 | \$ 107,377 | \$ 119,029 |
| Less: Connection Fee Charges for Services | (1,663) | (1,218) | (1,084) | (1,331) | (1,667) | (1,496) | (1,563) | (1,917) | (2,531) | (2,138) |
| Net Charges for Services ⁽¹⁾ | 66,059 | 66,704 | 68,185 | 70,336 | 88,429 | 72,789 | 76,396 | 99,978 | 104,846 | 116,891 |
| Other Operating Revenues and Interest Income | 774 | 1,451 | 1,533 | 720 | 329 | 573 | 1,147 | 17 | — | 4,974 |
| Total Revenues | 66,833 | 68,155 | 69,718 | 71,056 | 88,758 | 73,362 | 77,543 | 99,995 | 104,846 | 121,865 |
| Expenses | | | | | | | | | | |
| Labor and Benefits | 11,235 | 12,433 | 12,517 | 12,679 | 13,525 | 11,378 | 12,437 | 12,401 | 12,176 | 14,581 |
| Pumping Power | 8,891 | 8,850 | 8,986 | 9,113 | 9,292 | 8,501 | 8,150 | 9,064 | 9,550 | 8,358 |
| Source of Supply | 8,045 | 7,145 | 7,748 | 6,318 | 1,780 | 5,613 | 6,630 | 4,188 | 9,751 | 6,536 |
| All Other Operating and Maintenance ⁽²⁾ | 15,613 | 17,999 | 18,386 | 16,821 | 18,151 | 17,473 | 17,166 | 21,547 | 17,692 | 35,143 |
| Total Operating Expenses ⁽³⁾ | 43,784 | 46,427 | 47,637 | 44,931 | 42,748 | 42,965 | 44,383 | 47,200 | 49,169 | 64,618 |
| Net Current Revenues | \$ 23,049 | \$ 21,728 | \$ 22,081 | \$ 26,125 | \$ 46,010 | \$ 30,397 | \$ 33,160 | \$ 52,795 | \$ 55,677 | \$ 57,247 |
| 2003A Senior Bond Debt Service | 2,934 | 1,375 | 1,374 | 1,376 | 1,378 | 1,374 | 1,381 | 1,380 | 1,376 | 1,379 |
| State Loans Debt Service ⁽⁴⁾ | 273 | 291 | 265 | 259 | 120 | 120 | 120 | — | — | — |
| Total Senior Debt | 3,207 | 1,666 | 1,639 | 1,635 | 1,498 | 1,494 | 1,501 | 1,380 | 1,376 | 1,379 |
| Senior Coverage Ratio | 7.19 | 13.04 | 13.47 | 15.98 | 30.71 | 20.35 | 22.09 | 38.26 | 40.46 | 41.60 |
| Net Revenue Available for Parity Debt Service | | | | | | | | | | |
| 2010 Series A Bond Debt Service | \$ 3,236 | \$ 12,510 | \$ 12,515 | \$ 12,507 | \$ 12,509 | \$ 12,509 | \$ 12,531 | \$ 12,508 | \$ 12,509 | \$ 12,504 |
| State Loans Debt Service ⁽⁴⁾ | \$ — | \$ — | \$ 75 | \$ 266 | \$ 338 | \$ 2,770 | \$ 2,786 | \$ 3,533 | \$ 6,021 | \$ 10,937 |
| Total Parity Debt Service | \$ 3,236 | \$ 12,510 | \$ 12,590 | \$ 12,773 | \$ 12,847 | \$ 15,279 | \$ 15,317 | \$ 16,041 | \$ 18,530 | \$ 23,441 |
| Parity Coverage Ratio | 2.47 | 1.60 | 1.62 | 1.92 | 3.46 | 1.89 | 2.07 | 3.21 | 2.93 | 2.38 |

Notes:

⁽¹⁾ 1993 Indenture defines "Current Revenues" as all revenue from the operation of the Water System except for connection fees and charges.

⁽²⁾ All other operating and Maintenance includes Fleet Depreciation Charge (vehicle replacement fees paid to the Fleet Department).

⁽³⁾ 1993 Indenture defines "Maintenance and Operation Costs" as all costs incurred for maintaining and operating the Water System except for Debt Service, Depreciation and Amortization.

⁽⁴⁾ 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 (in thousands)

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Charges for Services ⁽¹⁾ | \$ 74,158 | \$ 76,628 | \$ 76,726 | \$ 76,324 | \$ 76,201 | \$ 81,955 | \$ 78,186 | \$ 83,635 | \$ 81,651 | \$ 81,085 |
| Interest Income | 3,955 | 1,619 | 3,797 | 485 | 1,547 | 1,787 | 2,779 | 492 | 2,046 | 5,548 |
| Less: Wastewater Facility Connection Fee | (2,337) | (1,463) | (1,133) | (1,853) | (1,981) | (1,709) | (1,844) | (1,968) | (1,996) | (3,290) |
| Total Senior Lien Revenues | 75,776 | 76,784 | 79,390 | 74,956 | 75,767 | 82,033 | 79,121 | 82,159 | 81,701 | 83,343 |
| Operating Expenses ⁽²⁾ | 30,715 | 31,423 | 36,858 | 36,431 | 36,339 | 37,391 | 35,935 | 38,058 | 37,237 | 45,835 |
| Net Income Before Debt Service | \$ 45,061 | \$ 45,361 | \$ 42,532 | \$ 38,525 | \$ 39,428 | \$ 44,642 | \$ 43,186 | \$ 44,101 | \$ 44,464 | \$ 37,508 |
| Senior Lien Debt Service ⁽³⁾ | 13,531 | 10,754 | 10,737 | 10,724 | 10,714 | 10,359 | 10,387 | 10,712 | 10,701 | 10,684 |
| Coverage Ratio ⁽⁴⁾ | 3.33 | 4.22 | 3.96 | 3.59 | 3.68 | 4.31 | 4.16 | 4.12 | 4.16 | 3.51 |
| 100% Coverage-Subordinate Lien: | | | | | | | | | | |
| Net Current Revenue after Senior Lien Debt (before Connection Fees) | \$ 31,530 | \$ 34,607 | \$ 31,795 | \$ 27,801 | \$ 28,714 | \$ 34,283 | \$ 32,799 | \$ 33,389 | \$ 33,763 | \$ 26,824 |
| Available from Senior Lien Revenues | \$ 31,531 | \$ 34,607 | \$ 31,795 | \$ 27,801 | \$ 28,714 | \$ 34,283 | \$ 32,799 | \$ 33,389 | \$ 33,763 | \$ 26,823 |
| Subordinate Lien Debt Service ⁽⁵⁾ | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 4,642 |
| State Loan Debt Service ⁽⁶⁾ | — | — | — | — | — | — | — | — | 1,280 | 1,286 |
| Coverage Ratio | 3.97 | 4.35 | 4.00 | 3.50 | 3.61 | 4.31 | 4.13 | 4.20 | 3.66 | 4.52 |
| 120% & 125% Coverage Subordinate Lien: | | | | | | | | | | |
| Net Current Revenue (Excluding Connection Fees) | \$ 31,531 | \$ 34,607 | \$ 31,795 | \$ 27,801 | \$ 28,714 | \$ 34,283 | \$ 32,799 | \$ 33,389 | \$ 33,763 | \$ 26,823 |
| Wastewater Facility Connection Fee | 2,337 | 1,463 | 1,133 | 1,853 | 1,981 | 1,709 | 1,844 | 1,968 | 1,996 | 3,290 |
| Transfers From Rate Stabilization Fund | — | — | — | — | — | — | — | — | — | — |
| Net Current Revenue (Including Connection Fees) | \$ 33,868 | \$ 36,070 | \$ 32,928 | \$ 29,654 | \$ 30,695 | \$ 35,992 | \$ 34,643 | \$ 35,357 | \$ 35,759 | \$ 30,113 |
| Available From Senior Lien Revenues | \$ 33,868 | \$ 36,070 | \$ 32,928 | \$ 29,654 | \$ 30,695 | \$ 35,992 | \$ 34,643 | \$ 35,357 | \$ 35,759 | \$ 30,113 |
| Subordinate Lien Debt Service ⁽⁵⁾ | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 7,949 | \$ 4,642 |
| State Loan Debt Service ⁽⁶⁾ | — | — | — | — | — | — | — | — | 1,280 | 1,286 |
| Coverage Ratio | 4.26 | 4.54 | 4.14 | 3.73 | 3.86 | 4.53 | 4.36 | 4.45 | 3.87 | 5.08 |
| Net Income After Debt Service ⁽⁷⁾ | \$ 25,919 | \$ 28,121 | \$ 24,979 | \$ 21,705 | \$ 22,746 | \$ 28,043 | \$ 26,694 | \$ 27,408 | \$ 26,530 | \$ 24,185 |

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⁾ State Loan Debt Service

⁽⁷⁾ 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 - GASB 44 Methodology

Last Ten Fiscal Years (in thousands)

| Solid Waste Revenue Bonds | | | | | | |
|---------------------------|----------------------|--------------------------|-----------------------|--------------|----------|----------|
| Fiscal Year | Charges for Services | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2010 | \$ 51,364 | \$ 40,957 | \$ 10,407 | \$ 1,330 | \$ 514 | 5.64 |
| 2011 | 51,753 | 42,598 | 9,155 | 220 | 448 | 13.71 |
| 2012 | 38,271 | 40,085 | (1,814) | 7,500 | 127 | (0.24) |
| 2013 | — | — | — | — | — | — |
| 2014 | — | — | — | — | — | — |
| 2015 | — | — | — | — | — | — |
| 2016 | — | — | — | — | — | — |
| 2017 | — | — | — | — | — | — |
| 2018 | — | — | — | — | — | — |
| 2019 | — | — | — | — | — | — |

| Fresno Convention Center Revenue Bonds | | | | | | |
|--|----------------------|--------------------------|-----------------------|--------------|----------|----------|
| Fiscal Year | Charges for Services | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2010 | \$ 3,038 | \$ 5,313 | \$ (2,275) | \$ 3,356 | \$ 3,037 | (0.36) |
| 2011 | 2,929 | 4,506 | (1,577) | 3,466 | 2,930 | (0.25) |
| 2012 | 2,667 | 3,842 | (1,175) | 3,352 | 282 | (0.32) |
| 2013 | 2,594 | 3,836 | (1,242) | 3,308 | 2,708 | (0.21) |
| 2014 | 2,626 | 3,710 | (1,084) | 2,799 | 2,586 | (0.20) |
| 2015 | 2,960 | 3,844 | (884) | 2,904 | 2,469 | (0.16) |
| 2016 | 3,634 | 3,878 | (244) | 3,030 | 2,346 | (0.05) |
| 2017 | 3,752 | 4,929 | (1,177) | 22,762 | 2,213 | (0.05) |
| 2018 | 3,318 | 3,970 | (652) | 2,189 | 1,171 | (0.19) |
| 2019 | 3,796 | 4,350 | (554) | 3,260 | 1,882 | (0.11) |

| Stadium Bonds | | | | | | |
|---------------|----------------------|--------------------------|-----------------------|--------------|----------|----------|
| Fiscal Year | Charges for Services | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2010 | \$ 1,675 | \$ 1 | \$ 1,674 | \$ 950 | \$ 2,497 | 0.49 |
| 2011 | 340 | 13 | 327 | 1,005 | 2,441 | 0.09 |
| 2012 | 1,251 | 12 | 1,239 | 1,065 | 2,381 | 0.36 |
| 2013 | 1,089 | 9 | 1,080 | 1,120 | 2,322 | 0.31 |
| 2014 | 798 | 30 | 768 | 1,185 | 2,260 | 0.22 |
| 2015 | 1,248 | 31 | 1,217 | 1,255 | 2,189 | 0.35 |
| 2016 | 678 | 31 | 647 | 1,335 | 2,114 | 0.19 |
| 2017 | 1,082 | 224 | 858 | 17,210 | 1,597 | 0.05 |
| 2018 | 238 | 90 | 148 | 1,355 | 1,714 | 0.05 |
| 2019 | 405 | 111 | 294 | 1,490 | 1,705 | 0.09 |

| Park Bonds | | | | | | |
|-------------|----------------------|--------------------------|-----------------------|--------------|----------|----------|
| Fiscal Year | Charges for Services | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2010 | \$ 635 | \$ 1,281 | \$ (646) | \$ 45 | \$ 111 | (4.13) |
| 2011 | 742 | 352 | 390 | 45 | 110 | 2.53 |
| 2012 | 781 | 614 | 167 | 50 | 107 | 1.06 |
| 2013 | 736 | 416 | 320 | 50 | 106 | 2.06 |
| 2014 | 329 | 82 | 247 | 50 | 104 | 1.61 |
| 2015 | 329 | 65 | 264 | 55 | 102 | 1.68 |
| 2016 | 325 | 34 | 291 | 55 | 100 | 1.87 |
| 2017 | 340 | 102 | 238 | 2,030 | 98 | 0.11 |
| 2018 | 410 | 186 | 224 | 60 | 73 | 1.68 |
| 2019 | 410 | 256 | 154 | 50 | 79 | 1.19 |

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)

| <u>Legal Debt Limit Calculation for Fiscal Year 2019</u> | |
|--|---------------------|
| Assessed Value | \$ 36,613,201 |
| Debt Limit (20% of assessed value, pursuant to City Charter) | 7,322,640 |
| 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>\$ 7,322,640</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 |
|-------------|--------------|------------------------------------|-------------------|--|
| 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% |
| 2018 | 6,890,781 | — | 6,890,781 | 0.00% |
| 2019 | 7,322,640 | — | 7,322,640 | 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 |
|---------------|------------|-------------------|----------------------------|-------------------|-------------------|
| 2010 | 502,303 | \$ 29,246,460,000 | \$ 31,357 | 16.710% | 112.35 |
| 2011 | 500,121 | 31,353,987,000 | 33,321 | 16.530% | 112.29 |
| 2012 | 505,009 | 32,728,837,000 | 34,539 | 15.140% | 113.04 |
| 2013 | 508,453 | 33,354,677,000 | 34,886 | 13.250% | 113.13 |
| 2014 | 515,609 | 35,172,162,000 | 36,448 | 11.580% | 113.13 |
| 2015 | 520,159 | 37,359,815,000 | 38,323 | 10.200% | 114.20 |
| 2016 | 520,453 | 39,295,335,000 | 40,101 | 9.500% | 114.34 |
| 2017 | 525,832 | 41,024,000,000 | 41,470 | 8.800% | 114.67 |
| 2018 | 538,330 | 42,842,800,000 | 43,084 | 7.500% | 115.21 |
| 2019 | 536,683 | Not Available | Not Available | 7.300% | 115.54 |

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 Personal Income for 2018 are estimates as of November 2019.

Personal Income and Per Capita Personal Income data is not available from the BEA for 2019.

The FY2019 Unemployment Rate is the average of figures for the first 10 months of calendar year 2019 as provided by the EDD as of November 2019.

The 2019 Population is as of 5/1/2019.

CITY OF FRESNO, CALIFORNIA

Principal Employers

Current Year and Nine Years Ago

| Employer | 2019 | | | 2010 | | |
|-------------------------------------|---------------|------|----------------------------------|---------------|------|----------------------------------|
| | Employees | Rank | Percent of Total City Employment | Employees | Rank | Percent of Total City Employment |
| Fresno Unified School District | 10,552 | 1 | 2.51% | — | — | — |
| Community Regional Medical Center | 8,500 | 2 | 2.02% | 6,000 | 1 | 1.62% |
| County of Fresno | 7,773 | 3 | 1.85% | — | — | — |
| Internal Revenue Service | 4,040 | 4 | 0.96% | — | — | — |
| Olam | 3,576 | 5 | 0.85% | — | — | — |
| City of Fresno | 3,575 | 6 | 0.85% | 4,158 | 2 | 1.12% |
| Zacky Farms LLC | 3,300 | 7 | 0.78% | 975 | 9 | 0.26% |
| Saint Agnes Medical Center | 2,812 | 8 | 0.67% | 2,031 | 4 | 0.55% |
| California State University, Fresno | 2,543 | 9 | 0.60% | — | — | — |
| Amazon.com, Inc | 2,500 | 10 | 0.59% | — | — | — |
| Kaiser Permanente Fresno | — | — | — | 2,603 | 3 | 0.70% |
| Quinn Group Inc. | — | — | — | 1,178 | 5 | 0.32% |
| Foster Farms | — | — | — | 1,100 | 6 | 0.30% |
| AT&T | — | — | — | 1,000 | 7 | 0.27% |
| Cargill Meat Solutions | — | — | — | 999 | 8 | 0.27% |
| Aetna | — | — | — | 950 | 10 | 0.26% |
| Total | 49,171 | | 11.68% | 20,994 | | 5.67% |
| Fresno City Employment | 421,000 | | | 197,700 | | |

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: FY2019 employer information provided by the Fresno County Economic Development Corporation (EDD) and represents private and public sector full-time employees.

The FY2019 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.

FY2019 Fresno City Employment figures are for June 2019 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 | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Government | | | | | | | | | | |
| Management | 103.00 | 88.80 | 78.80 | 78.80 | 79.50 | 79.50 | 79.50 | 85.25 | 96.84 | 101.50 |
| Finance | 130.65 | 101.00 | 54.68 | 56.00 | 56.00 | 56.00 | 56.00 | 60.75 | 54.75 | 55.00 |
| General Services | 139.00 | 104.00 | — | — | — | — | — | — | — | — |
| Other | 129.00 | 116.80 | 91.00 | 89.75 | 94.80 | 94.80 | 94.80 | 103.50 | 106.00 | 112.00 |
| Enterprise Functions | | | | | | | | | | |
| Transportation | | | | | | | | | | |
| Airports | | | | | | | | | | |
| Sworn | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 15.00 | 15.00 | 19.00 | 19.00 | 19.00 |
| Civilian | 78.00 | 78.00 | 72.00 | 72.30 | 77.40 | 72.00 | 72.00 | 77.35 | 80.05 | 82.00 |
| FAX Department | 420.80 | 342.00 | 409.00 | 407.00 | 407.00 | 422.00 | 435.50 | 492.25 | 508.00 | 515.50 |
| Public Utilities | 683.00 | 691.00 | 697.08 | 602.25 | 614.75 | 634.75 | 640.50 | 643.80 | 643.80 | 646.80 |
| Economic Growth and Expansion | | | | | | | | | | |
| Development and Resource Management Department | — | 156.03 | 169.94 | 163.10 | 166.60 | 174.60 | 184.60 | 204.80 | 218.70 | — |
| Downtown & Community Revitalization Department | 10.00 | 20.00 | — | — | — | — | — | — | — | — |
| Planning and Development | 194.39 | — | — | — | — | — | — | — | — | — |
| Planning and Development Services | — | — | — | — | — | — | — | — | — | 218.20 |
| Public Works | 339.40 | 264.40 | 265.00 | 268.00 | 272.50 | 292.75 | 288.75 | 305.25 | 315.25 | 339.50 |
| Culture and Recreation | | | | | | | | | | |
| Parks, Recreation and Community Services | 148.25 | 85.50 | 52.00 | 52.00 | 52.00 | 66.00 | 71.00 | 73.50 | 75.00 | 75.75 |
| Public Protection | | | | | | | | | | |
| Police | | | | | | | | | | |
| Sworn | 849.00 | 816.58 | 767.75 | 748.00 | 717.00 | 717.00 | 775.00 | 804.00 | 830.00 | 835.00 |
| Civilian | 431.40 | 210.08 | 200.00 | 202.00 | 238.00 | 278.80 | 244.56 | 274.65 | 270.34 | 273.75 |
| Fire | | | | | | | | | | |
| Sworn | 383.00 | 340.35 | 317.65 | 309.00 | 304.00 | 310.00 | 314.00 | 334.00 | 334.00 | 334.00 |
| Civilian | 58.00 | 52.60 | 40.00 | 42.75 | 42.20 | 46.75 | 45.00 | 42.91 | 47.75 | 42.50 |
| Total | 4,101.89 | 3,472.14 | 3,219.90 | 3,095.95 | 3,126.75 | 3,259.95 | 3,316.21 | 3,521.01 | 3,599.48 | 3,650.50 |

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: 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; FY2017 as of June 2017; FY2018 as of June 2018; and FY2019 as of June 2019.

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.

In FY2017, the Transportation FAX Department added service, management and support staff positions for a variety of service additions such as Bus Rapid Transit (BRT), extended night and weekend service, and increased frequencies on four major avenues.

In FY2017, positions were added to address reductions that occurred in recent years. Additions to the Police Department included Police Officer Recruits, Police Officer Cadets and a Police Sergeant. Additions to the Fire Department included Firefighters and an administrative position.

In FY2018, the Budget and Management Studies Division was relocated from the Finance Department to the City Manager's Office.

In FY2019, Development and Resource Management Department (DARM) became Planning & Development Services.

CITY OF FRESNO, CALIFORNIA

Operating Indicators by Function/Program

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------|---------|---------|---------|---------|-----------|---------|-----------|---------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Government | | | | | | | | | | |
| Building Permits Issued | | | | | | | | | | |
| Commercial | 1,174 | 1,133 | 1,830 | 1,756 | 1,835 | 1,878 | 1,641 | 1,948 | 1,876 | 1,688 |
| Residential | 3,557 | 3,276 | 6,499 | 7,167 | 7,931 | 9,084 | 8,313 | 11,227 | 10,998 | 7,770 |
| Police | | | | | | | | | | |
| Physical Arrests | 43,674 | 35,726 | 32,782 | 35,489 | 39,689 | 43,729 | 37,816 | 26,893 | 27,920 | 28,337 |
| Traffic Violations (citations issued) | Not Available | 58,132 | 64,979 | 53,485 | 51,940 | 44,954 | 58,927 | 58,927 | 39,488 | 57,691 |
| Calls Received for Police Service | 771,742 | 864,005 | 876,820 | 945,989 | 957,532 | 950,099 | 1,026,458 | 950,099 | 1,013,411 | 924,016 |
| Fire | | | | | | | | | | |
| Emergency Medical Service Calls | 22,758 | 19,671 | 19,216 | 18,129 | 19,413 | 20,191 | 19,174 | 21,773 | 21,430 | 32,071 |
| Fire Incidents | 12,220 | 12,109 | 13,800 | 14,518 | 15,953 | 16,326 | 18,257 | 16,702 | 16,830 | 25,194 |
| Fire Inspections | 14,962 | 12,151 | 10,985 | 12,414 | 11,187 | 9,780 | 12,581 | 13,292 | 12,679 | 12,747 |
| Fire Hydrant Inspections | 36,233 | 28,109 | 30,917 | 30,342 | 30,420 | 26,811 | 17,025 | 17,000 | 17,252 | 17,252 |
| Wastewater Treatment | | | | | | | | | | |
| Average Daily Sewage Treatment (million gallons per day) | 65.2 | 66.08 | 63.6 | 61.9 | 60.2 | 57.2 | 55.9 | 56.9 | 57.1 | 56.2 |
| Wastewater Treatment Capacity (million gallons per day) | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 92 |
| Solid Waste | | | | | | | | | | |
| Refuse Collected (tons per day) | 965 | 979 | 916 | 477 | 451 | 504.83 | 623 | 650 | 648 | 662 |
| Recyclables Collected (tons per day) | 216 | 214 | 201 | 147 | 116 | 116.87 | 154 | 156 | 154 | 156 |
| Green Waste Collected (tons per day) | 327 | 325 | 396 | 378 | 293 | 275.16 | 348 | 358.1 | 353 | 365 |
| Other Public Works | | | | | | | | | | |
| Street Resurfacing (miles) | 26.7 | 27.3 | 16.0 | 10.2 | 12.3 | 16.6 | 18.6 | 16.8 | 15.1 | 28.3 |
| Parking Violations (citations issued) | 59,790 | 56,270 | 45,667 | 45,730 | 49,313 | 49,326 | 47,531 | 53,760 | 54,865 | 45,407 |
| Parks and Recreation | | | | | | | | | | |
| Athletic Field Permits Issued | 1,639 | 2,662 | 3,710 | 3,281 | 4,317 | 5,921 | 6,949 | 8,332 | 5,392 | 6,795 |
| Memorial Auditorium User Groups | 30 | 34 | 33 | 20 | 26 | 16 | 27 | 18 | 13 | 23 |
| Memorial Auditorium, Audience | 31,395 | 33,136 | 33,600 | 15,500 | 21,600 | 21,000 | 45,900 | 18,900 | 16,500 | 19,500 |
| Senior Hot Meal Participants (All Sites) | 72,229 | 66,110 | 61,988 | 40,788 | 38,874 | 38,103 | 45,070 | 44,686 | 47,605 | 46,604 |
| Meals Served (Not Senior Hot Meals) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,328 | 40,830 | 26,879 |
| Picnic Shelter/Table Reservations (Roeding & Woodward) | 3,608 | 2,871 | 3,084 | 2,754 | 3,058 | 2,194 | 2,457 | 2,053 | 1,907 | 1,841 |
| Average Daily Attendance (Neighborhood Parks with Centers) | 0 | 0 | 0 | 0 | 0 | 0 | 1,653 | 1,732 | 1,976 | 2,083 |

CITY OF FRESNO, CALIFORNIA

Operating Indicators by Function/Program

Last Ten Fiscal Years (Continued)

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Convention Center | | | | | | | | | | |
| Event Days | 369 | 417 | 341 | 360 | 322 | 297 | 209 | 313 | 300 | 296 |
| Gross Ticket Sales | \$ 5,335,031 | \$ 6,958,814 | \$ 5,065,476 | \$ 4,987,646 | \$ 7,905,120 | \$ 5,594,470 | \$ 7,272,305 | \$ 8,049,133 | \$ 6,741,116 | \$12,048,880 |
| Attendance | 445,240 | 585,430 | 519,543 | 553,443 | 442,070 | 428,086 | 455,491 | 455,587 | 417,918 | 478,541 |
| Water | | | | | | | | | | |
| Number On-Service Accounts | 132,184 | 131,880 | 131,801 | 130,530 | 131,910 | 133,163 | 134,381 | 135,448 | 136,408 | 137,251 |
| Main/Service Leaks Repaired | 569 | 644 | 589 | 639 | 705 | 558 | 378 | 408 | 663 | 737 |
| Average Daily Per Capita Consumption (gallons) | 275 | 260 | 246 | 241 | 231 | 208 | 182.6 | 198 | 207.6 | 189 |
| Peak Daily Consumption (MGD - Million Gallons per Day) | 238 | 220.39 | 209.13 | 200.46 | 199.4 | 187.36 | 169.878 | 180.6 | 183.421 | 156.91 |
| Transportation | | | | | | | | | | |
| Airports | | | | | | | | | | |
| Number of Commercial Airlines | 8 | 9 | 9 | 10 | 10 | 9 | 8 | 8 | 8 | 8 |
| Number of Cargo Carriers | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Number Tenant Aircraft | 378 | 401 | 405 | 405 | 408 | 408 | 320 | 303 | 277 | 301 |
| Annual Fuel Consumption (gallons) | 9,905,916 | 5,787,043 | 9,467,094 | 9,613,371 | 10,454,758 | 9,548,919 | 10,541,916 | 10,592,430 | 8,698,431 | 2,648,061 |
| Origin and Destination Passengers | | | | | | | | | | |
| Domestic | 1,133,605 | 1,163,568 | 1,155,991 | 1,249,960 | 1,283,770 | 1,252,962 | 1,292,784 | 1,328,929 | 1,423,248 | 1,622,181 |
| International | 63,473 | 45,465 | 130,047 | 124,453 | 147,094 | 153,244 | 182,225 | 208,947 | 212,075 | 235,667 |
| Origin and Destination Mail (lbs.) | 1,397 | 91 | 20,880 | 6,661 | 183 | 0 | 316 | 17,818 | 9,362 | 12,649 |
| Origin and Destination Freight (lbs.) | 17,204,154 | 20,630,316 | 22,591,445 | 23,621,976 | 24,393,421 | 25,843,389 | 24,546,856 | 19,873,695 | 20,965,016 | 22,399,354 |
| Fresno Area Express (FAX) | | | | | | | | | | |
| Actual Route Miles | 4,610,108 | 4,563,016 | 4,175,640 | 4,151,476 | 4,218,412 | 4,157,174 | 4,175,783 | 4,208,890 | 4,337,684 | 4,649,397 |
| Passengers | 17,554,565 | 17,589,425 | 14,589,425 | 12,442,248 | 12,059,050 | 11,364,431 | 10,672,577 | 9,622,874 | 9,750,800 | 10,551,665 |
| Mini-Buses - Purchased Transportation | 45 | 46 | 45 | 44 | 48 | 50 | 58 | 63 | 69 | 56 |

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.

The increase in all functional areas is tied to a steady increase in FAX ridership due to strategic planning efforts, namely the addition of Bus Rapid Transit service in February 2018 and an additional line (Route 12) west of highway 99.

The drop in fuel consumption was due to a loss of a large fixed based operator and a significant drop in the extent of fires, resulting in less military and forest service.

Information was not available for all years for all categories.

CITY OF FRESNO, CALIFORNIA

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|------------------------------------|-------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Police Department | | | | | | | | | | |
| Stations | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| Patrol Bureaus | 7 | 7 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| Vehicular Patrol Units | 277 | 250 | 261 | 261 | 261 | 257 | 276 | 334 | 360 | 356 |
| Plain Cars (No specialty vehicles) | — | 178 | 197 | 197 | 175 | 175 | 173 | 198 | 197 | 200 |
| Motorcycles | — | 80 | 80 | 70 | 71 | 85 | 72 | 70 | 74 | 70 |
| Helicopters | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fixed Wing Aircraft | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| Fire Department | | | | | | | | | | |
| Fire Stations | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Engine Companies | 16 | 16 | 16 | 16 | 16 | 18 | 18 | 17 | 17 | 18 |
| Truck Companies | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| Public Works | | | | | | | | | | |
| Streets (miles) | 1,666 | 1,692 | 1,548 | 1,497 | 1,490 | 1,672 | 1,500 | 1,511 | 1,692 | 1,700 |
| Street Lights | 40,000 | 41,100 | 41,000 | 41,556 | 41,500 | 42,051 | 42,207 | 42,405 | 43,318 | 43,450 |
| Traffic Signals | 437 | 442 | 450 | 468 | 466 | 489 | 467 | 468 | 481 | 488 |
| Solid Waste Division | | | | | | | | | | |
| Collection Trucks | 129 | 126 | 83 | 83 | 83 | 84 | 89 | 81 | 85 | 86 |
| Water Division | | | | | | | | | | |
| Water Mains (miles) | 1,775 | 1,779 | 1,781 | 1,782 | 1,803 | 1,799 | 1,801 | 1,809 | 1,827 | 1,859 |
| Wells | 272 | 269 | 273 | 273 | 271 | 260 | 261 | 260 | 263 | 262 |
| Fire Hydrants | 12,878 | 12,914 | 12,954 | 13,001 | 13,139 | 13,170 | 13,218 | 13,332 | 13,484 | 13,536 |
| Sewer Maintenance Division | | | | | | | | | | |
| Sewer Mainlines (miles) | 1,497 | 1,503 | 1,507.49 | 1,521 | 1,529 | 1,533 | 1,536 | 1,539 | 1,613 | 1,558 |
| Manholes | 22,977 | 23,123 | 23,275 | 23,384 | 23,644 | 23,776 | 22,834 | 23,947 | 24,146 | 24,359 |
| Lift Stations | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 14 |
| Parks | | | | | | | | | | |
| Metropolitan Parks (Regional) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Neighborhood Parks | 31 | 31 | 31 | 31 | 31 | 32 | 33 | 34 | 34 | 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 | 6 | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 8 |
| Tennis Courts | 40 | 40 | 40 | 40 | 40 | 40 | 42 | 42 | 42 | 42 |
| Acres of Parks | 1,535 | 1,535 | 1,535 | 1,535 | 1,535 | 1,384 | 1,392 | 1,393 | 1,393 | 1,393 |
| Neighborhood Centers | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Community Center | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 7 |
| Swimming Pools | 10 | 5 | 5 | 5 | 9 | 9 | 9 | 9 | 9 | 8 |

CITY OF FRESNO, CALIFORNIA

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years (continued)

| | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Transportation | | | | | | | | | | |
| Airports | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Municipal Airport Total Acreage | 1,900 | 1,900 | 1,900 | 1,875 | 1,875 | 1,875 | 1,875 | 1,875 | 2,050 | 2,050 |
| Length of Longest Runway (surfaced) - Linear Feet | 9,227 | 9,227 | 9,227 | 9,227 | 9,539 | 9,539 | 9,539 | 9,539 | 9,539 | 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) | 193,364 | 193,364 | 193,364 | 193,364 | 193,364 | 193,364 | 193,364 | 193,364 | 193,364 | 193,364 |
| Number of Parking Spaces (surface lot) | 2,425 | 2,425 | 2,367 | 2,365 | 2,365 | 2,365 | 2,355 | 2,664 | 2,664 | 2,664 |
| Air Cargo Ramp Spaces | 9 | 9 | 9 | 9 | 9 | 9 | 8 | 8 | 9 | 9 |
| 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 | 304 | 302 | 302 | 302 | 302 | 302 | 303 | 303 | 303 | 303 |
| Buses - Directly Operated | 125 | 122 | 123 | 110 | 111 | 105 | 105 | 129 | 138 | 102 |

Source: City of Fresno - Various Departments

Notes: Information not available for all years for all categories.

Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

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 FY2010 and FY2011 are estimated.

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.

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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Finance Department
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